

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

FORM 10-Q

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

For the quarterly period ended September 30, 2015

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

For the transition period from _____ to _____

Commission File Number: 001-35814

Imprimis Pharmaceuticals, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-0567010

(I.R.S. Employer
Identification No.)

**12264 El Camino Real, Suite 350
San Diego, CA**

(Address of principal executive offices)

92130

(Zip code)

(858) 704-4040

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of November 11, 2015, 9,681,646 shares of the registrant's common stock, \$0.001 par value, were outstanding.

IMPRIMIS PHARMACEUTICALS, INC.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

IMPRIMIS PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,556	\$ 8,211
Restricted short-term investments	150	150
Accounts receivable, net	701	81
Inventories	1,273	373
Prepaid expenses and other current assets	685	241
Total current assets	9,365	9,056
Intangible assets, net	3,170	611
Goodwill	1,419	332
Furniture and equipment, net	1,067	243
TOTAL ASSETS	\$ 15,021	\$ 10,242
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,917	\$ 787
Accrued payroll and related liabilities	1,096	716
Customer deposits	21	2
Current portion of deferred acquisition obligation and accrued interest	198	-
Current portion of contingent acquisition obligation	483	31
Current portion of capital lease obligations	27	24
Total current liabilities	3,742	1,560
Capital lease obligations, net of current portion	1	19
Contingent acquisition obligation	-	483
Deferred acquisition obligation, net of current portion	306	-
Accrued expenses, net of current portion	511	30
Note payable and paid-in-kind interest, net of unamortized debt discount and issuance costs	8,217	-
TOTAL LIABILITIES	12,777	2,092
Commitments and contingencies		
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value, 90,000,000 shares authorized, 9,681,646 and 9,258,231 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	10	9
Additional paid-in capital	54,874	50,006
Accumulated deficit	(52,640)	(41,865)
TOTAL STOCKHOLDERS' EQUITY	2,244	8,150
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,021	\$ 10,242

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

IMPRIMIS PHARMACEUTICALS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for share and per share data)

	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Revenues:				
Sales, net	\$ 2,682	\$ 439	\$ 6,161	\$ 1,104
License revenues	1	2	52	6
Total revenues	2,683	441	6,213	1,110
Cost of sales	(1,202)	(239)	(3,259)	(715)
Gross profit	1,481	202	2,954	395
Operating expenses:				
Selling and marketing	1,813	637	4,455	1,462
General and administrative	3,104	1,954	8,327	6,163
Research and development	93	70	299	166
Total operating expenses	5,010	2,661	13,081	7,791
Loss from operations	(3,529)	(2,459)	(10,127)	(7,396)
Other income (expense):				
Interest income (expense), net	(423)	7	(679)	23
Other income	-	-	31	-
Total other income (expenses), net	(423)	7	(648)	23
Net loss	\$ (3,952)	\$ (2,452)	\$ (10,775)	\$ (7,373)
Basic and diluted net loss per share of common stock	\$ (0.41)	\$ (0.27)	\$ (1.13)	\$ (0.81)
Weighted average number of shares of common stock outstanding, basic and diluted	9,603,541	9,154,172	9,501,730	9,092,065

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

IMPRIMIS PHARMACEUTICALS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (10,775)	\$ (7,373)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of furniture and equipment	186	20
Amortization of intangible assets	264	31
Amortization of debt issuance costs and discount	175	-
Paid-in-kind interest added to principal of note payable	79	-
Non-cash gain on contingent acquisition obligations	(31)	-
Stock-based compensation	2,317	1,951
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(221)	(10)
Inventories	(605)	(138)
Prepaid expenses and other current assets	(444)	(227)
Accounts payable and accrued expenses	845	372
Accrued payroll and related liabilities	349	380
Customer deposits	19	(10)
NET CASH USED IN OPERATING ACTIVITIES	(7,842)	(5,004)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Park Compounding, net	(3,005)	-
Purchase of Central Allen Pharmacy, net	(421)	-
Purchase of restricted short-term investment	-	(100)
Purchase of Pharmacy Creations, LLC, net	-	(636)
Investment in patents and other identifiable intangible assets	(129)	-
Purchases of furniture and equipment	(704)	(92)
NET CASH USED IN INVESTING ACTIVITIES	(4,259)	(828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	(18)	(4)
Payments on Park deferred acquisition obligation	(87)	-
Proceeds from note payable, net of issuance costs and fees	9,303	-
Net proceeds from exercise of warrants and stock options	1,248	621
NET CASH PROVIDED BY FINANCING ACTIVITIES	10,446	617
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,655)	(5,215)
CASH AND CASH EQUIVALENTS, beginning of period	8,211	15,579
CASH AND CASH EQUIVALENTS, end of period	\$ 6,556	\$ 10,364
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes	\$ 1	\$ 1
Cash paid for interest	\$ 414	\$ 3
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of stock options for consulting services included in accounts payable and accrued expenses	\$ 39	\$ -
Issuance of common stock and deferred obligations in the purchase of Park Compounding	\$ 1,016	\$ -
Estimated relative fair value of warrants issued in connection with note payable	\$ 840	\$ -
Final fee on note payable recorded as debt discount and included in accrued expenses	\$ 500	\$ -
Purchase of furniture and equipment with a capital lease	\$ -	\$ 35

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

IMPRIMIS PHARMACEUTICALS, INC.
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended September 30, 2015 and 2014
(Dollar amounts in thousands, except share and per share data)

NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Company and Background

Imprimis Pharmaceuticals, Inc. (together with its subsidiaries, unless the context indicates or otherwise requires, the “Company” or “Imprimis”) is a national leader in the development, production and dispensing of novel compounded pharmaceuticals and making these therapies available to physicians and patients at accessible prices. The Company owns, markets and sells a portfolio of proprietary combination formulations in several therapeutic segments including ophthalmology, urology, and otolaryngology that it believes may offer competitive advantages and serve unmet needs in the marketplace. The Company’s ophthalmic formulations, led by its Dropless Therapy™ injectable and LessDrops™ topical formulations, serve the multi-billion dollar eye drop market and are designed to address patient compliance issues and provide other medical and economic benefits to physicians and patients. The Company’s urology business, led by its Defeat IC™ campaign, includes a patented compounded formulation for patients suffering from interstitial cystitis. The Company recently launched its otolaryngology business and acquired the assets of certain leading U.S. providers of compounded sinus medications, delivery systems and patented packaging. The Company is also developing additional complementary proprietary compounded formulations to add to its ophthalmology, urology, and otolaryngology formulation portfolios. Imprimis makes, dispenses and sells its proprietary compounded formulations, as well as other non-proprietary products, through its wholly-owned compounding pharmacies.

On April 1, 2014, the Company acquired Pharmacy Creations, LLC (“PC”), a New Jersey based compounding pharmacy, on January 1, 2015, the Company acquired South Coast Specialty Compounding, Inc. D/B/A Park Compounding (“Park”), a California based compounding pharmacy, on August 4, 2015, the Company acquired JT Pharmacy, Inc. D/B/A Central Allen Pharmacy (“CAP”), a Texas based compounding pharmacy, and on October 15, 2015, the Company, through a wholly-owned subsidiary ImprimisRx PA, Inc. (“ImprimisRx PA”), acquired substantially all of the assets and tradenames of Thousand Oaks Holding Company’s wholly-owned subsidiaries Topical Apothecary Group, LLC (d/b/a TAG Pharmacy), Aerosol Science Laboratories, Inc. (d/b/a ASL Pharmacy), SinuTopic, Inc. (d/b/a Sinus Dynamics Pharmacy) and Mycotoxins, LLC. Effective with the acquisition of PC, the Company commenced sales and marketing efforts for Imprimis’ portfolio of proprietary and non-proprietary compounded drug formulations. We may refer to all of our wholly-owned compounding pharmacies hereinafter collectively as our “ImprimisRx compounding pharmacies.”

Basis of Presentation

Imprimis has prepared the accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for audited financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015 or for any other period. For further information, refer to the Company’s audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Liquidity

We have incurred significant operating losses and negative cash flows from operations since our inception. The Company incurred net losses of \$10,775 and \$7,373 for the nine months ended September 30, 2015 and 2014, respectively, and had an accumulated deficit of \$52,640 and \$41,865 as of September 30, 2015 and December 31, 2014, respectively. In addition, the Company used cash in operating activities of \$7,842 and \$5,004 for the nine months ended September 30, 2015 and 2014, respectively.

While there is no assurance, the Company believes its existing cash resources and restricted investments of approximately \$6,706 at September 30, 2015 will be sufficient to sustain our planned level of operations for at least the next twelve months taking into account certain planned activities. However, these estimates of operating expenses and working capital requirements could be incorrect, and the Company may use our cash resources faster than anticipated. Further, some or all of the ongoing or planned activities may not be successful and could result in further losses.

The Company may plan to increase liquidity and capital resources by one or more measures, to the extent necessary. These plans may include, but are not limited to, the following: obtaining financing through the issuance of equity, debt, or convertible securities; and working to increase revenue growth through pharmacy sales. There is no guarantee that the Company will be able to obtain capital on terms it deems as acceptable, or at all.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following represents an update for the nine months ended September 30, 2015 to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Concentrations of Credit Risk

The Company places its cash with financial institutions deemed by management to be of high credit quality. The Federal Deposit Insurance Corporation ("FDIC") provides basic deposit coverage with limits up to \$250 per owner. At September 30, 2015, the Company had approximately \$6,306 in cash deposits in excess of FDIC limits.

Accounts Receivable

Accounts receivable are stated net of allowances for doubtful accounts and contractual adjustments. The accounts receivable balance primarily includes amounts due from customers the Company has invoiced or from third-party providers (e.g., insurance companies and governmental agencies), but for which payment has not been received. Charges to bad debt are based on both historical write-offs and specifically identified receivables. Contractual adjustments are determined by the amount expected to be collected from third-party providers. Accounts receivable are presented net of allowances for doubtful accounts and contractual adjustments in the amount of \$205 and \$4 as of September 30, 2015 and December 31, 2014, respectively.

Revenue Recognition and Deferred Revenue

The Company recognizes revenues when all of the following criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred; (3) the selling price is fixed and determinable; and (4) collectability is reasonably assured. The Company began generating revenues upon the acquisition of PC in the second quarter of 2014, which include sales of certain of the Company's proprietary compounded drug formulations and non-proprietary formulations and products.

Product Revenues

Determination of criteria (3) and (4) is based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Estimated returns and allowances and other adjustments are provided for in the same period during which the related sales are recorded. The Company will defer any revenues received for a product that has not been delivered or is subject to refund until such time that the Company and the customer jointly determine that the product has been delivered and no refund will be required.

License Revenues

License arrangements may consist of non-refundable upfront license fees, data transfer fees, research reimbursement payments, exclusive license rights to patented or patent pending compounds, technology access fees, and various performance or sales milestones. These arrangements can be multiple element arrangements.

Non-refundable fees that are not contingent on any future performance by the Company and require no consequential continuing involvement on the part of the Company are recognized as revenue when the license term commences and the licensed data, technology, compounded drug preparation and/or other deliverable is delivered. Such deliverables may include physical quantities of compounded drug preparations, design of the compounded drug preparations and structure-activity relationships, the conceptual framework and mechanism of action, and rights to the patents or patent applications for such compounded drug preparations. The Company defers recognition of non-refundable fees if it has continuing performance obligations without which the technology, right, product or service conveyed in conjunction with the non-refundable fee has no utility to the licensee and that are separate and independent of the Company's performance under the other elements of the arrangement. In addition, if the Company's continued involvement is required, through research and development services that are related to its proprietary know-how and expertise of the delivered technology or can only be performed by the Company, then such non-refundable fees are deferred and recognized over the period of continuing involvement. Guaranteed minimum annual royalties are recognized on a straight-line basis over the applicable term.

Business Combinations

We account for business combinations by recognizing the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair values on the acquisition date. The purchase price allocation process requires management to make significant estimates and assumptions, especially with respect to intangible assets, estimated contingent consideration payments and pre-acquisition contingencies. Examples of critical estimates in valuing certain of the intangible assets we have acquired or may acquire in the future include but are not limited to:

- future expected cash flows from product sales, support agreements, consulting contracts, other customer contracts, and acquired development technologies and patents; and
- discount rates utilized in valuation estimates.

Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results. Additionally, any change in the fair value of the acquisition-related contingent consideration subsequent to the acquisition date, including changes from events after the acquisition date, such as changes in our estimate of relevant revenue or other targets, will be recognized in earnings in the period of the estimated fair value change. A change in fair value of the acquisition-related contingent consideration or the occurrence of events that cause results to differ from our estimates or assumptions could have a material effect on the consolidated statements of operations, financial position and cash flows in the period of the change in the estimate.

Goodwill and Intangible Assets

Patents and trademarks are recorded at cost and capitalized at a time when the future economic benefits of such patents and trademarks become more certain. At that time, the Company capitalizes third party legal costs and filing fees associated with obtaining and prosecuting claims related to its patents and trademarks. Once the patents have been issued, the Company amortizes these costs over the shorter of the legal life of the patent or its estimated economic life, generally 20 years, using the straight-line method. Trademarks are an indefinite life intangible asset and are assessed for impairment based on future projected cash flows as further described below.

The Company reviews its goodwill and indefinite-lived intangible assets for impairment as of January 1 of each year and when an event or a change in circumstances indicates the fair value of a reporting unit may be below its carrying amount. Events or changes in circumstances considered as impairment indicators include but are not limited to the following:

- significant underperformance of the Company's business relative to expected operating results;
- significant adverse economic and industry trends;
- significant decline in the Company's market capitalization for an extended period of time relative to net book value; and
- expectations that a reporting unit will be sold or otherwise disposed.

The goodwill impairment test consists of a two-step process as follows:

Step 1. The Company compares the fair value of each reporting unit to its carrying amount, including the existing goodwill. The fair value of each reporting unit is determined using a discounted cash flow valuation analysis. The carrying amount of each reporting unit is determined by specifically identifying and allocating the assets and liabilities to each reporting unit based on headcount, relative revenues or other methods as deemed appropriate by management. If the carrying amount of a reporting unit exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and the Company then performs the second step of the impairment test. If the fair value of a reporting unit exceeds its carrying amount, no further analysis is required.

Step 2. If further analysis is required, the Company compares the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets and its liabilities in a manner similar to a purchase price allocation, to its carrying amount. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss will be recognized in an amount equal to the excess.

Impairment of Long-Lived Assets

Long-lived assets, such as furniture and equipment, purchased intangibles subject to amortization and patents and trademarks, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the condensed consolidated balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the condensed consolidated balance sheet, if material.

During the three and nine months ended September 30, 2015 and 2014, the Company did not recognize any impairment of long-lived assets.

Debt Issuance Costs and Debt Discount

Debt issuance costs and the debt discount are recorded net of note payable in the condensed consolidated balance sheet. Amortization expense of debt issuance costs and the debt discount is calculated using the effective interest method over the term of the debt and is recorded in interest expense in the accompanying condensed consolidated statement of operations.

Fair Value Measurements

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The established fair value hierarchy prioritizes the use of inputs used in valuation methodologies into the following three levels:

- Level 1: Applies to assets or liabilities for which there are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.
- Level 2: Applies to assets or liabilities for which there are significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Applies to assets or liabilities for which there are significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, Level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

At September 30, 2015 and December 31, 2014, the Company did not have any financial assets or liabilities that are measured on a recurring basis. At September 30, 2015 and December 31, 2014, the Company's financial instruments included cash and cash equivalents, restricted short-term investments, accounts receivable, accounts payable and accrued expenses, accrued payroll and related liabilities, customer deposits, deferred acquisition obligations, note payable and capital leases. The carrying amount of these financial instruments, except for deferred acquisition obligations, note payable, and the capital leases, approximates fair value due to the short-term maturities of these instruments. The Company's restricted short-term investments are carried at amortized cost, which approximates fair value. Based on borrowing rates currently available to the Company, the carrying values of the deferred acquisition obligations, note payable, and capital leases approximate their respective fair values.

Third Party Billing and Collection Agreements

In connection with its acquisition of Park, the Company entered into a billing and collection agreement with a third party to assist in the billing and collection of workers' compensation claims. Under the terms of the agreement, the Company is obligated to pay a fixed fee to the third party equal to 55% of the amounts billed and collected under the workers' compensation claims. The Company accrues for such fees in accounts payable and accrued expenses in the accompanying condensed consolidated balance sheet. Total billing and collection management expense under this agreement for the three and nine months ended September 30, 2015 was \$7 and \$28, and is included in selling and marketing expenses in the accompanying condensed consolidated statement of operations. The amount due under the agreement as of September 30, 2015 was \$14.

Stock-Based Compensation

All stock-based payments to employees, directors and consultants, including grants of stock options, warrants, restricted stock units ("RSUs") and restricted stock, are recognized in the condensed consolidated financial statements based upon their estimated fair values. The Company uses the Black-Scholes-Merton option pricing model and Monte Carlo Simulation to estimate the fair value of stock-based awards. The estimated fair value is determined at the date of grant. The financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates.

The Company's accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows Financial Accounting Standards Board ("FASB") guidance. As such, the value of the applicable stock-based compensation is periodically remeasured and income or expense is recognized during the vesting terms of the equity instruments. The measurement date for the estimated fair value of the equity instruments issued is the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the estimated fair value of the equity instrument is primarily recognized over the term of the consulting agreement. According to FASB guidance, an asset acquired in exchange for the issuance of fully vested, nonforfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, the Company records the estimated fair value of nonforfeitable equity instruments issued for future consulting services as prepaid stock-based consulting expenses in its condensed consolidated balance sheets.

Income Taxes

The Company accounts for income taxes under the provisions of FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, or ASC 740. As of September 30, 2015, there were no unrecognized tax benefits included in the condensed consolidated balance sheet that would, if recognized, affect the effective tax rate. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties in its condensed consolidated balance sheets at September 30, 2015 and December 31, 2014, and has not recognized interest and/or penalties in the condensed consolidated statements of operations for the periods ended September 30, 2015 and 2014. The Company is subject to taxation in the United States, New Jersey, and California. The Company's tax years since 2000 are subject to examination by the federal and state tax authorities due to the carryforward of unutilized net operating losses.

Basic and Diluted Net Loss per Common Share

Basic net loss per common share is computed by dividing net loss attributable to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders for the period by the weighted average number of common and common equivalent shares, such as stock options and warrants, outstanding during the period.

Basic and diluted net loss per share is computed using the weighted average number of shares of common stock outstanding during the period. Common stock equivalents (using the treasury stock or "if converted" method) from deferred acquisition obligations, stock options, RSUs and warrants were 3,382,512 and 3,053,649 at September 30, 2015 and 2014, respectively, and are excluded from the calculation of diluted net loss per share for all periods presented because the effect is anti-dilutive. Common stock equivalents at September 30, 2015 included 39,880 shares of common stock underlying RSUs awarded to directors that had vested, but the issuance and delivery of these shares are deferred until the director resigns.

The following table shows the computation of basic and diluted net loss per share of common stock for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Numerator – net loss	\$ (3,952)	\$ (2,452)	\$ (10,775)	\$ (7,373)
Denominator – weighted average number of shares outstanding, basic and diluted	9,603,541	9,154,172	9,501,730	9,092,065
Net loss per share, basic and diluted	\$ (0.41)	\$ (0.27)	\$ (1.13)	\$ (0.81)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management are, among others, allowance for doubtful accounts and contractual adjustments, realizability of inventories, valuation of deferred taxes, goodwill and intangible assets, recoverability of long-lived assets and goodwill, valuation of contingent acquisition obligations and deferred acquisition obligations, valuation of note payable, and valuation of stock-based compensation issued to employees and non-employees. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In April 2015, the FASB issued Accounting Standard Update (“ASU”) 2015-03 *Simplifying the Presentation of Debt Issuance Costs*. This update requires capitalized debt issuance costs to be classified as a reduction to the carrying value of debt rather than a deferred charge, as is currently required. This update will be effective for the Company for all annual and interim periods beginning after December 15, 2015 and is required to be adopted retroactively for all periods presented, and early adoption is permitted. The Company has elected early adoption of this policy for the periods presented, and the Company is currently presenting debt issuance costs as a reduction in the carrying value of the note payable in accordance with this ASU.

Recently Issued Accounting Pronouncements

In September 2015, the FASB issued ASU 2015-16 *Simplifying the Accounting for Measurement-Period Adjustments* which eliminates the requirement to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. Measurement period adjustments are calculated as if they were known at the acquisition date, but are recognized in the reporting period in which they are determined. Additional disclosures are required about the impact on current-period income statement line items of adjustments that would have been recognized in prior periods if prior-period information had been revised. The guidance is effective for annual periods beginning after December 15, 2015 and is to be applied prospectively to adjustments of provisional amounts that occur after the effective date. Early application is permitted. The Company is evaluating the impact of adoption of this guidance on its financial position and results of operations.

In July 2015, the FASB issued ASU 2015-11 *Simplifying the Measurement of Inventory* which requires entities to measure most inventory “at the lower of cost and net realizable value (“NRV”),” thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. Under the new guidance, inventory is “measured at the lower of cost and net realizable value,” which eliminates the need to determine replacement cost and evaluate whether it is above the ceiling (NRV) or below the floor (NRV less a normal profit margin). The guidance defines NRV as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” The guidance is effective for annual periods beginning after December 15, 2016, and interim periods therein. Early application is permitted. The Company is evaluating the impact of adoption of this guidance on its financial position and results of operations.

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers*. This updated guidance supersedes the current revenue recognition guidance, including industry-specific guidance. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated guidance is effective for interim and annual periods beginning after December 15, 2016, and early adoption is not permitted. In July 2015, the FASB decided to delay the effective date of ASU 2014-09 until December 15, 2017. The FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. The Company is currently evaluating which transition method it will adopt and the expected impact of the updated guidance, but does not believe the adoption of the updated guidance will have a significant impact on its consolidated financial statements.

NOTE 3. ACQUISITIONS

Acquisition of Park

On January 1, 2015, the Company acquired all of the outstanding membership interests of Park (the “Park Acquisition”) from its previous owners (the “Sellers”), such that Park became a wholly owned subsidiary of the Company. The acquisition of Park permits the Company to further make and distribute its patent-pending proprietary drug formulations and other novel pharmaceutical solutions and introduces the Company to new geographic and compounded formulation markets.

The transaction has been accounted for as a business combination and the financial results of Park have been included in the Company’s condensed consolidated financial statements for the period subsequent to the acquisition.

The estimated acquisition date fair value of consideration transferred, assets acquired and liabilities assumed for Park are presented below and represent the Company’s best estimates.

Fair Value of Consideration Transferred

At the closing of the Park Acquisition, the Company paid to the Sellers an aggregate cash purchase price of \$3,000, net of fees and expenses, and a \$100 payment for cash remaining in a Park bank account, and we issued to the Sellers 63,525 shares of the Company's restricted common stock, valued at \$500 based on the average closing price of the Company's common stock for the 10 trading days preceding the closing. In addition, the Company is obligated to make 12 quarterly cash payments to the Sellers collectively of \$53 each over the three years following the closing of the Park Acquisition, totaling \$638; provided that the Sellers will have the option to receive the last six of such payments, totaling up to an aggregate of \$319, in the form of 6,749 shares of the Company's common stock for each such payment. The convertible features of the deferred consideration provide for a rate of conversion that is at market value, and as a result no value was attributed to the conversion feature.

Management applied a discount rate of 15% to the restricted common stock issued at the closing of the Park Acquisition due to a lack of marketability of such shares as a result of certain restrictions on their transfer. The total acquisition date fair value of the consideration transferred and to be transferred is estimated at approximately \$4,116.

A \$591 liability was recognized for the estimated acquisition date fair value of the deferred consideration and is included in the deferred acquisition obligations in the accompanying condensed consolidated balance sheet at September 30, 2015.

The total acquisition date fair value of consideration transferred and to be transferred is estimated as follows:

Cash payment to Sellers at closing	\$	3,100
Restricted common stock issuance to Sellers at closing		425
Deferred consideration to Sellers		591
Total acquisition date fair value	\$	<u>4,116</u>

Allocation of Consideration Transferred

The identifiable assets acquired and liabilities assumed were recognized and measured as of the acquisition date based on their estimated fair values as of January 1, 2015, the acquisition date. The excess of the acquisition date fair value of consideration transferred over the estimated fair value of the net tangible assets and intangible assets acquired was recorded as goodwill.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

Cash and cash equivalents	\$	95
Accounts receivable		399
Inventories		232
Furniture and equipment		252
Intangible assets		2,629
Total identifiable assets acquired		<u>3,607</u>
Accounts payable and accrued expenses		304
Other liabilities		35
Total liabilities assumed		<u>339</u>
Total identifiable assets less liabilities assumed		3,268
Goodwill		848
Net assets acquired	\$	<u>4,116</u>

The fair value adjustments made herein and the allocation of purchase price is preliminary. During the three months ended June 30, 2015 the discount rate of the common stock issued at the time of the Park Acquisition was adjusted from 25% to 15% which resulted in an increase of \$46 and \$4 in goodwill and intangible assets, respectively, compared to the initial allocation of the purchase price. The final allocation will be based on estimates and appraisals that will be finalized within one year of the closing of the Park Acquisition and based on the Company's final evaluation of Park's assets and liabilities, including both tangible and intangible assets. The final allocation of purchase price and the resulting effect on net income (loss) may differ from the amounts included herein. If the Company's final purchase price allocation differs from the allocation used in preparing these condensed consolidated financial statements, the Company's tangible and intangible assets and net loss could be higher or lower than the amounts presented in these condensed consolidated financial statements.

Results of Operations

The amount of revenues and net income of Park included in the Company's condensed consolidated statement of operations from the acquisition date through the period ended September 30, 2015 are as follows:

Total revenues	\$	3,992
Net income	\$	546

Intangible Assets

Management engaged a third-party valuation firm to assist in the determination of the fair value of the acquired intangible assets of Park. In determining the fair value of the intangible assets, the Company considered, among other factors, the best use of the acquired assets, analyses of historical financial performance of Park and estimates of future performance of Park. The fair values of the identified intangible assets related to Park's customer relationships, trade name, non-competition clause, and state pharmacy licenses. Customer relationships and the non-competition clause were calculated using the income approach. Trade name and state pharmacy licenses were calculated using the cost approach. The following table sets forth the components of identified intangible assets associated with the Park Acquisition and their estimated useful lives.

	Fair Value	Useful Life
Customer relationships	2,387	3 - 15 years
Trade name	10	5 years
Non-competition clause	224	3 years
State pharmacy licenses	8	25 years
	\$	2,629

The Company determined the useful lives of intangible assets based on the expected future cash flows and contractual life associated with the respective assets. Trade names represent the fair value of the brand and name recognition associated with the marketing of Park's formulations and services. Customer relationships represent the expected future benefit from contracts and relationships which, at the date of acquisition, were reasonably anticipated to continue given the history and operating practices of Park. The non-competition clause represents the contractual period and expected degree of adverse economic impact that would exist in its absence. Licenses represent twelve state pharmacy licenses Park held at the date of acquisition.

Goodwill

Of the total estimated purchase price for the Park Acquisition, \$848 was allocated to goodwill and is attributable to expected synergies between the combined companies, including access for the Company to fulfill prescriptions with its patent-pending proprietary drug formulations through Park's market channels and assembled workforce. Goodwill represents the excess of the purchase price of the acquired business over the fair value of the underlying net tangible and intangible assets acquired. Goodwill resulting from the business will be tested for impairment at least annually and more frequently if certain indicators are present. In the event the Company determines that the value of goodwill has become impaired, it will incur an accounting charge for the amount of the impairment during the fiscal quarter in which the determination is made. None of the goodwill is expected to be deductible for income tax purposes.

Other 2015 Acquisitions

During 2015, the Company acquired CAP and purchased assets primarily to expand its compounding pharmacy infrastructure and offerings. This acquisition was not individually significant. The Company has included the financial results of the acquired company in its condensed consolidated financial statements from its respective acquisition date and the results from this company were not individually material to the Company's condensed consolidated financial statements. The total preliminary purchase price for this acquisition was approximately \$421, which was paid entirely in cash. The Company has preliminarily recorded \$117 of net tangible assets and \$65 of identifiable intangible assets, based on their estimated fair values, and \$239 of residual goodwill.

The initial purchase price calculation and related accounting for the acquisition completed during 2015 is preliminary. The preliminary fair value estimates for the assets acquired and liabilities assumed for certain of our acquisitions completed during 2015 were based upon preliminary calculations and valuations and estimates and assumptions for the acquisition are subject to change as the Company obtains additional information during the respective measurement periods (up to one year from the respective acquisition date). The primary areas of those preliminary estimates that are not yet finalized relate to certain tangible assets and liabilities acquired and identifiable intangible assets.

2014 Acquisition of PC

On April 1, 2014, the Company completed the acquisition of PC. The Company has included the financial results of PC in its condensed consolidated financial statements from the date of acquisition. The total purchase price for PC was approximately \$1,115, which consisted of approximately \$600 in cash payments and \$515 in contingent consideration. The Company has recorded \$124 of net tangible assets less liabilities, \$659 of identifiable intangible assets, and \$332 of goodwill in connection with such acquisition.

Pro Forma Financial Information

The following table presents the Company's unaudited pro forma results (including CAP, Park and PC) for the three and nine months ended September 30, 2014, as though the companies had been combined as of the beginning of each of the periods presented. The acquisition of CAP was not individually significant and the 2015 results from this company were not individually material to our condensed consolidated financial statements. The pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each period presented, nor is it indicative of results of operations which may occur in the future. The unaudited pro forma results presented include amortization charges for intangible assets, interest charges, acquisition costs, and eliminations of intercompany transactions.

	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2014
Total revenues	\$ 1,853	\$ 5,849
Net loss	\$ (2,349)	\$ (7,147)

The Company incurred approximately \$201 in acquisition expenses related to the Park Acquisition, and did not incur material acquisition expenses related to the CAP or PC acquisitions.

NOTE 4. RESTRICTED SHORT-TERM INVESTMENTS

The restricted short-term investments at September 30, 2015 and December 31, 2014 consist of certificates of deposit, which are classified as held-to-maturity. At September 30, 2015 and December 31, 2014, the restricted short-term investments were recorded at amortized cost, which approximates fair value.

At September 30, 2015 and December 31, 2014, the certificates of deposit of \$150 were classified as a current asset. These certificates of deposit are required as collateral under the Company's corporate credit card agreement and additional security for the Company's office space lease, and they automatically renew every twelve months.

NOTE 5. INVENTORIES

Inventories are comprised of finished compounded formulations, over-the-counter and prescription retail pharmacy products, commercial pharmaceutical products, related laboratory supplies and active pharmaceutical ingredients. The composition of inventories as of September 30, 2015 and December 31, 2014 was as follows:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Raw materials	\$ 453	\$ 146
Work in progress	-	98
Finished goods	820	129
Total inventories	<u>\$ 1,273</u>	<u>\$ 373</u>

NOTE 6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Prepaid insurance	\$ 311	\$ 124
Other prepaid expenses	293	82
Deposits and other current assets	81	35
Total prepaid expenses and other current assets	<u>\$ 685</u>	<u>\$ 241</u>

NOTE 7. INTANGIBLE ASSETS AND GOODWILL

The Company's intangible assets at September 30, 2015 consisted of the following:

	Amortization periods (in years)	Cost	Accumulated amortization	Net Carrying value
Patents	20 years	\$ 41	\$ -	\$ 41
Trademarks	Indefinite	88	-	88
Customer relationships	3-15 years	2,998	(232)	2,766
Trade name	5 years	16	(3)	13
Non-competition clause	3-4 years	294	(75)	219
State pharmacy licenses	25 years	45	(2)	43
		<u>\$ 3,482</u>	<u>\$ (312)</u>	<u>\$ 3,170</u>

Amortization expense for intangible assets for the three and nine months ended September 30, 2015 was as follows:

	For the Three Months Ended September 30, 2015	For the Nine Months Ended September 30, 2015
Customer relationships	\$ 66	\$ 195
Trade name	-	2
Non-competition clause	22	66
State pharmacy licenses	-	1
	<u>\$ 88</u>	<u>\$ 264</u>

Estimated future amortization expense for the Company's intangible assets at September 30, 2015 is as follows:

Years ending December 31,	
Remainder of 2015	\$ 90
2016	364
2017	364
2018	218
2019	207
Thereafter	1,927
	<u>\$ 3,170</u>

The changes in the carrying value of the Company's goodwill during the nine months ended September 30, 2015 were as follows:

Balance at January 1, 2015	\$ 332
Acquisition of Park (see Note 3)	848
Other acquisitions (see Note 3)	239
Balance at September 30, 2015	<u>\$ 1,419</u>

NOTE 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following:

	September 30, 2015	December 31, 2014
Accounts payable	\$ 1,810	\$ 699
Deferred rent	61	5
Accrued exit fee for note payable (see Note 9)	500	-
Building lease liability(1)	57	74
Other accrued expenses	-	39(2)
Total accounts payable and accrued expenses	2,428	817
Less: Current portion	(1,917)	(787)
Non-current total accrued expenses	<u>\$ 511</u>	<u>\$ 30</u>

- (1) In September 2014, the Company relocated its primary operations to a 7,565 square foot office facility in San Diego, California. In February 2015, the Company entered into a sublease agreement to sublet 3,874 square feet of its previously occupied offices through the remaining term of the lease at a monthly rent amount of \$8. The Company recognized a loss of approximately \$117 during the year ended December 31, 2014 related to the estimated remaining lease liability, net of expected sublease income, of the previously occupied offices. The obligations were discounted based on current prevailing market rates.
- (2) The amount consists of a \$39 stock-based compensation accrual at December 31, 2014 related to stock options granted for consulting services provided. The stock options were granted during the nine months ended September 30, 2015 and the \$39 was recorded to additional paid-in-capital.

NOTE 9. DEBT

On May 11, 2015, the Company entered into a loan and security agreement (the "Loan Agreement") with IMMY Funding LLC, an affiliate of Life Sciences Alternative Funding LLC (the "Lender"), as lender and collateral agent. Pursuant to the terms of the Loan Agreement, the Lender made available to the Company term loans in the aggregate principal amount of up to \$15,000, \$10,000 of which was drawn on May 11, 2015 and the remaining \$5,000 of which will be available to be drawn, at the Company's option, upon the Company's achievement of at least \$15,000 in trailing 12-month revenue during any consecutive 12-month period through May 11, 2016. The term loans bear interest at a fixed per-annum rate of 12.5% and allows for 2% of the interest to be paid-in-kind until either February 2017 or May 2017, such date dependent upon the Company's ability to meet certain revenue or cash balance measures. The Company is permitted to pay interest only for the first three years and after the end of the interest-only period, we will be required to pay interest, plus repayments of the principal amount of the term loans, in 36 equal monthly installments. The interest-only period may be reduced to 20 months if the Company does not meet certain minimum revenue or cash balance requirements and the Company would be required to pay interest, plus repayments of the principal amount of the term loans, in 24 equal monthly installments. All amounts owed under the loan agreement, including a final fee of 5% of the aggregate principal amount of the term loans, will be due on the earlier of May 11, 2021, or 24 months after the end of the interest-only period. The Company incurred expenses of approximately \$697 in connection with the Loan Agreement. The final fee and expenses are being amortized as interest expense over the term of the debt using the interest method and the related liability of \$500 for the final fee is included in accrued expenses (see Note 8) in the accompanying condensed consolidated balance sheet.

Pursuant to the terms of the Loan Agreement, the Company is bound by certain affirmative covenants setting forth actions that the Company must take during the term of the Loan Agreement, including, among others, certain information delivery requirements, obligations to maintain certain insurance and certain notice requirements. Additionally, the Company is bound by certain negative covenants setting forth actions that the Company may not take during the term of the Loan Agreement without the Lender's consent, including, among others, disposing of certain of the Company's or its subsidiaries' business or property, incurring certain additional indebtedness, entering into certain merger, acquisition or change of control transactions, paying certain dividends or distributions on or repurchasing any of the Company's capital stock, or incurring any lien or other encumbrance on the Company's or its subsidiaries' assets, subject to certain permitted exceptions. Upon the occurrence of an event of default under the Loan Agreement (subject to cure periods for certain events of default), all amounts owed by the Company thereunder may be declared immediately due and payable by the Lender. Events of default include, among others, the following: the occurrence of certain bankruptcy events; the failure to make payments under the Loan Agreement when due; the occurrence of a material adverse change in the business, operations or condition of the Company or any of its subsidiaries; the breach by the Company or its subsidiaries of certain of their material agreements with third parties; the initiation of certain regulatory enforcement actions against the Company or its subsidiaries; the rendering of certain types of fines or judgments against the Company or its subsidiaries; any breach by the Company or its subsidiaries of any covenant (subject to cure periods for certain covenants) made in the Loan Agreement; and the failure of any representation or warranty made by the Company or its subsidiaries in connection with the Loan Agreement to be correct in any material respect when made.

The Company's obligations under the Loan Agreement are guaranteed on a secured basis by its wholly owned subsidiaries. Each of the Company and its subsidiaries has granted the Lender a security interest in substantially all of its personal property, rights and assets, including intellectual property rights and equity ownership, to secure the payment of all amounts owed under the Loan Agreement.

In connection with the Loan Agreement, the Company has issued to the Lender a warrant to purchase up to 125,000 shares of the Company's common stock, which is exercisable immediately, has an exercise price of \$7.85 per share and has a term of 10 years. The relative fair value of the warrants was approximately \$840 and was estimated using the Black-Scholes-Merton model with the following assumptions: fair value of the Company's common stock at issuance of \$7.97 per share; ten-year contractual term; 109% volatility; 0% dividend rate; and a risk-free interest rate of 1.25%. The relative fair value of the warrants was recorded as a debt discount, decreasing notes payable and increasing additional paid-in capital on the accompanying condensed consolidated balance sheet. The debt discount is being amortized to interest expense over the term of the debt using the interest method. For the three and nine months ended September 30, 2015, debt discount and issuance costs amortization was approximately \$105 and \$175, respectively.

Notes payable at September 30, 2015 was as follows:

	September 30, 2015
12.5% note payable	\$ 10,000
Add: Interest paid-in-kind	79
Less: Discount on note for issuance costs and relative fair value of warrants	(1,862)
Less: Current portion	-
Long-term portion	\$ 8,217

Future minimum payments as of September 30, 2015 are as follows:

Year Ending December 31,	Amount
Remainder of 2015	\$ 264
2016	1,075
2017	1,195
2018	2,741
2019	4,183
Thereafter	6,275
Total minimum payments	15,733
Less: amount representing interest and interest paid-in-kind	(5,733)
Note payable, gross	10,000
Add: interest paid-in-kind	79
Less: unamortized discount and issuance costs	(1,862)
Note payable and interest paid-in-kind, net of unamortized debt discount and issuance costs	\$ 8,217

NOTE 10. STOCKHOLDERS' EQUITY AND STOCK-BASED COMPENSATION

Common Stock

During January 2015, the Company issued 63,525 shares of restricted common stock, valued at \$425, in connection with the Park Acquisition (see Note 3).

In January 2015, the Company issued 8,521 shares of its common stock in connection with RSUs that had been awarded to a non-employee director and had vested, but were not issued and settled until the resignation of the director on January 1, 2015.

During the nine months ended September 30, 2015, 21,182 shares of the Company's common stock underlying RSUs issued to directors vested, but the issuance and delivery of these shares are deferred until the director resigns.

During the nine months ended September 30, 2015, the Company issued a total of 130,457 shares of common stock as a result of option exercises. The Company received no cash proceeds for the issuance of the shares of common stock upon the exercise pursuant to cashless exercise provisions of stock options to purchase 255,600 shares of common stock with exercise prices ranging from \$3.20 to \$4.51 per share.

During the nine months ended September 30, 2015, the Company issued a total of 220,912 shares of common stock as a result of warrant exercises. Of these, the Company received cash proceeds of \$1,248 for the issuance of 209,980 shares of common stock upon the exercise on a cash basis of warrants to purchase the same number of shares of common stock with an exercise price of \$5.925, and the Company received no cash proceeds for the issuance of 10,932 shares of common stock upon the exercise pursuant to cashless exercise provisions of warrants to purchase 30,457 shares of common stock with an exercise price of \$5.25 per share.

Preferred Stock

At September 30, 2015, the Company had 5,000,000 shares of preferred stock, \$0.001 par value, authorized and no shares of preferred stock issued and outstanding.

Stock Option Plan

On September 17, 2007, the Company's Board of Directors and stockholders adopted the Company's 2007 Incentive Stock and Awards Plan, which was subsequently amended on November 5, 2008, February 26, 2012, July 18, 2012, May 2, 2013 and September 27, 2013 (as amended, the "Plan"). As of September 30, 2015, the Plan provides for the issuance of a maximum of 5,000,000 shares of the Company's common stock. The purpose of the Plan is to provide an incentive to attract and retain directors, officers, consultants, advisors and employees whose services are considered valuable, to encourage a sense of proprietorship and to stimulate an active interest of such persons in the Company's development and financial success. Under the Plan, the Company is authorized to issue incentive stock options intended to qualify under Section 422 of the Internal Revenue Code, non-qualified stock options, restricted stock units and restricted stock. The Plan is administered by the Compensation Committee of the Company's Board of Directors.

Stock Options

A summary of stock option activity under the Plan for the nine months ended September 30, 2015 is as follows:

	Number of shares	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Options outstanding - January 1, 2015	1,029,240	\$ 5.74		
Options granted	810,946	\$ 7.82		
Options exercised	(255,600)	\$ 4.05		
Options cancelled/forfeit	(21,373)	\$ 11.12		
Options outstanding - September 30, 2015	<u>1,563,213</u>	\$ 7.05	6.09	\$ 991
Options exercisable	<u>613,121</u>	\$ 6.15	5.82	\$ 867
Options vested and expected to vest	<u>1,468,204</u>	\$ 7.01	6.09	\$ 979

The aggregate intrinsic value in the table above represents the total pre-tax amount of the proceeds, net of exercise price, which would have been received by option holders if all option holders had exercised and immediately sold all options with an exercise price lower than the market price on September 30, 2015, based on the closing price of the Company's common stock of \$6.42 on that date. The aggregate intrinsic value of stock options exercised during the nine months ended September 30, 2015 was approximately \$1,023.

During the nine months ended September 30, 2015, the Company granted stock options to certain employees and consultants. The stock options were granted with an exercise price equal to the current market price of the Company's common stock, as reported by the securities exchange on which the common stock was then listed, at the grant date and have contractual terms of 10 years. Vesting terms for options granted to employees and consultants during the nine months ended September 30, 2015 typically included one of the following vesting schedules: 25% of the shares subject to the option vest and become exercisable on the first anniversary of the grant date and the remaining 75% of the shares subject to the option vest and become exercisable quarterly in equal installments thereafter over three years; quarterly vesting over three years; or 100% vesting associated with the provision or completion of services provided under contracts with consultants. Certain option awards provide for accelerated vesting if there is a change in control (as defined in the Plan) and in the event of certain modifications to the option award agreement.

The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The expected volatility is based on the historical volatilities of the common stock of the Company and comparable publicly traded companies based on the Company's belief that it currently has limited relevant historical data regarding the volatility of its stock price on which to base a meaningful estimate of expected volatility. The expected term of options granted was determined in accordance with the "simplified approach," as the Company has limited, relevant, historical data on employee exercises and post-vesting employment termination behavior. The expected risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The financial statement effect of forfeitures is estimated at the time of grant and revised, if necessary, if the actual effect differs from those estimates. For option grants to employees and directors, the Company assigns a forfeiture factor of 10%. These factors could change in the future, which would affect the determination of stock-based compensation expense in future periods. Utilizing these assumptions, the fair value is determined at the date of grant.

On July 31, 2015 (the “Grant Date”), the Company granted to its CEO, Mr. Mark Baum, an option (“Baum Performance Option”) to purchase 600,000 shares of common stock of the Company at an exercise price of \$7.87 per share under the Plan. 200,000 of the shares subject to the option shall vest if, at any time during the five (5) years following the Grant Date, the average of the official closing price per share of the Company’s common stock during the preceding five (5) days is equal to or greater than \$9.00 (the “First Price Condition”). 100,000 of the shares subject to the option shall vest if, at any time during the five (5) years following the Grant Date, the average of the official closing price per share of the Company’s common stock during the preceding five (5) days is equal to or greater than \$10.00 (the “Second Price Condition”). 100,000 of the shares subject to the option shall vest if, at any time during the five (5) years following the Grant Date, the average of the official closing price per share of the Company’s common stock during the preceding five (5) days is equal to or greater than \$12.00 (the “Third Price Condition”). 100,000 of shares subject to the option shall vest if, at any time during the five (5) years following the Grant Date, the average of the official closing price per share of the Company’s common stock during the preceding five (5) days is equal to or greater than \$14.00 (the “Fourth Price Condition”). 100,000 of the shares subject to the option shall vest if, at any time during the five (5) years following the Grant Date, the average of the official closing price per share of the Company’s common stock during the preceding five (5) days is equal to or greater than \$15.00 (the “Fifth Price Condition” and each of the First Price Condition, the Second Price Condition, the Third Price Condition and the Fourth Price Condition, a “Price Condition”). The Baum Performance Option terminates on the fifth anniversary of the Grant Date.

The initial fair value of the Baum Performance Option was \$2,517 using a Monte Carlo Simulation with a five-year life, 80% volatility and a risk free interest rate of 1.54 %.

The table below illustrates the fair value per share determined by the Black-Scholes-Merton option pricing model with the following assumptions used for valuing options granted to employees (not including Baum Performance Option):

	2015
Weighted-average fair value of options granted	\$ 6.27
Expected terms (in years)	5.81 - 6.11
Expected volatility	101 - 121%
Risk-free interest rate	1.47 - 1.68%
Dividend yield	-

The table below illustrates the fair value per share determined by the Black-Scholes-Merton option pricing model with the following assumptions used for valuing options granted to consultants:

	2015
Weighted-average fair value of options granted	\$ 6.49
Expected terms (in years)	10.00
Expected volatility	108% - 109%
Risk-free interest rate	1.06 - 1.63%
Dividend yield	-

The following table summarizes information about stock options outstanding and exercisable at September 30, 2015:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 2.40	125,000	6.33	\$ 2.40	125,000	\$ 2.40
\$ 3.68 - \$4.50	207,123	4.31	\$ 4.27	159,001	\$ 4.32
\$ 5.49 - \$7.99	967,503	6.30	\$ 7.58	141,285	\$ 6.65
\$ 8.06 - \$8.99	258,557	6.69	\$ 8.88	182,805	\$ 8.93
\$ 42.80	5,030	4.87	\$ 42.80	5,030	\$ 42.80
	<u>1,563,213</u>	6.09	\$ 7.05	<u>613,121</u>	\$ 6.15

As of September 30, 2015, there was approximately \$4,190 of total unrecognized compensation expense related to unvested stock options granted under the Plan. That expense is expected to be recognized over the weighted-average remaining vesting period of 3.9 years. The stock-based compensation for all stock options was \$510 and \$1,079 during the three and nine months ended September 30, 2015, respectively.

Restricted Stock Units

Restricted stock unit, or RSU, awards are granted subject to certain vesting requirements and other restrictions, including performance and market-based vesting criteria. The grant date fair value of the RSUs, which has been determined based upon the market value of the Company's common stock on the grant date, is expensed over the vesting period of the RSUs. Unvested portions of RSUs issued to consultants are remeasured on an interim basis until vesting criteria is met.

During February 2015, the Company granted 30,000 RSUs to its Chief Financial Officer, Andrew R. Boll and 30,000 RSUs to its Chief Commercial Officer, John P. Saharek, valued at \$442 in the aggregate. The RSUs were granted pursuant to the Plan and will vest on the third anniversary of the RSU grant date, subject to the applicable employee's continued employment with the Company on such date and accelerated vesting of all unvested shares thereunder upon the occurrence of a change in control (as defined in the Plan).

During February 2015, the Company granted 157,500 RSUs to Mr. Boll, which are subject to the satisfaction of certain market-based and continued service conditions (the "Boll Performance Equity Award"). The market-based vesting criteria are separated into five tranches and require that the Company achieve and maintain certain stock price targets ranging from \$10 per share to \$30 per share during the three-year period following the grant date. With certain limited exceptions, Mr. Boll must be employed with the Company on the third anniversary of the grant date in order for the Boll Performance Equity Award to vest. The initial fair value of the Boll Performance Equity Award was \$228 using a Monte Carlo Simulation with a three-year life, 60% volatility and a risk free interest rate of 0.77%.

The market-based vesting conditions applicable to the Boll Performance Equity Award are as follows:

Tranche	Number of Shares	Target Share Price
Tranche 1	30,000 shares	\$10.00 or greater
Tranche 2	30,000 shares	\$15.00 or greater
Tranche 3	30,000 shares	\$20.00 or greater
Tranche 4	30,000 shares	\$25.00 or greater
Tranche 5	37,500 shares	\$30.00 or greater

For each respective tranche to vest the following conditions must be met: (i) the Company's common stock must have an official closing price at or above the Target Share Price for the respective tranche (each such date, a "Trigger Date"); (ii) during the period that includes the Trigger Date and the immediately following 19 trading days (the "Measurement Period"), the arithmetic mean of the 20 closing prices of the Company's common stock during the Measurement Period must be at or above the Target Share Price for such tranche; and (iii) with certain limited exceptions, Mr. Boll must be in continuous service with the Company through the third anniversary of the grant date. Any unvested RSUs under the Boll Performance Equity Award will be forfeited on the third anniversary of the grant date.

A summary of the Company's RSU activity and related information for the nine months ended September 30, 2015 is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
RSUs unvested - January 1, 2015	1,276,815	\$ 3.20
RSUs granted	251,666	\$ 3.74
RSUs vested	(21,182)	\$ 7.67
RSUs cancelled/forfeited	(9,062)	\$ 5.98
RSUs unvested at September 30, 2015	<u>1,498,237</u>	<u>\$ 3.21</u>

As of September 30, 2015, the total unrecognized compensation expense related to unvested RSUs was approximately \$1,188, which is expected to be recognized over a weighted-average period of 1.1 years, based on the vesting schedules of the applicable RSUs. The stock-based compensation for RSU's during the three and nine months ended September 30, 2015 was \$446 and \$1,238, respectively.

Warrants

From time to time, the Company issues warrants to purchase shares of the Company's common stock to investors, lenders (see Note 9), underwriters and other non-employees for services rendered or to be rendered in the future.

In April 2015, warrants to purchase 334,819 shares of the Company's common stock with an exercise price of \$5.925 were cancelled following the expiration of their contractual term.

A summary of warrant activity for the nine months ended September 30, 2015 is as follows:

	Number of Shares Subject to Warrants Outstanding	Weighted Avg. Exercise Price
Warrants outstanding - January 1, 2014	690,944	\$ 6.05
Granted	125,000	\$ 7.85
Exercised	(240,437)	\$ 5.45
Expired	(334,819)	\$ 5.93
Warrants outstanding and exercisable - September 30, 2015	<u>240,688</u>	<u>\$ 7.41</u>
Weighted average remaining contractual life of the outstanding warrants in years - September 30, 2015	<u>6.24</u>	

The fair value of each warrant is estimated on the date of grant using the Black-Scholes-Merton option pricing model. The intrinsic value of warrants exercised during the nine months ended September 30, 2015 was approximately \$528.

A list of the warrants outstanding as of September 30, 2015 is included in the following table:

Warrant Series	Warrants Outstanding			Warrants Exercisable	
	Issue Date	Warrants Outstanding	Exercise Price	Warrants Exercisable	Expiration Date
Lender warrants (see Note 9)	5/11/2015	125,000	\$ 7.85	125,000	5/11/2025
Underwriter Warrants	2/7/2013	55,688	\$ 5.25	55,688	2/7/2018
Warrants issued to investor relations consultant	7/19/2013	60,000	\$ 8.50	60,000	7/19/2018
		<u>240,688</u>	<u>\$ 7.41</u>	<u>240,688</u>	

The Company recorded stock-based compensation (including the amortization of stock-based prepaid consulting fees) related to equity instruments granted to employees, directors and consultants as follows:

	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Employees - selling and marketing	\$ 106	\$ 20	\$ 281	\$ 51
Employees - general and administrative	754	470	1,791	1,574
Directors - general and administrative	96	17	204	101
Consultants - selling and marketing	-	27	41	58
Consultants - general and administrative	-	21	-	108
Consultants - research and development	-	-	-	9
Total	\$ 956	\$ 555	\$ 2,317	\$ 1,901

NOTE 11. COMMITMENTS AND CONTINGENCIES

Capital Leases

The Company leases equipment under capital leases with an interest rate of 4.25% per annum. At September 30, 2015, future payments under the Company's capital leases were as follows:

Year ending December 31,	
Remainder of 2015	\$ 6
2016	22
2017	1
Total minimum lease payments	29
Less amount representing interest	(1)
Present value of future minimum lease payments	28
Less current portion	(27)
Capital lease obligation, net of current portion	\$ 1

The value of the equipment under capital leases as of September 30, 2015 was \$60, with related accumulated depreciation of \$23.

Operating Leases

In August 2015, the Company entered into a lease agreement for approximately 1,100 square feet of lab, warehouse and office space in Allen, Texas. The current lease term expires on April 30, 2016. The monthly rent amount is \$3 and includes annual increases of approximately 2%.

In February 2015, the Company entered into a lease agreement for approximately 8,602 square feet of lab, warehouse and office space in Roxbury, New Jersey. The current lease term expires on July 31, 2022. The monthly rent amount is \$10 and includes annual increases of approximately 3.75%, and the lease allows for the first five months of rent amounts to be abated. This facility is currently undergoing construction to serve as an outsourcing facility and pharmacy.

In January 2015, the Company entered into a commercial lease agreement, for the lease of certain premises to Park of approximately 4,500 square feet of lab and office space. The monthly rent amount is \$10 and includes annual increases of approximately 3%.

In June 2014, the Company entered into a lease agreement for 7,565 square feet of office space that commenced on September 1, 2014 and continues until October 31, 2018. Monthly rent began on September 1, 2014 in the amount of \$20, with a 3% increase in the base rent amount on an annual basis. The lease agreement allows for the monthly rent amount to be abated for two months at various times during the lease agreement. This space serves as our corporate headquarters.

In April 2013, the Company entered into a lease agreement for 3,874 square feet of office space that commenced on May 1, 2013 and continues until September 30, 2016. Monthly rent began on May 1, 2013 in the amount of \$10 with a 3% increase in the base rent amount on an annual basis. The lease agreement allows for the monthly rent amount to be abated for five months at various times during the lease agreement. In February 2015, the Company entered into a sublease agreement to sublet this space through the remaining term of the lease at a monthly rent amount of \$8.

In January 2010, PC entered into a lease agreement for 3,137 square feet of office and laboratory space that commenced on January 1, 2010 and continues until December 31, 2015. Monthly rent began on January 1, 2010 in the amount of \$4.

Legal

In the ordinary course of business, the Company may face various claims brought by third parties and the Company may, from time to time, make claims or take legal actions to assert the Company's rights, including intellectual property disputes, contractual disputes and other commercial disputes. Any of these claims could subject the Company to litigation. Management believes the outcomes of currently pending claims are not likely to have a material effect on the Company's consolidated financial position and results of operations.

Indemnities

In addition to the indemnification provisions contained in the Company's charter documents, the Company generally enters into separate indemnification agreements with each of the Company's directors and officers. These agreements require the Company, among other things, to indemnify the director or officer against specified expenses and liabilities, such as attorneys' fees, judgments, fines and settlements, paid by the individual in connection with any action, suit or proceeding arising out of the individual's status or service as the Company's director or officer, other than liabilities arising from willful misconduct or conduct that is knowingly fraudulent or deliberately dishonest, and to advance expenses incurred by the individual in connection with any proceeding against the individual with respect to which the individual may be entitled to indemnification by the Company. The Company also indemnifies its lessors in connection with its facility leases for certain claims arising from the use of the facilities. These indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities in the accompanying condensed consolidated balance sheets.

Urigen License

On October 24, 2014 (the "Urigen Effective Date"), the Company entered into a license agreement (the "Urigen License") with Urigen Pharmaceuticals, Inc. ("Urigen"), pursuant to which Urigen granted to the Company a license under certain U.S. patents and patent applications to develop and sell in the U.S. Urigen's URG101 product ("HLA"), a heparin and alkalinized lidocaine compounded formulation, for the prevention or treatment of disorders of the lower urinary tract.

As consideration for the license granted under the Urigen License, the Company agreed to pay Urigen annual tiered royalties based on sales of HLA, subject to certain minimum annual royalty payments. The annual tiered royalties consist of the greater of (i) \$0.50 per dose (dollar amount not presented in thousands), and (ii) 15%-20% of the Company's net sales of HLA, with the royalty amount within such range depending on the Company's aggregate sales of HLA during the period to which the royalty payment applies. The minimum annual royalty payment consists of (a) for the 2015 calendar year, the greater of (i) 110% of the aggregate royalties paid to Urigen under the Existing Sublicenses during the preceding 12 months, on a prorated basis, and (ii) \$800, less the aggregate royalties paid to Urigen under the Existing Sublicenses during the 2015 calendar year, and (b) for each calendar year thereafter, 110% of the aggregate amount owed by the Company to Urigen under the Urigen License during the prior calendar year. The Company is obligated to pay such royalties beginning with its first commercial sale of HLA and continuing until the expiration of the patents subject to the license granted under the Urigen License. The Company has also agreed to use commercially reasonable efforts to develop and commercialize HLA according to the terms of a diligence plan agreed to by the parties, which efforts will include, without limitation, the Company's investment of \$2,000 in commercialization efforts of HLA, which investment and timeline can be adjusted dependent on market circumstances, and is expected to be incurred over 18-24 months following the Urigen Effective Date.

The Urigen License was non-exclusive until April 24, 2015, when the Company exercised its option to convert the non-exclusive license to an exclusive license for the remaining term of the Urigen License. Legacy sublicensees, who previously had non-exclusive licensed rights to compound and sell HLA (the “Existing Sub-licensees”) were provided written notice of the Company’s intent to terminate those non-exclusive license agreements, on or around April 24, 2015. Over the following 60 to 90 days (the “Transition Period”) the Company entered into agreements with the Existing Sub-licensees to transfer existing refill prescriptions to the Company’s wholly owned pharmacies. These agreements required various one-time payments and limited future payments related to transferred prescriptions. Urigen agreed that any revenue received from the Existing Sub-licensees from HLA sales that are consistent with their respective agreements with Urigen, will be kept by the Company (without a related royalty payment to Urigen). Beginning on April 24, 2015, the Company was due royalty payments on any HLA prescriptions filled by Existing Sub-licensees during the Transition Period and any additional period the sublicensees filled prescriptions for HLA. During the three and nine months ended September 30, 2015, the Company recognized \$1 and \$51 in royalty revenues related to HLA prescriptions filled by the Existing Sub-licensees.

Subject to certain conditions and each party’s right to terminate the Urigen License earlier under certain circumstances, the Urigen License will continue in effect until the expiration of the Company’s royalty obligations under the Urigen License. The Urigen License terminates upon the first commercial sale of HLA by Urigen, its affiliates, or a third party after the U.S. Food and Drug Administration (the “FDA”) grants Urigen approval to market HLA in the U.S., if market approval is granted. The Company shall have the option, at its discretion, to become a non-exclusive distributor of HLA following the FDA granting Urigen such market approval. During the three and nine months ended September 30, 2015 the Company recognized \$149 and \$154 in royalty amounts under the Urigen License, and such amounts are included in cost of sales in the accompanying condensed consolidated statement of operations.

PCCA License Agreement

On August 30, 2012, the Company entered into a license agreement with Professional Compounding Centers of America (“PCCA”), pursuant to which PCCA has granted to the Company and its affiliates certain exclusive rights under PCCA’s proprietary formulations, other technologies and data, and the Company has agreed to pay to PCCA certain royalties on net sales relating to the sale of certain future products that the Company may produce, which royalties will range from 4.5% to 9% for each product, subject to certain minimum royalty payments. PCCA may terminate the license agreement if the Company fails to commence efforts to research and develop any such products within certain time periods, as set forth in the license agreement. No royalty amounts have been paid or accrued under this agreement during the nine months ended September 30, 2015 and 2014.

PCCA Strategic Alliance Agreement

On February 18, 2013, the Company entered into a strategic alliance agreement with PCCA. Under this agreement, PCCA has agreed that, during the term of the agreement, it will not introduce any of PCCA’s members or customers meeting certain criteria (the “Member/Customers”) to any third party whereby such third party licenses or otherwise acquires the intellectual property rights of such Member/Customer, without first presenting such an opportunity to the Company. PCCA may, but is not required to, present such opportunities to the Company, use reasonable efforts to facilitate an introductory meeting between the Member/Customer and the Company, and further provide certain key technical assistance with respect to any potential development project the Company may pursue associated with the Member/Customer’s intellectual property rights. In the event the Company and a Member/Customer introduced to the Company by PCCA enter into a commercial agreement for the license or acquisition of the intellectual property rights owned by the Member/Customer, PCCA will be entitled to receive certain cash fees up to an aggregate of \$100, as well as a commission based on net sales, if any, generated by the Company as a result of the acquired intellectual property rights. The agreement has a term of one year and is automatically extended for successive one year periods unless either party gives the other written notice of non-renewal. This agreement automatically renewed for a one-year term on February 18, 2015. No royalty amounts have been paid or accrued under this agreement during the nine months ended September 30, 2015 and 2014.

Asset Purchase Agreements

The Company has acquired intellectual property rights related to certain proprietary innovations from certain inventors (the “Inventors”) through multiple asset purchase agreements. The asset purchase agreements provide that the Inventors will cooperate with the Company in obtaining patent protection for the acquired intellectual property and that the Company will use commercially reasonable efforts to research, develop and commercialize a product based on the acquired intellectual property. In addition, the Company has acquired a right of first refusal on additional intellectual property and drug development opportunities presented by these Inventors.

In consideration for the acquisition of the intellectual property rights, the Company is obligated to make payments to the Inventors based on the completion of certain milestones, generally consisting of: (1) a payment payable within 30 days after the issuance of the first patent in the United States arising from the acquired intellectual property (if any); (2) a payment payable within 30 days after the Company files the first investigational new drug application (“IND”) with the FDA for the first product arising from the acquired intellectual property (if any); (3) for certain of the Inventors, a payment payable within 30 days after the Company files the first new drug application with the FDA for the first product arising from the acquired intellectual property (if any); and (4) certain royalty payments based on the net receipts received by the Company in connection with the sale or licensing of any product based on the acquired intellectual property (if any), after deducting (among other things) the Company’s development costs associated with such product. If, following five years after the date of the applicable asset purchase agreement, the Company either (a) for certain of the Inventors, has not filed an IND or, for the remaining Inventors, has not initiated a study where data is derived, or (b) has failed to generate royalty payments to the Inventors for any product based on the acquired intellectual property, the Inventors may terminate the applicable asset purchase agreement and request that the Company re-assign the acquired technology to the Inventors. No royalty amounts have been paid or accrued under these agreements during the nine months ended September 30, 2015 and 2014.

NOTE 12. SEGMENT INFORMATION AND CONCENTRATIONS

The Company operates its business on the basis of a single reportable segment, which is the business of developing proprietary drug therapies and providing such therapies through sterile and non-sterile pharmaceutical compounding services. The Company’s chief operating decision-maker is the Chief Executive Officer, who evaluates the Company as a single operating segment.

The Company categorizes revenues by geographic area based on selling location. All operations are currently located in the U.S.; therefore, total revenues for 2015 and 2014 are attributed to the U.S. All long-lived assets at September 30, 2015 are located in the U.S.

The Company sells its compounded formulations to a large number of customers. Less than 10% of the Company’s total pharmacy sales were derived from a single customer for the three and nine months ended September 30, 2015 and 2014.

The Company receives its active pharmaceutical ingredients from three main suppliers. These suppliers collectively accounted for 49% and 55%, respectively, of active pharmaceutical ingredient purchases during the three and nine months ended September 30, 2015. These suppliers collectively accounted for 84% and 78%, respectively, of active pharmaceutical ingredient purchases during the three and nine months ended September 30, 2014.

NOTE 13. SUBSEQUENT EVENTS

The Company has performed an evaluation of events occurring subsequent to September 30, 2015 through the filing date of this Quarterly Report. Based on its evaluation, nothing other than the events described below needs to be disclosed.

Thousand Oaks Asset Acquisition

On October 15, 2015, the Company, through its subsidiary ImprimisRx PA, acquired the assets of Thousand Oaks Holding Company, a Delaware corporation, and its wholly owned subsidiaries Topical Apothecary Group, LLC, a Pennsylvania limited liability company and owner and operator of TAG Pharmacy, a licensed pharmacy in Folcroft, PA; Aerosol Science Laboratories, Inc., a California corporation and former operator of ASL Pharmacy; SinuTopic, Inc., a Delaware corporation and former operator of Sinus Dynamics Pharmacy; and Mycotoxins, LLC, a California limited liability company, for a total cash purchase price of approximately \$524.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and the related notes thereto contained in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Quarterly Report"). Our condensed consolidated financial statements have been prepared and, unless otherwise stated, the information derived therefrom as presented in this discussion and analysis is presented, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The information contained in this Quarterly Report is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Quarterly Report and in our other reports filed with the U.S. Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and subsequent reports on Form 8-K, which discuss our business in greater detail. Unless the context indicates otherwise, the "Company", "we", "us", and "our" in this Item 2 and elsewhere in this Quarterly Report refer to Imprimis Pharmaceuticals, Inc., a Delaware corporation, and its consolidated subsidiaries. Unless otherwise stated, all information regarding share amounts of common stock and prices per share of common stock described in this discussion and analysis and elsewhere in this Quarterly Report reflect the reverse stock splits of our authorized, issued and outstanding common stock effected on February 28, 2012 and February 7, 2013.

In addition to historical information, the following discussion contains forward-looking statements regarding future events and our future performance. In some cases, you can identify forward-looking statements by terminology such as "will", "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "forecasts", "potential" or "continue" or the negative of these terms or other comparable terminology. All statements made in this Quarterly Report other than statements of historical fact are forward-looking statements. These forward-looking statements involve risks and uncertainties and reflect only our current views, expectations and assumptions with respect to future events and our future performance. If risks or uncertainties materialize or assumptions prove incorrect, actual results or events could differ materially from those expressed or implied by such forward-looking statements. Risks that could cause actual results to differ from those expressed or implied by the forward-looking statements we make include, among others, risks related to: our ability to successfully implement our business plan, develop and commercialize our proprietary formulations in a timely manner or at all, identify and acquire additional proprietary formulations, manage our pharmacy operations, service our debt, obtain financing necessary to operate our business, recruit and retain qualified personnel, manage any growth we may experience and successfully realize the benefits of our acquisitions of Pharmacy Creations, LLC ("Pharmacy Creations"), South Coast Specialty Compounding, Inc. D/B/A Park Compounding ("Park"), JT Pharmacy, Inc. D/B/A Central Allen Pharmacy ("CAP"), Thousand Oaks Holding Company's wholly-owned subsidiaries Topical Apothecary Group, LLC (d/b/a TAG Pharmacy), Aerosol Science Laboratories, Inc. (d/b/a ASL Pharmacy), SinuTopic, Inc. (d/b/a Sinus Dynamics Pharmacy) and Mycotoxins, LLC (collectively "ImprimisRx PA"), and any other acquisitions and collaborative arrangements we may pursue; competition from pharmaceutical companies, outsourcing facilities and pharmacies; general economic and business conditions; regulatory and legal risks and uncertainties related to our pharmacy operations and the pharmacy and pharmaceutical business in general; physician interest in and market acceptance of our current and any future formulations and compounding pharmacies generally; our limited operating history; and the other risks and uncertainties described under the heading "Risk Factors" in Part II, Item 1A of this Quarterly Report. You should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made and, except as required by law, we undertake no obligation to revise or publicly update any forward-looking statement for any reason.

Overview

We are a pharmaceutical company focused on developing and commercializing innovative and high quality proprietary compounded drug therapies and making these therapies available to physicians and patients at accessible prices. We own, market and sell a portfolio of proprietary combination formulations in ophthalmology, urology and otolaryngology that we believe may offer competitive advantages and serve unmet needs in the marketplace. Our ophthalmic compounded formulations, led by our Dropless Therapy™ injectables and LessDrops™ combination topical eye drops, compete in the multi-billion dollar market for ophthalmic antibiotic and anti-inflammatory drugs. Importantly, our formulations which are comprised of active pharmaceutical ingredients are uniquely designed to address patient compliance issues and provide other medical and economic benefits to physicians and patients. Our urology business, led by our Defeat IC™ campaign, includes a patented compounded formulation for patients suffering from interstitial cystitis. Our otolaryngology business includes topical compounded sinus formulations, delivery systems and patented packaging. We are also developing additional complementary proprietary compounded formulations to add to our ophthalmology and urology formulation portfolios. We make, dispense and sell our proprietary compounded formulations, as well as non-proprietary products, through our wholly-owned compounding pharmacies Pharmacy Creations, Park, CAP and ImprimisRx PA. (We may refer to all of our wholly-owned compounding pharmacies hereinafter collectively as our “ImprimisRx compounding pharmacies”). Through our acquisition of Park in early 2015, we have begun to market a portfolio of non-proprietary compounded formulations consisting of sterile injectable and non-sterile integrative medicine therapies that are used in various therapeutic areas including oncology, autoimmunity, chronic infectious diseases, and endocrine and metabolic diseases. We also recently introduced the *Imprimis Cares* initiative which is aligned with our corporate mission to help provide physicians and patients access to alternative cost-effective compounded formulations for certain FDA-approved generic drugs.

All of our proprietary compounded formulations are born from the clinical experience of a network of inventors, including physician prescribers, clinical researchers and pharmacist formulators, who develop and prescribe customized medicines for individual patient needs. Working collaboratively with these inventors, we identify and evaluate intellectual property related to these drug formulations, assess relevant markets, and seek to validate the clinical experience of a development candidate with the objective of investing in commercialization activities. We believe our model allows us to meet the realities of the current healthcare economy by offering quality pharmaceutical innovation at accessible prices.

We have incurred recurring operating losses and have had negative operating cash flows since July 24, 1998 (inception). In addition, we have an accumulated deficit of approximately \$53 million at September 30, 2015. Beginning on April 1, 2014, the date of our acquisition of Pharmacy Creations, we began generating revenue from sales by our pharmacies of certain of our proprietary drug formulations and other non-proprietary formulations; however, we expect to incur further losses as we integrate and develop our pharmacy operations, evaluate other programs and continue the development of our formulations.

Operations

Compounded Proprietary Formulations

Ophthalmic Formulations

Our current commercially-available ophthalmic formulations, marketed through our Dropless Therapy™ and LessDrops™ education campaigns, include the following combination formulations:

- Tri-Moxi, a compounded formulation of triamcinolone acetonide and moxifloxacin hydrochloride, with reported uses as an injectable during ocular surgery and as an eye drop pre- and post-ocular surgery;
- Tri-Moxi-Vanc, a compounded formulation of triamcinolone acetonide, moxifloxacin hydrochloride and vancomycin, with reported uses as an injection during ocular surgery; and
- Pred-Moxi-Ketor (or PMK), a compounded formulation of prednisolone, moxifloxacin hydrochloride, and ketorolac, or any similar combination thereof, with reported uses as an eye drop pre- and post-ocular surgery.

Our Dropless Therapy™ compounded formulations include Tri-Moxi and Tri-Moxi-Vanc. At leading U.S. ophthalmology meetings, ophthalmologists have reported that Dropless Therapy™ formulations have substantially reduced or, in many cases, eliminated the need for patient-administered eye drops following ocular surgeries they have performed. Since the launch of our associated Go Dropless™ educational campaign in April 2014, an estimated 400 ophthalmologists have started to use Dropless Therapy™ compounded formulations, and they have been used in over 100,000 ocular surgeries, primarily cataract surgeries. In the future, we aim for our Dropless Therapy™ to be initiated at additional high volume cataract surgery practices, hospitals and large ambulatory surgery centers throughout the U.S. A recent co-sponsored economic study conducted by researchers at Andrew Chang & Co, LLC demonstrated that our Dropless Therapy™ could provide savings to Medicare, Medicaid and patients of up to \$13 billion, with a most likely savings estimate of \$8.7 billion. The economic study was conducted assuming the cost per dose of Dropless Therapy™ was \$100 (not presented in thousands) per dose.

Our PMK and other topical compounded formulations, described as LessDrops™ topicals, were initially formulated and dispensed during the first quarter of 2015 as combination eye drop formulations for patients following laser refractive surgery, including LASIK and photorefractive keratectomy (PRK), cataract and other ocular surgeries. We estimate that our combination eye drop formulations may require up to 50% fewer drops to be administered by patients post-surgery and cost up to 75% less than other currently available post-surgery drops regimens. We plan to continue to add to our portfolio of LessDrops™ combination eye drop formulations in order to deliver additional eye drop choices for our customers.

We have also acquired intellectual property related to a lyophilized (or freeze-dried), preservative-free, sulfite-free combination of either epinephrine, phenylephrine and lidocaine, which are commonly used as mydriatics (for pupil dilation).

We have made and expect to increase sales of multiple ophthalmic compounded formulations per patient in one or more kits. For example, we may sell our proprietary injectable Tri-Moxi compounded formulation and mydriatic compounded formulations for the same individually identified patient, and also include additional non-proprietary ophthalmic compounded formulations, all as part of a kit.

In June 2015, we acquired the rights to proprietary sedation and analgesia/anesthesia formulations that once prescribed and dispensed for an individual patient could be administered sublingually to block pain and sedate patients undergoing ocular and other surgical procedures. A team of ophthalmic surgeons is currently conducting a patient-specific clinical evaluation in order to support potential commercialization of this asset.

Urologic Formulations

Our key current commercially-available urologic compounded formulation consists of a patented combination of heparin and alkalinized lidocaine (“HLA”). We acquired non-exclusive development and commercialization rights for HLA in October 2014, which became exclusive in late April 2015. HLA is delivered directly to the bladder for the treatment of interstitial cystitis (“IC”), also known as painful bladder syndrome (“PBS”). Since the HLA compounded formulation first became available as a compounded drug in 2011, there have been hundreds of thousands of HLA instillation procedures completed in the U.S. by physicians and their patients. During the first quarter of 2015, we launched the Defeat IC™ national education campaign designed to help increase awareness among medical practitioners and patients about IC and our HLA treatment option.

We have also made available a customizable compounded formulation of pentosan polysulfate sodium delayed release™ (PPS-DR™) oral medication that may be prescribed by physicians for their patients as a low-cost alternative to an off-patent oral drug, Elmiron®, for the treatment of symptoms associated with IC. Our PPS-DR™ compounded formulations are customized to an individual patient and feature time delayed release for the added convenience of twice daily dosing compared to Elmiron®, which is often prescribed three to four times a day.

Our other commercially-available urologic compounded formulations consist of lyophilized Tri-Mix-L (phentolamine papaverine and prostaglandin) formulations for the treatment of erectile function (ED). Tri-Mix-L compounded formulations are provided in a sterile powder and dispensed in single-dose vials that can be conveniently transported and stored up to six months prior to reconstitution, and once reconstituted, should be used within 30 days. According to American Urological Association, intracavernous vasoactive injections are considered the most effective non-surgical treatment for ED. We are also developing and validating a proprietary injectable formulation that may also be used to treat ED.

Otolaryngology Medicine

In October 2015, we acquired the assets of a leading U.S. provider of topical compounded sinus formulations, delivery systems and patented packaging. Topical administration of sinusitis medications such as antibiotics, antifungals and steroids have gained increasing popularity as an alternative to systemic oral therapies. Topical delivery may minimize the side effects seen with systemic oral agents that non-specifically deliver medicine to the entire body. Our topical delivery platform delivers sinusitis medications locally to the sinonasal mucosa, the direct site and probable source of the problem. The assets we acquired were the foundation of a business that had been prescribed by 8 out of 10 U.S. ear, nose and throat physicians that serviced more than 38,000 patients annually.

Integrative Medicine

Through our acquisition of Park in early 2015, we have begun to market a portfolio of non-proprietary compounded formulations consisting of sterile injectable and non-sterile integrative medicine therapies that are used in various therapeutic areas including oncology, autoimmunity, chronic infectious diseases, and endocrine and metabolic diseases. Many of these formulations, such as artesunate, ascorbic acid, curcumin, dichloroacetate, and 5-methyltetrahydrofolate, are offered in different formats (e.g. in suspension, lyophilized, etc.) that we believe may provide differentiating and potentially beneficial factors as compared to some of our competitors. We plan to establish a sales and marketing team and develop educational campaigns focused on these new therapeutic areas. As part of this initiative, we sponsor regular regional conferences related to furthering education and awareness of these formulation options within the integrative medical community.

Imprimis Cares Initiative

In October 2015, we announced our *Imprimis Cares* initiative which is aligned with our corporate mission of making novel and customizable medicines at accessible prices and allows us to work with physicians and their patients to ensure they have affordable access to the medicines they need. *Imprimis Cares*, available in all 50 states, will work with third party insurers, pharmacy benefit managers and buying groups to offer patient specific customizable compounded drug formulations at accessible prices. As part of this initiative, we have made available a customizable compounded formulation of pyrimethamine and leucovorin available for physicians to consider prescribing for their patients as a low cost alternative to Daraprim[®]. The FDA-approved label for Daraprim[®] indicates that it is prescribed for toxoplasmosis, which can be of major concern for patients with weakened immune systems such as patients with HIV/AIDS, pregnant women and children.

Compounding Centers

One of our key strategies is the use of compounding pharmacies to formulate our proprietary compounded drug formulations and distribute them to physicians and patients. Generally, compounding pharmacies work with physicians to develop patient-specific medications for individually identified patients, and a compounding pharmacy compounds or prepares a patient-specific formulation upon receipt of a physician prescription for an individual patient. Our *ImprimisRx* compounding pharmacies, make, dispense and sell our proprietary ophthalmology and urology compounded formulations, our topical sinus compounded formulations, delivery systems and patented packaging, complementary compounded formulations within the ophthalmology, urology and sinus therapeutic areas, and other non-proprietary compounded formulations in other therapeutic areas including integrative medicine. Our compounding pharmacies are collectively licensed to distribute compounded formulations in 50 states.

In February 2015, we entered into a lease agreement for space in New Jersey and began construction efforts to build a majority of this space into an outsourcing facility, which will be required to comply with certain additional requirements, including adherence to current good manufacturing practices ("cGMP"), and will be permitted to compound large quantities of certain sterile drug formulations without a prescription and distribute these formulations out of state without limitation. The remaining space in the facility will be made completely separate and secured, and be constructed as compounding pharmacy to replace our current New Jersey based pharmacy location. We estimate that our capital expenditures to build and equip this new facility will be approximately \$3 - \$3.5 million. We expect construction for our New Jersey-based compounding center to be completed during the first quarter of 2016 or shortly thereafter. However, the Company may need to obtain additional financing to maintain this construction schedule. Following the construction of the facility, we will begin validating our formulas and processes and expect to begin distributing formulations from our outsourcing facility at the beginning of the second quarter in 2016.

In October 2015, we commenced construction efforts on our current Texas compounding pharmacy and plan to register the pharmacy with the FDA as a 503B outsourcing facility. The Texas facility is expected to be completed and dispensing certain prescriptions as an outsourcing facility in February of 2016. In the meantime, our Texas pharmacy will continue its current operations without disruption of service during construction. We estimate the cost of construction and equipment will be less than \$200.

We are also in the process of developing “ImprimisRx” as a uniform brand for our compounding centers, which we intend to launch in 2015. We operate our pharmacy business under the regulatory framework described in the U.S. Drug Quality and Security Act (“DQSA”) of 2013, the Federal Food Drug and Cosmetic Act (“FDCA”) and applicable state pharmacy laws.

Historical Impracor Program

Historically, our business focused on developing, obtaining market approval from the FDA for, and commercializing our former topical pain management product candidate Impracor. After considering the totality of circumstances surrounding the development of and clinical trial requirements for Impracor, including certain manufacturing and formulation issues, in November 2013 we announced our discontinuation of the proposed Phase 3 clinical trial for Impracor. We do not expect to resume a Phase 3 clinical trial for Impracor or otherwise invest in the commercial development of this asset.

Plan of Operations

Our operating plan for the next 12 months is focused on increasing sales of our proprietary ophthalmic and urologic compounded formulations and certain non-proprietary products, optimization of pricing for our proprietary compounded formulations, and growing and gaining operating efficiencies in our prescription fulfillment and dispensing capabilities. Additionally, we plan to continue to pursue development and commercialization opportunities for certain of our ophthalmology, urology and other assets that we have not yet made commercially available as compounded formulations. All of these activities will require significant costs and other resources, which we may not have or be able to obtain from operations or other sources. See “—Liquidity and Capital Resources” below.

Although we have engaged distributors for certain of our proprietary compounded formulations in non-U.S. markets, we expect to continue to focus our efforts on our U.S. commercial opportunities during 2015, and have begun to out-license our technology in other geographical markets, such as Canada. For our proprietary ophthalmic and urologic compounded formulations, we have developed and plan to continue to build small internal sales and commercialization teams that are focused on growing sales of these compounded formulations through, among other things, educating doctors, ambulatory surgery centers, hospitals and other users throughout the U.S. about our products. We expect that we may experience growth in the sales of our proprietary compounded formulations in future periods, particularly in light of our recent launches of our ophthalmology and urology formulations and commercialization campaigns. However, we have limited experience developing and commercializing compounded formulations and we may not be successful in doing so, whether due to the safety, quality or availability of our proprietary compounded formulations, the size of the markets for such formulations, which could be smaller than we expect, the timing of market entry relative to competitive products, the availability of alternative compounded formulations or FDA-approved drugs, the price of our compounded formulations relative to alternative products or the success of our sales and marketing efforts, which is dependent on our ability to build and grow a qualified and adequate internal sales function. Further, we are dependent upon market acceptance of compounded formulations generally, and some physicians may be hesitant to prescribe, and some patients may be hesitant to purchase and use, these non-FDA approved formulations, particularly when an FDA-approved alternative is available.

We currently make, dispense and sell our commercially available proprietary compounded formulations and certain other non-proprietary products through our pharmacies pursuant to a prescription for an individually identified patient. Additionally, we are in the process of developing an outsourcing facility in New Jersey, which we expect to be completed at the beginning of second quarter 2016 and registering our current Texas pharmacy as an outsourcing facility in the first quarter of 2016. We plan to develop our pharmacy operations into a network of compounding pharmacies, outsourcing facilities, and other prescription dispensing facilities to deliver our proprietary compounded formulations to patients. Our efforts to establish a widespread compounding pharmacy network may not be successful, whether due to difficulties integrating, managing or otherwise realizing the benefits of our acquisitions of our ImprimisRx compounding pharmacies or any additional pharmacy businesses or outsourcing facilities we seek to acquire or build in the future, inability to satisfy applicable federal and state licensing and other requirements for any such pharmacy businesses in a timely manner or at all, changes to state and federal pharmacy regulations that restrict compounding operations or make them more costly, failure to achieve a sufficient physician and patient customer base to sustain our pharmacy operations, or an inability to enter into licensing or other arrangements with third-party pharmacies or outsourcing facilities when desired, on acceptable terms, or at all. Moreover, all such efforts to expand our pharmacy operations and establish a pharmacy network will involve significant costs and other resources, which we may not be able to afford, disrupt our other operations and distract management and our other employees from other aspects of our business.

Our proprietary ophthalmic compounded formulations are currently primarily available on a cash-pay basis. We plan to devote time and other resources to seek reimbursement and patient pay opportunities for these and other compounded formulations and normalize the pricing for our currently available proprietary ophthalmic compounded formulations. We believe there is an economic argument that would allow for price optimization of Droplless Therapy™ compounded formulations to be priced at or near \$100 (not presented in thousands) per unit. According to a recent co-sponsored economic study conducted by researchers at Andrew Chang & Co, LLC, our Droplless Therapy™ could save Medicare and Medicaid more than \$7 billion over the next ten years. Additionally, during the same time period patients could save \$1.4 billion for out of pocket costs for co-payments, and state governments could save \$124 million in Medicaid payments. We have been in communications with third-party public and private payors regarding potential reimbursement options for certain of our proprietary and non-proprietary compounded formulations, but we may be unsuccessful in these efforts. Many third-party payors have imposed significant restrictions on reimbursement for compounded formulations in recent years. Moreover, third-party payors, including Medicare, are increasingly attempting to contain health care costs by limiting coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. As a result, reimbursement from insurance companies and other third-party payors may never be available for any of our products or, if available, may not be sufficient to allow us to sell the products on a competitive basis and at desirable price points.

We also plan to pursue the development of additional proprietary compounded formulations in the ophthalmology, urology, otolaryngology and/or other therapeutic areas, which may include continued activities to develop and commercialize current assets or, if and as opportunities arise, potential acquisitions of new intellectual property rights and assets. However, we will need to rely on relationships with third parties, including pharmacists, physicians and other inventors, to assist in the identification, research, development and assessment of such formulations, which exposes us to risks. Moreover, we may be unable to identify attractive acquisition opportunities and negotiate agreements with their owners that are acceptable to us, particularly if such assets involve competition among several purchasers, and we have limited resources to invest in or acquire additional potential product development assets and integrate them into our business.

Recent Developments (dollar amounts are expressed in thousands)

Thousand Oaks Asset Acquisition

On October 15, 2015, through our subsidiary ImprimisRx PA, we acquired substantially all of the assets of Thousand Oaks Holding Company, a Delaware corporation, and its wholly owned subsidiaries Topical Apothecary Group, LLC, a Pennsylvania limited liability company and owner and operator of TAG Pharmacy, a licensed pharmacy in Folcroft, PA; Aerosol Science Laboratories, Inc., a California corporation and former operator of ASL Pharmacy; SinuTopic, Inc., a Delaware corporation and former operator of Sinus Dynamics Pharmacy; and Mycotoxins, LLC, a California limited liability company, for a total cash purchase price of approximately \$524.

Canadian License Agreement

On August 11, 2015, (the “CAN Effective Date”), we entered into a license agreement (the “CAN Agreement”) with Advanced Dosage Forms, Inc. and John DiGenova (collectively “ADF”), pursuant to which we granted to ADF a license under certain U.S. patent applications (the “Licensed Patent Rights”) to develop and sell in Canada certain of our proprietary Droplless and LessDrops compounded formulations (the “OPH Products”) and use of certain of our trademarks, designs, trade names and markings. Such license is non-exclusive; such that prior to December 31, 2015, the parties shall negotiate in good faith and attempt to reach mutual agreement on the terms and conditions upon which ADF would have the option to convert the licenses hereunder to exclusive. Such terms and conditions would include, without limitation, (a) diligence and market penetration conditions to convert, (b) annual diligence and market growth conditions to maintain exclusivity, and (c) an annual license fee of \$50 payable to Imprimis (\$25 of which would be creditable against the royalties owing during such year).

As consideration for the license granted under the CAN Agreement, ADF has agreed to pay us royalties based on its sales of the OPH Products. The royalties consist of the greater of (i) \$50 per unit of OPH Products sold (dollar amount not presented in thousands) and (ii) 20% of the ADF’s sales of the OPH Products. ADF has also agreed to pay to Imprimis a noncreditable license fee of \$10 at the CAN Effective Date. ADF is obligated to pay such royalties beginning with its first commercial sale of the OPH Products and continuing until claims under the Licensed Patent Rights are considered expired, abandoned, or unenforceable and are no longer subject to the license granted under the Agreement. ADF is obligated to maintain quality standards established by us, use commercially reasonable efforts to develop and commercialize the OPH Products and market shares according to the terms of the CAN Agreement as agreed to by the parties.

CAP Acquisition

On August 4, 2015, we acquired all of the outstanding capital stock of CAP pursuant to a stock purchase agreement entered into in July 2015. CAP is a compounding and retail pharmacy located in Allen, Texas. At closing, we paid the sellers a gross amount of \$421.

Loan Agreement

On May 11, 2015, we entered into a loan agreement with IMMY Funding LLC, an affiliate of Life Sciences Alternative Funding LLC, pursuant to which we have received a term loan in the principal amount of \$10,000 and we have the opportunity, at our option, to receive an additional term loan in the principal amount of \$5,000 if we satisfy certain revenue milestones on or before May 12, 2016 (the “LSAF Loan”). The term loans bear interest at a fixed per-annum rate of 12.5%. We are permitted to pay interest only for the first three years, after the end of the interest-only period, we will be required to pay interest, plus repayments of the principal amount of the term loans, in 36 equal monthly installments. The interest-only period may be reduced to 20 months if we do not meet certain minimum revenue or cash balance requirements and, we would be required to pay interest, plus repayments of the principal amount of the term loans, in 24 equal monthly installments. All amounts owed under the loan agreement, including a final fee of 5% of the aggregate principal amount of the term loans, will be due on the earlier of May 11, 2021 or 24 months after the end of the interest-only period. We expect our interest payment obligations under the loan agreement to total approximately \$600 for our 2015 fiscal year.

The term loans are secured by substantially all of our personal property, rights and assets, including our intellectual property rights. Pursuant to the terms of the loan agreement, we are bound by certain restrictive covenants setting forth actions that we are required to take and actions that we are prohibited from taking during the term of the agreement. The lender could declare all amounts owed under the loan agreement due and payable and/or foreclose on our assets that secure the term loans upon the occurrence of specified events of default, which include, among others, the occurrence of certain bankruptcy events; the failure to make payments under the loan agreement when due; the occurrence of a material adverse change in our business, operations or condition; our breach of certain of our material agreements with third parties; the initiation of certain regulatory enforcement actions against us; and our breach of any covenant (subject to cure periods for certain covenants) made in the loan agreement.

Park Acquisition

On January 1, 2015, we completed the acquisition of all of the outstanding capital stock of Park pursuant to a stock purchase agreement entered into in November 2014. At the closing of the Park acquisition, we paid an aggregate cash purchase price of \$3,000, net of fees and expenses, which was subject to adjustment based on the final calculation of Park’s working capital and certain other financial information, and a \$100 payment for cash remaining in a Park bank account, and we issued 63,525 shares of our common stock. In addition, we are obligated to make 12 quarterly cash payments of \$53 each over the three years following January 1, 2015, totaling \$638. The sellers of Park have the option to receive the last six of such quarterly payments, totaling up to an aggregate of \$319, in the form of 6,749 shares of our common stock for each such payment.

Results of Operations

The following period-to-period comparisons of our financial results are not necessarily indicative of results for the current period or any future period. In particular, our pharmacy operations activities commenced on April 1, 2014, and this change in the nature of our operations has had and is expected to continue to have a significant impact on our financial results. As a result, our results of operations in the periods after commencement of our pharmacy operations, including aggregate revenue and expense amounts and the apportionment of expenses among categories, have changed and are expected to continue to change as we further develop these operations. Further, as a result of our acquisitions of our ImprimisRx compounding pharmacies, and any additional pharmacy acquisitions or other such transactions we may pursue, we may experience large expenditures specific to the transactions that are not incident to our operations.

All dollar amounts in the below discussion are expressed in thousands.

Comparison of the Three and Nine Months Ended September 30, 2015 to the Three and Nine Months Ended September 30, 2014

Revenues

Our revenues include amounts recorded from sales of proprietary compounded formulations, which we began to receive following our acquisitions of Pharmacy Creations and Park, and revenues received from royalty payments owed to us pursuant to out-license arrangements.

The following presents our revenues for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Sales, net	\$ 2,682	\$ 439	\$ 2,243	\$ 6,161	\$ 1,104	\$ 5,057
License revenues	1	2	(1)	52	6	46
Total revenues	<u>\$ 2,683</u>	<u>\$ 441</u>	<u>\$ 2,242</u>	<u>\$ 6,213</u>	<u>\$ 1,110</u>	<u>\$ 5,103</u>

Following the acquisition of Pharmacy Creations on April 1, 2014, we began selling our proprietary compounded formulations and other non-proprietary pharmacy products and formulations and recognizing the associated revenues. On January 1, 2015, we acquired Park, which contributed \$1,791 of the total \$2,682 in revenues from sales of our proprietary compounded formulations and other non-proprietary formulations and products that we recognized during the three months ended September 30, 2015 and \$3,992 of the total \$6,161 in revenues for the nine months ended September 30, 2015. During the three and nine months ended September 30, 2015, we were able to increase sales of certain proprietary formulations and introduce new proprietary formulations compared to the same periods in the prior year. The table below describes certain classifications of our compounded drug formulations and other revenues:

	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Tri-Moxi and Tri-Moxi-Vanc	\$ 594	\$ 144	\$ 450	\$ 1,431	\$ 195	\$ 1,236
Combination eye drops	263	-	263	359	-	359
HLA (including royalties)	518	-	518	740	-	740
Other revenues	1,308	297	1,011	3,683	915	2,768
Total revenues	<u>\$ 2,683</u>	<u>\$ 441</u>	<u>\$ 2,242</u>	<u>\$ 6,213</u>	<u>\$ 1,110</u>	<u>\$ 5,103</u>

Cost of Sales

Our cost of sales includes direct and indirect costs to manufacture formulations and sell product, including active pharmaceutical ingredients, personnel costs, packaging, storage, royalties, shipping and handling costs, the write-off of obsolete inventory and other related expenses.

The following presents our cost of sales for the three and nine months ended September 30, 2015 and 2014:

	Three months ended			Nine months ended		
	September 30,		\$	September 30,		\$
	2015	2014		2015	2014	
Cost of sales	\$ 1,202	\$ 239	\$ 963	\$ 3,259	\$ 715	\$ 2,544

Following the acquisition of Pharmacy Creations on April 1, 2014, we began selling our proprietary compounded formulations and other non-proprietary pharmacy products and formulations and incurring the associated costs of such sales. On January 1, 2015, we acquired Park, to further our ability to sell our proprietary and non-proprietary compounded formulations, and thus increasing our associated costs of such sales. On August 4, 2015, we acquired CAP, to continue to further our ability to sell our proprietary and non-proprietary compounded formulations, thus causing an additional increase in our associated cost of such sales. During the three and nine months ended September 30, 2015, there was an increase of \$963 and \$2,544, respectively, in costs of sales as compared to the same period in the prior year. This increase is related to the increase in our sales.

Selling and Marketing Expenses

Our selling and marketing expenses consist of costs associated with our marketing activities and sales of our proprietary compounded formulations and other non-proprietary pharmacy products and formulations, which include associated personnel costs, including wages and stock-based compensation.

	Three months ended			Nine months ended		
	September 30,		\$	September 30,		\$
	2015	2014		2015	2014	
Selling and marketing	\$ 1,813	\$ 637	\$ 1,176	\$ 4,455	\$ 1,462	\$ 2,993

We began implementing commercialization efforts in the fourth quarter of 2013 and, following the acquisition of Pharmacy Creations on April 1, 2014, we began selling our proprietary compounded formulations and other non-proprietary pharmacy products and formulations. During the three and nine months ended September 30, 2015, there was an increase of \$1,176 and \$2,993, respectively, in sales and marketing expenses as compared to the same period in the prior year. This increase is attributed to the hiring of additional commercialization personnel, the launch of our urology based marketing efforts, attendance at trade conferences and implementation of other various marketing activities, all related to our commercialization efforts for our proprietary compounded formulations.

General and Administrative Expenses

Our general and administrative expenses include personnel costs, including wages and stock-based compensation, corporate facility expenses, and investor relations, consulting, insurance, filing, legal and accounting fees and expenses.

The following presents our general and administrative expenses for the three and nine months ended September 30, 2015 and 2014:

	Three months ended			Nine months ended		
	September 30,		\$	September 30,		\$
	2015	2014		2015	2014	
General and administrative	\$ 3,104	\$ 1,954	\$ 1,150	\$ 8,327	\$ 6,163	\$ 2,164

For the three and nine months ended September 30, 2015, there was an increase of \$1,150 and \$2,164, respectively, in general and administrative expenses as compared to the same periods in the prior year. The increase in general and administrative expenses is largely attributable to additional expenses related to and the result of the acquisitions of Pharmacy Creations, Park and CAP and the general increase of our operations, including hiring additional personnel, obtaining and maintaining state pharmacy licenses, incurring increased professional fees and other related activities.

Research and Development Expenses

Our research and development expenses primarily include expenses related to the development of acquired intellectual property, investigator-initiated research and evaluations, and other costs related to the clinical development of our assets.

The following presents our research and development expenses for the three and nine months ended September 30, 2015 and 2014:

	Three months ended September 30,		\$ Variance	Nine months ended September 30,		\$ Variance
	2015	2014		2015	2014	
Research and development	\$ 93	\$ 70	\$ 23	\$ 299	\$ 166	\$ 133

For the three and nine months ended September 30, 2015, there was an increase of \$23 and \$133, respectively, in research and development expenses as compared to the same periods in the prior year. The increase in research and development expenses for the nine months ended September 30, 2015 compared to the same period in the prior year was primarily related to our sponsorship of investigator-initiated evaluations related to certain of our proprietary compounded formulations.

Interest Income

Interest income was \$5 and \$11 for the three and nine months ended September 30, 2015, compared to \$8 and \$26 for the same periods in the prior year. The decrease was due to a lower average cash balance during the nine months ended September 30, 2015 as compared to the same periods in the prior year.

Interest Expense

Interest expense was \$428 and \$690 for the three and nine months ended September 30, 2015, respectively, compared to \$1 and \$3 for the same periods in the prior year. The increase is primarily due to interest expense recognition related to the LSAF Loan, and also capital leases and deferred acquisition obligations related to the acquisition of Park.

Net Loss

Net loss for the three and nine months ended September 30, 2015 was \$(3,952) and \$(10,775), or \$(0.41) and \$(1.13), basic and diluted net loss per share, respectively, compared to a net loss for the same periods in the prior year of \$(2,452) and \$(7,373) or \$(0.27) and \$(0.81), basic and diluted net loss per share, respectively.

Liquidity and Capital Resources

All dollar amounts in the below discussion are expressed in thousands.

Our cash on hand at September 30, 2015 was \$6,556, compared to \$10,364 at September 30, 2014. The decrease in cash on hand is primarily attributable to use of cash to support our operations and acquire Pharmacy Creations, Park and CAP. Since inception through September 30, 2015, we have incurred aggregate losses to common stockholders of \$(52,640). These losses are primarily due to selling, general and administrative and research and development expenses incurred in connection with developing and seeking regulatory approval for our former drug candidate, Impracor, which activities we have now discontinued. Historically, our operations have been financed through capital contributions and debt and equity financings.

Net Cash Flow

The following provides detailed information about our net cash flows for the nine months ended September 30, 2015 and 2014:

	For the Nine Months Ended September 30, 2015	For the Nine Months Ended September 30, 2014
Net cash used in operating activities	\$ (7,842)	\$ (5,004)
Net cash used by investing activities	(4,259)	(828)
Net cash provided by financing activities	10,446	617
Net change in cash and cash equivalents	(1,655)	(5,215)
Cash and cash equivalents at beginning of the period	8,211	15,579
Cash and cash equivalents at end of the period	<u>\$ 6,556</u>	<u>\$ 10,364</u>

Operating Activities

Net cash used in operating activities was \$(7,842) for the nine months ended September 30, 2015, as compared to \$(5,004) used in operating activities during the same period in the prior year. The increase in net cash used in operating activities was mainly due to expanding our operations, including hiring additional personnel, commercialization and marketing activities related to our proprietary formulations, prescription fulfillment activities and other related undertakings.

Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2015 and 2014 was \$(4,259) and \$(828), respectively. The increase in cash used in investing activities during the nine months ended September 30, 2015 was primarily related to the acquisitions of Park and CAP.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2015 and 2014 was \$10,446 and \$617, respectively. The cash provided by financing activities during the nine months ended September 30, 2015 is primarily attributable to proceeds from the LSAF Loan entered in May 2015, and the proceeds received from cash exercises of warrants. The cash provided by financing activities during the nine months ended September 30, 2014 is primarily attributable to cash exercises of stock options and warrants.

Cash Position and Sources of Capital

As of the date of this Quarterly Report, we believe that cash and cash equivalents and restricted investments of approximately \$6,706 at September 30, 2015, together with expected future revenues and expenses, will be sufficient to sustain our planned level of operations for at least the next 12 months. However, our plans for this period may change, our estimates of our operating expenses and working capital requirements could be inaccurate, we may pursue acquisitions of pharmacies or other strategic transactions that involve large expenditures or we may experience growth more quickly or on a larger scale than we expect, any of which may result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

We expect to use our current cash position to pursue our business plan, including the development and commercialization of our compounded formulations and technologies and the integration and expansion of our pharmacy operations, to pursue potential future strategic transactions, including the construction of an outsourcing facility and potential pharmacy and outsourcing facilities acquisitions, and to otherwise fund our operations. We expect additional funds would be required if we pursue the acquisition of additional compounding pharmacies or outsourcing facilities, conduct any clinical trials or any other studies that may be required to obtain FDA regulatory approval to market any potential product candidates, pursue additional development programs or explore other development opportunities.

We may have the option, if we satisfy certain revenue milestones, to obtain in May 2016 an additional \$5,000 of debt proceeds under our loan agreement. We also plan to seek additional financing from a variety of sources, including equity or debt financing, funding from a corporate partnership or licensing arrangement, sales of assets or any other financing transaction. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration or licensing arrangements or sales of assets, we may be required to relinquish potentially valuable rights to our product candidates or proprietary technologies or formulations, or grant licenses on terms that are not favorable to us. If we raise funds by incurring additional debt, we may be required to pay significant interest expenses and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming they would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as the financial and operational covenants included in our May 2015 loan agreement. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as convertible notes and warrants, which would adversely impact our financial results.

We may be unable to obtain financing when necessary as a result of, among other things, our performance in future periods, general economic conditions and conditions in the pharmaceuticals and pharmacy industries or our operating history, including our past bankruptcy proceedings. In addition, the fact that we are not and have never been profitable could further impact the availability or cost to us of future financings. As a result, sufficient funds may not be available when needed from any source or, if available, such funds may not be available on terms that are acceptable to us. If we are unable to raise funds to satisfy our capital needs on a timely basis, then we may be forced to forego pursuit of potentially valuable development or acquisition opportunities, we may not be able to pursue any or all elements of our business plan. If we are unable to obtain sufficient capital, it would have a material adverse effect on our business and operations. It could cause us to fail to execute our business plan, fail to take advantage of future opportunities, or fail to respond to competitive pressures or customer requirements. It also may require us to significantly modify our business model and operations to reduce spending to a sustainable level, which may include delaying, scaling back or eliminating some or all of our ongoing and planned investments in corporate infrastructure, business development initiatives, and sales and marketing activities, among other investments. If adequate funds are not available when needed, we may be required to significantly reduce operations. The financial statements do not include any adjustment relating to recoverability or classification of recorded assets and classification of recorded liabilities.

Off-Balance Sheet Arrangements

Since our inception, except for standard operating leases, we have not engaged in any off-balance sheet arrangements, including the use of structured finance, special purpose entities or variable interest entities. We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

Critical Accounting Policies

Goodwill and Intangible Assets

Patents and trademarks are recorded at cost and capitalized at a time when the future economic benefits of such patents and trademarks become more certain. At that time, we capitalize third party legal costs and filing fees associated with obtaining and prosecuting claims related to its patents and trademarks. Once the patents have been issued, we amortize these costs over the shorter of the legal life of the patent or its estimated economic life, generally 20 years, using the straight-line method. Trademarks are an indefinite life intangible asset and are assessed for impairment based on future projected cash flows as further described below.

We review our goodwill and indefinite-lived intangible assets for impairment as of January 1 of each year and when an event or a change in circumstances indicates the fair value of a reporting unit may be below its carrying amount. Events or changes in circumstances considered as impairment indicators include but are not limited to the following:

- significant underperformance of the our business relative to expected operating results;
- significant adverse economic and industry trends;
- significant decline in the our market capitalization for an extended period of time relative to net book value; and
- expectations that a reporting unit will be sold or otherwise disposed.

The goodwill impairment test consists of a two-step process as follows:

Step 1. We compare the fair value of each reporting unit to its carrying amount, including the existing goodwill. The fair value of each reporting unit is determined using a discounted cash flow valuation analysis. The carrying amount of each reporting unit is determined by specifically identifying and allocating the assets and liabilities to each reporting unit based on headcount, relative revenues or other methods as deemed appropriate by management. If the carrying amount of a reporting unit exceeds its fair value, an indication exists that the reporting unit's goodwill may be impaired and we then perform the second step of the impairment test. If the fair value of a reporting unit exceeds its carrying amount, no further analysis is required.

Step 2. If further analysis is required, we compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets and its liabilities in a manner similar to a purchase price allocation, to its carrying amount. If the carrying amount of the reporting unit's goodwill exceeds its fair value, an impairment loss will be recognized in an amount equal to the excess.

Debt Issuance Costs and Debt Discount

Debt issuance costs and the debt discount are recorded net of note payable in the condensed consolidated balance sheet. Amortization expense of debt issuance costs and the debt discount is calculated using the effective interest method over the term of the debt and is recorded in interest expense in the accompanying condensed consolidated statement of operations.

For the nine months ended September 30, 2015, there were no other material changes to the "Critical Accounting Policies" discussed in Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our 2014 10-K.

Recently Issued and Adopted Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements included in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted pursuant to the Securities Exchange Act of 1934, as amended, (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the "SEC"), and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as they existed on September 30, 2015. Based on this evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective to achieve their stated purpose as of September 30, 2015, the end of the period covered by this report.

Changes in Internal Controls over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during our quarter ended September 30, 2015, 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

We are not aware of any pending legal proceedings to which we are a party or of which any of our property is subject the adverse outcome of which, individually or in the aggregate, is likely to have a material adverse effect on our financial position or results of operations.

Item 1A. Risk Factors

You should carefully consider the following risk factors in addition to the other information contained in this Quarterly Report. Our business, financial condition, results of operations and stock price could be materially adversely affected by any of these risks.

We have incurred losses in every year of our operations, and we may never become profitable.

We have incurred losses in every year of our operations, including net losses of \$(10.1 million) for the year ended December 31, 2014. As of September 30, 2015, our accumulated deficit was \$(52.6 million). On June 26, 2011, we suspended our operations and filed a voluntary petition for reorganization relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of California (the “Bankruptcy Court”), Case No. 11-10497-11 (the “Chapter 11 Case”). On December 8, 2011, the Bankruptcy Court entered an order dismissing the Chapter 11 Case following our entry into a line of credit agreement and securities purchase agreement with DermaStar International, LLC. Since the dismissal of the Chapter 11 Case, we have focused on resuming our operations and developing and implementing our business plan. We expect to incur increasing operating losses for the foreseeable future as we continue to incur costs for commercialization activities and research and development. Although we have been generating revenue from our pharmacy operations since April 1, 2014 when we acquired the first of our ImprimisRx compounding pharmacies, our ability to generate significant revenues and achieve profitability will depend on a number of factors, including our ability, alone or with others, to identify promising development opportunities and implement appropriate commercialization strategies, develop and commercialize our proprietary compounded formulations, interest physicians and health care organizations in our proprietary formulations, successfully market and sell these formulations, integrate and operate our ImprimisRx compounding pharmacies and any other pharmacies or outsourcing facilities we may build or acquire in the future, establish a network of pharmacies with a broad geographic footprint, and comply with federal and state laws related to pharmaceutical compounding and, if applicable, U.S. Food and Drug Administration (“FDA”) regulations for any formulations for which we pursue FDA approval, as well as the other risk factors described in this Item 1A, many of which are outside of our direct control. These activities are costly and susceptible to failure, and we may never be able to achieve or sustain market acceptance of any of our proprietary formulations, generate sufficient revenue to support our business from our pharmacy operations, or reach the level of sales and revenues necessary to achieve and sustain profitability.

We aim to sell certain of our proprietary formulations primarily through a network of compounding pharmacies, but we may not be successful in our efforts to establish such a network or integrate these businesses into our operations.

A key aspect of our business strategy is to establish a compounding pharmacy network, whether through acquisitions, establishing new pharmacies or entering into licensing arrangements with third-party pharmacies, through which we can market and sell our proprietary formulations and other non-proprietary products in all 50 states. On April 1, 2014, we completed the acquisition of Pharmacy Creations, a New Jersey-based compounding pharmacy, on January 1, 2015, we completed the acquisition of Park, a California-based compounding pharmacy, on August 4, 2015 we completed the acquisition of CAP, a Texas-based compounding pharmacy, and on October 15, 2015, completed the acquisition of assets of ImprimisRx, a Pennsylvania-based compounding pharmacy, collectively through which we have rights to dispense formulations in 50 states. Additionally, in February 2015, we entered into a lease agreement for space in New Jersey and began construction efforts to build this space into an outsourcing facility, which we expect to be completed sometime during the first quarter of 2016. In October 2015, we announced plans to register our CAP Texas-based compounding pharmacy with the FDA as a 503B outsourcing facility, which we expect to complete in February 2016. We have limited experience acquiring, building or operating compounding pharmacies or other prescription dispensing facilities or commercializing our formulations through ownership of or licensing arrangements with pharmacies. We expect to expand our operations and personnel in the pharmacy operations area in order to further develop this compounding pharmacy network, but we may experience difficulties implementing this strategy, including difficulties that arise as a result of our lack of experience, and we may be unsuccessful. For instance, we may not be successful in our efforts to integrate, manage or otherwise realize the benefits we expect from our acquisitions of our ImprimisRx compounding pharmacies, or any additional pharmacy businesses or outsourcing facilities we seek to acquire or build in the future, we may not be able to satisfy applicable federal and state licensing and other requirements for any such pharmacy businesses in a timely manner or at all, changes to state and federal pharmacy regulations may restrict compounding operations or make them more costly, we may be unable to achieve a sufficient physician and patient customer base to sustain our pharmacy operations, and we may not be able to enter into licensing or other arrangements with third-party pharmacies or outsourcing facilities when desired, on acceptable terms, or at all. Moreover, all such efforts to expand our pharmacy operations and establish a pharmacy network will involve significant costs and other resources, which we may not be able to afford, disrupt our other operations and distract management and our other employees from other aspects of our business. Our business could materially suffer if we are unable to further develop this pharmacy network and, even if we are successful, we may be unable to generate sufficient revenue to recover our costs.

We are dependent on market acceptance of compounding pharmacies and compounded formulations, and physicians may be unwilling to prescribe, and patients may be unwilling to use, our proprietary customizable compounded formulations.

We currently expect to distribute our proprietary formulations through compounding pharmacies. Formulations prepared and dispensed by compounding pharmacies contain FDA-approved ingredients, but are not themselves approved by the FDA. As a result, our formulations have not undergone the FDA approval process and only limited data, if any, may be available with respect to the safety and efficacy of our formulations for any particular indication. In addition, certain compounding pharmacies have been the subject of widespread negative media coverage in recent years, and the actions of these pharmacies have resulted in increased scrutiny of compounding pharmacy activities from the FDA and state governmental agencies. As a result, some physicians may be hesitant to prescribe, and some patients may be hesitant to purchase and use, these non-FDA approved compounded formulations, particularly when an FDA-approved alternative is available. Other reasons physicians may be unwilling to prescribe or patients may be unwilling to use our proprietary customizable compounded formulations could include the following, among others: we are limited in our ability to discuss the efficacy or safety of our formulations with potential purchasers of our formulations to the extent applicable data is available; our pharmacy operations are primarily operating on a cash-pay basis and reimbursement may or may not be available from third-party payors, including the government Medicare and Medicaid programs; and our formulations are not presently being prepared in a manufacturing facility governed by current good manufacturing practice (“cGMP”) requirements. Any failure by physicians, patients and/or third-party payors to accept and embrace compounded formulations could substantially limit our market and cause our operations to suffer.

We may not receive sufficient revenue through our ImprimisRx compounding pharmacies or other compounding pharmacies we may acquire or develop or with which we may partner to fund our operations and recover our development costs.

Our business plan involves the preparation and sale of our proprietary formulations through a network of compounding pharmacies and outsourcing facilities. We are in the process of establishing an internal sales force to pursue marketing and sales of our proprietary and other formulations in the states in which our ImprimisRx compounding pharmacies are authorized to operate under federal and state pharmacy laws. We are also pursuing additional strategic transactions to broaden our geographic reach, including our plans to open our own outsourcing facility in New Jersey, which is currently under construction that we expect to be completed in the first quarter of 2016 and plans to register our current Texas pharmacy as an outsourcing facility in the first quarter of 2016. We have limited experience operating pharmacies and commercializing compounded formulations and we may be unable to successfully manage this business or generate sufficient revenue to recover our development costs and operational expenses.

We may have only limited success in marketing and selling our proprietary formulations through any network of compounding pharmacies we may develop. Because any of our formulations being commercialized through a compounding pharmacy distribution model will not have obtained FDA approval, only limited data will be available, if any, with respect to the safety and efficacy of our formulations for any particular indication, and we will be subject to regulatory limitations with respect to the information we can provide regarding the safety and efficacy of our formulations even if such data is available. As a result, physicians may not be interested in prescribing our formulations to their patients, and we may not generate significant revenue from sales of our proprietary formulations and other products. In addition, we are substantially dependent on our ImprimisRx compounding pharmacies and any other pharmacies or prescription dispensing facilities we acquire or develop and any pharmacy partners with which we may contract to compound and sell our formulations in sufficient volumes to accommodate the number of prescriptions they receive. We may be unable to acquire, build or enter into agreements with pharmacies or outsourcing facilities of sufficient size, reputation and quality to implement our business plan, and our pharmacy partners may be unable to compound our formulations successfully. If physicians and healthcare organizations were to request our formulations in quantities our pharmacies or pharmacy partners are unable to fill, our business would suffer.

Our business is significantly impacted by state and federal statutes and regulations.

All of our proprietary formulations are comprised of active pharmaceutical ingredients that are components of drugs that have received marketing approval from the FDA, although our proprietary compounded formulations have not themselves received FDA approval. FDA approval of a compounded formulation is not required in order to market and sell the compounded formulations, although in select instances we may choose to pursue FDA approval to market and sell certain potential product candidates. The marketing and sale of compounded formulations is subject to and must comply with extensive state and federal statutes and regulations governing compounding pharmacies. These statutes and regulations include, among other things, restrictions on compounding in advance of receiving a patient-specific prescription, prohibitions on compounding drugs that are essentially copies of FDA-approved drugs, prohibitions on compounding drug products for office use without a prescription for an individually identified patient, limitations on the volume of compounded formulations that may be sold across state lines, and prohibitions on wholesaling or reselling. These and other restrictions on the activities of compounding pharmacies may significantly limit the market available for compounded formulations, as compared to the market available for FDA-approved drugs.

Our pharmacy business is impacted by federal and state laws and regulations governing, among other things: the purchase, distribution, management, compounding, dispensing, reimbursement, marketing and labeling of prescription drugs and related services; FDA and/or state regulation affecting the pharmacy and pharmaceutical industries, including state pharmacy licensure and registration or permit standards; rules and regulations issued pursuant to the Health Insurance Portability and Accountability Act ("HIPAA") and other state and federal laws related to the use, disclosure and transmission of health information; state and federal controlled substance laws; and statutes and regulations related to FDA approval for the sale and marketing of new drugs and medical devices. Our failure to comply with any of these laws and regulations could severely limit or curtail our pharmacy operations, which would materially harm our business and prospects. Further, our business could be adversely affected by changes in these or any newly enacted laws and regulations, as well as federal and state agency interpretations of such statutes and regulations. Such statutory or regulatory changes could require that we make changes to our business model and operations and/or could require that we incur significantly increased costs in order to comply with such regulations.

If our ImprimisRx compounding pharmacies or any other pharmacy or outsourcing facility we acquire or build or with which we partner fails to comply with the Controlled Substances Act, FDCA, or state statutes and regulations, the pharmacy could be required to cease operations or become subject to restrictions that could adversely affect our business.

State pharmacy laws require pharmacy locations in those states to be licensed as an in-state pharmacy to dispense pharmaceuticals. In addition, state controlled substance laws require registration and compliance with state pharmacy licensure, registration or permit standards promulgated by the state's pharmacy licensing authority. Pharmacy and controlled substance laws often address the qualification of an applicant's personnel, the adequacy of its prescription fulfillment and inventory control practices and the adequacy of its facilities, and subject pharmacies to oversight by state boards of pharmacy and other regulators that could impose burdensome requirements or restrictions on operations if a pharmacy is found not to comply with these laws. We believe that our ImprimisRx compounding pharmacies are in material compliance with applicable regulatory requirements. However, if any of our ImprimisRx compounding pharmacies fails to comply with such requirements, they could be forced to permanently or temporarily cease or limit their sterile compounding operations, which would severely limit our ability to market and sell our proprietary formulations and would materially harm our operations and prospects. Any such noncompliance could also result in complaints or adverse actions by respective state boards of pharmacy, FDA inspection of the facility to determine compliance with the U.S. Food Drug and Cosmetic Act ("FDCA"), loss of FDCA exemptions provided under Section 503A, warning letters, injunctions, prosecution, fines and loss of required government licenses, certifications and approvals, any of which could involve significant costs and could cause us to be unable to realize the expected benefits of these pharmacies' operations. Although we ultimately expect to distribute our proprietary formulations through a network of compounding pharmacies, we may not be successful in establishing such a network and the loss or limitation of our ImprimisRx compounding pharmacies' ability to compound sterile formulations would have an immediate adverse impact on our ability to successfully and timely implement our business plan.

Many of the states into which our ImprimisRx compounding pharmacies deliver pharmaceuticals have laws and regulations that require out-of-state pharmacies to register with, or be licensed by, the boards of pharmacy or similar regulatory bodies in those states. These states generally permit the dispensing pharmacy to follow the laws of the state within which the dispensing pharmacy is located. However, various state pharmacy boards have enacted laws and/or adopted rules or regulations directed at restricting the operation of out-of-state pharmacies by, among other things, requiring compliance with all laws of the states into which the out-of-state pharmacy dispenses medications, whether or not those laws conflict with the laws of the state in which the pharmacy is located, or requiring the pharmacist-in-charge to be licensed in that state. Further, under federal law, Section 503A of the FDCA seeks to limit the amount of compounded products that a pharmacy can dispense interstate. The interpretation and enforcement of that provision is dependent on the FDA entering into a memorandum of understanding ("MOU") with each state setting forth limits on interstate compounding. In February 2015, the FDA presented a draft MOU that, if adopted and signed by states would limit the amount of interstate units dispensed from a compounding pharmacy to 30% of all compounded and non-compounded units dispensed or distributed by the pharmacy per month. This MOU, if adopted and signed by states, and any other state laws or requirements that may be enacted that prohibit or restrict the interstate operations of pharmacies could involve significant additional costs to us in order to sell compounded formulations in certain states and could limit our operations.

There are many competitive risks related to marketing and selling our proprietary formulations and operating a compounding pharmacy business.

The pharmaceutical and pharmacy industries are highly competitive. We compete against branded drug companies, generic drug companies, outsourcing facilities and other compounding pharmacies. We are significantly smaller than some of our competitors, and we may lack the financial and other resources needed to develop, produce, distribute, market and commercialize any of our proprietary formulations or compete for market share in these sectors. The drug products available through branded and generic drug companies with which our formulations compete have been approved for marketing and sale by the FDA and are required to be manufactured in facilities compliant with cGMP standards. Although we prepare our compounded formulations in accordance with the standards provided by United States Pharmacopoeia ("USP") <795> and USP <797> and applicable state and federal law, our proprietary compounded formulations are not required to be, and have not been, approved for marketing and sale by the FDA and, as a result, some physicians may be unwilling to prescribe, and some patients may be unwilling to use, our formulations. Additionally, under state and federal laws applicable to compounding pharmacies, we are not permitted to prepare significant amounts of a specific formulation in advance of a prescription, compound quantities for office use or utilize a wholesaler for distribution of our formulations; instead, our compounded formulations must be prepared and dispensed in connection with a physician prescription for an individually identified patient. Pharmaceutical companies, on the other hand, are able to sell their FDA-approved products to large pharmaceutical wholesalers, who can in turn sell to and supply hospitals and retail pharmacies. As a result, our business may not be scalable on the scope available to our competitors that produce FDA-approved drugs, which may limit our potential for profitable operations. These facets of our operations may subject our business to limitations our competitors with FDA-approved drugs may not face.

Biotechnology and related pharmaceutical technologies have undergone and continue to be subject to rapid and significant change. Our future success, if any, will depend in large part on our ability to maintain a competitive position with respect to these technologies. Products developed by our competitors, including FDA-approved drugs and compounded formulations created by other pharmacies, could render our products and technologies obsolete or unable to compete. Any products that we develop may become obsolete before we recover expenses incurred in developing the products, which may require that we seek to raise additional funds that may or may not be available to continue our operations. The competitive environment requires an ongoing, extensive search for medical and technological innovations and the ability to develop and market these innovations effectively, and we may not be competitive with respect to these factors. Other competitive factors that may limit the success of our proprietary formulations include the size of the market for such products, which could be smaller than we expect, the timing of market entry relative to competitive products, the availability of alternative compounded formulations or approved drugs, the price of our formulations and services relative to these alternative products, the availability of third-party reimbursement and the success of our sales and marketing efforts. If our proprietary formulations are unable to compete with the products of our competitors, we may never gain market share or achieve profitability.

If a compounded drug formulation provided through our compounding services leads to patient injury or death or results in a product recall, we may be exposed to significant liabilities or reputational harm.

The success of our business, including our proprietary formulations and pharmacy operations, is highly dependent upon medical and patient perceptions of us and the safety and quality of our products. We could be adversely affected if we, any other compounding pharmacies or our formulations and technologies are subject to negative publicity. We could also be adversely affected if any of our formulations or technologies, any similar products sold by other companies, or any products sold by other compounding pharmacies prove to be, or are asserted to be, harmful to patients. For instance, to the extent any of the components of approved drugs or other ingredients used by our ImprimisRx compounding pharmacies to produce our compounded formulations have quality or other problems that adversely affect the finished compounded preparations, our business could be adversely affected. Also, because of our dependence upon medical and patient perceptions, any adverse publicity associated with illness or other adverse effects resulting from the use or misuse of our products, any similar products sold by other companies or any other compounded formulations could have a material adverse impact on our business.

To assure compliance with USP guidelines, we have implemented a policy whereby 100% of all sterile compound batches produced by our ImprimisRx compounding pharmacies are tested both in-house and externally prior to their delivery to patients and physicians by an independent, FDA registered laboratory that has represented to us that it operates in compliance with current good laboratory practices. However, we could still become subject to product recalls and termination or suspension of our state pharmacy licenses if we fail to fully implement this policy, if the laboratory testing does not identify all contaminated products, or if our products otherwise cause or appear to have caused injury or harm to patients. In addition, such laboratory testing may produce false positives, which could harm our business and impact our pharmacy operations and licensure even if the impacted formulations are ultimately found to be sterile and no patients are harmed by them. If adverse events or deaths or a product recall, either voluntarily or as required by the FDA or a state board of pharmacy, were associated with one of our proprietary formulations or any compounds prepared by our ImprimisRx compounding pharmacies or any other acquired or developed pharmacy or pharmacy partner, our reputation may suffer, physicians may be unwilling to prescribe our proprietary formulations or order any prescriptions from such pharmacies, we may become subject to product and professional liability lawsuits, or our state pharmacy licenses could be terminated or restricted. If any of these events were to occur, we may be subject to significant litigation or other costs and loss of revenue, and we may be unable to continue our pharmacy operations and further develop and commercialize our proprietary formulations.

Although we have secured product and professional liability insurance for our pharmacy operations and the marketing and sale of our formulations, our current or future insurance coverage may prove insufficient to cover any liability claims brought against us. Because of the increasing costs of insurance coverage, we may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise.

Our ability to generate revenues will be diminished if we fail to obtain acceptable prices or an adequate level of reimbursement from third-party payors.

Currently, our ImprimisRx compounding pharmacies operate on mostly a cash-pay basis and do not submit large amounts of claims for reimbursement through Medicare, Medicaid or other third-party payors, although our customers may choose to seek available reimbursement opportunities to the extent that they exist. We are currently in communications with third-party public and private payors regarding potential reimbursement options for certain of our proprietary formulations, but we may be unsuccessful in these efforts. Many third-party payors have imposed significant restrictions on reimbursement for compounded formulations in recent years. Additionally, even if we were to pursue and obtain FDA-approval for a particular product candidate, significant uncertainty exists as to the reimbursement status of newly approved health care products. Moreover, third-party payors, including Medicare, are increasingly attempting to contain health care costs by limiting coverage and the level of reimbursement for new drugs and by refusing, in some cases, to provide coverage for uses of approved products for disease indications for which the FDA has not granted labeling approval. As a result, reimbursement from insurance companies and other third-party payors may never be available for any of our products or, if available, it may not be sufficient to allow us to sell the products on a competitive basis and at desirable price points. If government and other third-party payors do not provide adequate coverage and reimbursement levels for our formulations, the market acceptance for our formulations may be limited.

We may not be able to correctly estimate our future operating expenses, which could lead to cash shortfalls.

Our estimates of our future operating and capital expenditures are based upon our current business plan, the anticipated expenses associated with our ImprimisRx compounding pharmacies operations and our current expectations regarding the commercialization of our proprietary formulations. Our projections have varied significantly in the past as a result of changes to our business model and strategy, including our discontinuation of our historical Impracor program in November 2013 and our acquisitions of our ImprimisRx compounding pharmacies and various product development opportunities. We have limited experience operating a pharmacy and commercializing compounded formulations, and we may not accurately estimate expenses and potential revenue associated with these activities. Additionally, our operating expenses may fluctuate significantly as a result of a variety of factors, including those discussed in this Item 1A, some of which are outside of our direct control. If we are unable to correctly estimate the amount of cash necessary to fund our business, we could spend our available financial resources much faster than we currently expect. If we do not have sufficient funds to continue to operate and develop our business, we could be required to seek additional financing earlier than we expect, which may not be available when needed or at all, or be forced to delay, scale back or eliminate some or all of our proposed operations.

Historically we have relied on third party relationships to assist in our identification, research, assessment and acquisition of new formulations. If we do not successfully identify and acquire rights to potential formulations and successfully integrate them into our operations, our growth opportunities may be limited.

We expect our acquisition of our ImprimisRx compounding pharmacies to provide us with limited research and development support and access to additional novel compounded formulations. However, we have historically relied, and we expect to continue to rely, primarily upon third parties to provide us with additional opportunities. In 2013, we entered into three asset purchase agreements for development opportunities as a result of referrals from Professional Compounding Centers of America (PCCA) pursuant to our strategic alliance agreement with PCCA. Although the term of the strategic alliance agreement currently extends until February 18, 2016 and automatically extends for successive one year periods unless either party provides notice of non-renewal, we do not expect to obtain additional referrals and development opportunities through PCCA. In October 2014, we entered into a license agreement with Urogen Pharmaceuticals, Inc. that provides us with, in exchange for certain royalty and diligence obligations, development and commercialization rights in the U.S. with respect to our patented formulation of heparin and alkalized lidocaine for the prevention and treatment of lower urinary tract disorders. We may seek to enter into similar arrangements with other third parties and for other formulations in the future, but only if we are able to identify attractive formulations and negotiate agreements with their owners on terms acceptable to us, which we may not be able to do. If we are unable to utilize our ImprimisRx compounding pharmacies and our current and future relationships with pharmacists, physicians and other inventors to provide us with additional development opportunities, our growth opportunities may be limited. Moreover, we have limited resources to acquire additional potential product development assets and integrate them into our business and acquisition opportunities may involve competition among several potential purchasers, which could include large multi-national pharmaceutical companies and other competitors that have access to greater financial resources than we do.

Our pharmacist, physician and research consultants and advisors also provide us with significant assistance in our evaluation of product development opportunities. These third parties generally engage in other business activities and may not devote sufficient time and attention to our research and development activities. If these third parties were to terminate their relationships with us, we may be unable to find other, equally qualified consultants and advisors on commercially reasonable terms or at all, and we may have significant difficulty evaluating potential opportunities and developing and commercializing existing or any new product candidates. As a result, we face financial and operational risks and uncertainties in connection with any future product or technology acquisitions, and those we do complete may not be beneficial to us in the long term.

We may be unable to successfully develop and commercialize our proprietary formulations or any other assets we may acquire.

Our future results of operations will depend to a significant extent upon our ability to successfully develop and commercialize in a timely manner any of the assets we have acquired or to which we may acquire rights in the future. Since May 2013, we have entered into four asset purchase agreements for assets related to compoundable formulations and one license agreement for rights to commercialize a compounding formulation. We are currently pursuing development and commercialization opportunities with respect to certain of these formulations and we are in the process of assessing certain of our other assets in order to determine whether to pursue their development or commercialization. In addition, we expect to consider the acquisition of additional intellectual property rights or other assets in the future. There are numerous difficulties and risks inherent in acquiring, developing and commercializing new formulations and product candidates, including the risks identified in this Item 1A.

Once we determine to pursue a potential product candidate, we develop a commercialization strategy for the product candidate. These commercialization strategies could include, among others, marketing and selling the formulation in compounded form through compounding pharmacies, or pursuing FDA approval of the product candidate. We may incorrectly assess the risks and benefits of our commercialization options with respect to one or more formulations or technologies, and we may not pursue a successful commercialization strategy. If we are unable to successfully commercialize one or more of our proprietary formulations, our operating results would be adversely affected. Even if we are able to successfully sell one or more proprietary formulations, we may never recoup our investment. Our failure to identify and expend our resources on formulations and technologies with commercial potential and execute an effective commercialization strategy for each of our formulations would negatively impact the long-term profitability of our business.

We may participate in strategic transactions that could impact our liquidity, increase our expenses and distract our management.

From time to time we consider strategic transactions, such as out-licensing or in-licensing of compounds or technologies, acquisitions of companies, and asset purchases. For instance, in August 2015, we entered into a licensing arrangement with Advance Dosage Forms, Inc. (“ADF”) that grants ADF the rights to develop and sell in Canada certain of our Dropless and LessDrops formulations in exchange for royalty payments to us based on sales of these products. We may also consider a variety of different business arrangements in the future, including strategic partnerships, joint ventures, spin-offs, restructurings, divestitures, business combinations and investments. In addition, another entity may pursue us or certain of our assets or aspects of our operations as an acquisition target. Any such transactions may require us to incur charges specific to the transaction and not incident to our operations, may increase our near- and long-term expenditures, may pose significant integration challenges, may require us to hire or otherwise engage personnel with additional expertise, and may result in our selling or licensing of our assets or technologies under terms that may not prove profitable, any of which could harm our operations and financial results. Such transactions may also entail numerous other operational and financial risks, including, among others, exposure to unknown liabilities, disruption of our business and diversion of our management’s time and attention in order to develop acquired products, product candidates, technologies or businesses.

As part of our efforts to complete any significant transaction, we would need to expend significant resources to conduct business, legal and financial due diligence, with the goal of identifying and evaluating material risks involved in the transaction. Despite our efforts, we may be unsuccessful in ascertaining or evaluating all such risks and, as a result, we may not realize the expected benefits of any such transaction, whether due to unidentified risks, integration difficulties, regulatory setbacks or other events, and we may incur material liabilities for the past activities of any businesses we partner with or acquire. If any of these events were to occur, we could be subject to significant costs and damage to our reputation and our business, results of operations and financial condition could be adversely affected.

We have incurred significant indebtedness, which will require substantial cash to service and which subjects our business to certain restrictions.

On May 11, 2015, we incurred \$10 million of indebtedness under a loan agreement with IMMY Funding LLC, an affiliate of Life Sciences Alternative Funding LLC, with the potential to incur, at our option, an additional \$5 million of indebtedness thereunder if we achieve certain revenue milestones on or before May 11, 2016. We are obligated to pay interest on the principal amount of the loans at a fixed per-annum rate of 12.5% and we are permitted to pay interest only for the first three years, after the end of the interest-only period, we will be required to pay interest, plus repayments of the principal amount of the loans, in 36 equal monthly installments. The interest-only period may be reduced to 20 months if we do not meet certain minimum revenue or cash balance requirements, and after the end of the interest-only period, we would be required to pay interest, plus repayments of the principal amount of the loans, in 24 equal monthly installments. All amounts owed under the loan agreement, including a final fee of 5% of the aggregate principal amount of the loans, will be due on the earlier of May 11, 2021 or 24 months after the end of the interest-only period. We expect our interest payment obligations under the loan agreement to total approximately \$0.6 million for our 2015 fiscal year. The loans are secured by substantially all of our personal property, rights and assets, including our intellectual property rights.

Our ability to make scheduled payments on our indebtedness depends on our future performance and ability to raise additional sources of cash, which is subject to economic, financial, competitive and other factors beyond our control. If we are unable to generate sufficient cash to service our debt, we may be required to adopt one or more alternatives, such as selling assets, restructuring our debt or obtaining additional capital through equity sales on terms that may be onerous or highly dilutive. If we desire to refinance our indebtedness, our ability to do so will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities when needed or on desirable terms, which could result in a default on our debt obligations. Additionally, our loan agreement contains various restrictive covenants, including, among others, our obligation to deliver to the lender certain financial and other information, our obligation to comply with certain notice and insurance requirements, and our inability, without the lender's prior consent, to dispose of certain of our assets, incur certain additional indebtedness, enter into certain merger, acquisition or change of control transactions, pay certain dividends or distributions on or repurchase any of our capital stock or incur any lien or other encumbrance on our assets, subject to certain permitted exceptions. Any failure by us to comply with any of these covenants, subject to certain cure periods, or to make all payments under the loan agreement when due, would cause us to be in default under the loan agreement. In the event of any such default, the lender may be able to foreclose on our assets that secure the loans or declare all borrowed funds, together with accrued and unpaid interest, immediately due and payable, thereby potentially causing all of our available cash to be used to pay our indebtedness or forcing us into bankruptcy or liquidation if we do not then have sufficient cash available. Any such event or occurrence could severely and negatively impact our operations and prospects.

We may need additional capital in order to continue operating our business, and such additional funds may not be available when needed, on acceptable terms, or at all.

We only recently started generating cash from operations, but we do not presently receive sufficient revenues to support our operations. Although we believe we have sufficient cash reserves to operate our business for at least the next 12 months, we will need significant additional capital to execute our business plan and fund our proposed business operations. Additionally, our plans for this period may change, our estimates of our operating expenses and working capital requirements could be inaccurate, we may pursue acquisitions of pharmacies or other strategic transactions that involve large expenditures or we may experience growth more quickly or on a larger scale than we expect, any of which may result in the depletion of capital resources more rapidly than anticipated and could require us to seek additional financing earlier than we expect to support our operations.

We have raised over \$30 million in funds through equity and debt financings since April 2012, including \$10 million, net of expenses, of debt proceeds received in May 2015 under our loan agreement. In addition, we may have the option, if we satisfy certain revenue milestones, to obtain in May 2016 an additional \$5 million of debt proceeds under our loan agreement. We also may seek to obtain additional capital through additional equity or debt financings, funding from corporate partnerships or licensing arrangements, sales of assets or other financing transactions. If additional capital is not available when necessary and on acceptable terms, we may need to forego pursuit of potentially valuable development or acquisition opportunities, we may not be able to continue to operate our business pursuant to our business plan or we may be forced to discontinue our operations entirely. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the newly issued equity or debt securities may have more favorable terms or rights, preferences and privileges senior to those of our existing stockholders. If we raise additional funds through collaboration and licensing arrangements or sales of assets, we may be required to relinquish potentially valuable rights to our product candidates or proprietary technologies, or grant licenses on terms that are not favorable to us. If we raise funds by incurring additional debt, we may be required to pay significant interest expenses and our leverage relative to our earnings or to our equity capitalization may increase. Obtaining commercial loans, assuming those loans would be available, would increase our liabilities and future cash commitments and may impose restrictions on our activities, such as the financial and operational covenants included in our May 2015 loan agreement. Further, we may incur substantial costs in pursuing future capital and/or financing transactions, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we may issue, such as options, convertible notes and warrants, which would adversely impact our financial results.

If we are unable to establish, train and maintain an effective sales and marketing infrastructure, we will not be able to commercialize our product candidates successfully.

We have started to build an internal sales and marketing infrastructure to implement our business plan by developing internal sales teams and education campaigns to market our proprietary ophthalmology, urology and otolaryngology formulations. We will need to expend significant resources to further establish and grow this internal infrastructure and properly train sales personnel with respect to regulatory compliance matters. We may also choose to engage or enter into other arrangements with third parties to provide sales and marketing services for us in place of or to supplement our internal commercialization infrastructure, such as our recently established arrangement with ADF that grants it development and commercialization rights in Canada for certain of our Dropless and LessDrops formulations. We may not be able to secure sales personnel or relationships with third-party sales organizations that are adequate in number or expertise to successfully market and sell our proprietary formulations and pharmacy services. Further, any third-party organizations we may seek to engage may not be able to provide sales and marketing services in accordance with our expectations and standards, may be more expensive than we can afford or may not be available on otherwise acceptable terms or at all. If we are unable to establish and maintain compliant and adequate sales and marketing capabilities, through our own internal infrastructure or third-party services, we may be unable to sell our formulations or services or generate revenue.

Our business and operations would suffer in the event of cybersecurity and other system failures.

Despite the implementation of security measures, our internal computer systems and those of any third parties with which we partner are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such cybersecurity or system failure, accident or breach to date, if such an event were to occur, it could result in a material disruption of our operations, substantial costs to rectify or correct the failure, if possible, and potentially violation of HIPAA and other privacy laws applicable to our pharmacy operations. If any disruption or security breach resulted in a loss of or damage to our data or applications or inappropriate disclosure of confidential or proprietary information, we could incur liability, further development of our proprietary formulations could be delayed, and our pharmacies could be disrupted, subject to restriction or forced to terminate their operations, any of which could severely harm our business and prospects.

We may be unable to demonstrate the safety and efficacy or obtain FDA regulatory approval to market and sell any product candidates for which we seek FDA approval.

Although our current business strategy is focused on developing and commercializing product opportunities as compounded formulations, we may choose to seek FDA regulatory approval to market and sell one or more of our assets as a FDA-approved drug. The process of obtaining FDA approval to market and sell pharmaceutical products is costly, time consuming, uncertain and subject to unanticipated delays. If we choose to pursue FDA approval for one or more product candidates, the FDA or other regulatory agencies may not approve the product candidate on a timely basis or at all. Before we could obtain FDA approval for the sale of any of our potential product candidates, we would be required to demonstrate through preclinical studies and clinical trials that the product candidate is safe and effective for each intended use. Preclinical and clinical studies may fail to demonstrate the safety and efficacy of our potential product candidates. Even promising results from preclinical and early clinical studies do not accurately predict positive results in later, large-scale trials. A failure to demonstrate safety and efficacy of a product candidate to the FDA's satisfaction would result in our failure to obtain FDA approval. Moreover, even if the FDA were to grant regulatory approval of a product candidate, the approval may be limited to specific therapeutic areas or limited with respect to its distribution, which could reduce revenue potential, and we would be subject to extensive and costly post-approval requirements and oversight with respect to our commercialization of the product candidate.

Delays in the conduct or completion of, or the termination of, any clinical and non-clinical trials for any product candidates for which we seek FDA approval could adversely affect our business.

Clinical trials are very expensive, time consuming, unpredictable and difficult to design and implement. The results of clinical trials may be unfavorable, they may continue for several years and they may take significantly longer to complete and involve significantly more costs than expected. Delays in the commencement or completion of clinical testing could significantly affect our product development costs and business plan with respect to any product candidate for which we seek FDA approval. For example, we experienced significant difficulties and delays with respect to initiating our now-terminated former Phase 3 clinical trial for Impracor. The commencement and completion of clinical trials can be delayed and experience difficulties for a number of reasons, including delays and difficulties caused by circumstances over which we may have no control. For instance, approvals of the scope, design or trial site may not be obtained from the FDA and other required bodies in a timely manner or at all, agreements with acceptable terms may not be reached with clinical research organizations ("CROs") to conduct the trials, a sufficient number of subjects may not be recruited and enrolled in the trials, and third-party manufacturers of the materials for use in the trials may encounter delays and problems in the manufacturing process, including failure to produce materials in sufficient quantities or of an acceptable quality to complete the trials. If we were to experience delays in the commencement or completion of, or if we were to terminate, any clinical or non-clinical trials we pursue in the future, the commercial prospects for the applicable product candidates may be limited or eliminated, which may prevent us from recouping our investment in research and development efforts for the product candidate and would have a material adverse effect on our business, results of operations, financial condition and prospects.

We are dependent on third parties to conduct clinical trials and non-clinical studies of our formulations.

We do not employ personnel or possess the facilities necessary to conduct many of the activities associated with our non-clinical research activities or any clinical programs we may pursue in the future. We have engaged and expect to continue to engage consultants, advisors, CROs and others to design, conduct, analyze and interpret the results of studies in connection with the research and development of our products. In addition, we have in the past provided and expect to continue to provide grants to physicians and other healthcare organizations to support investigator-initiated studies of our proprietary formulations. We generally have only very limited contractual rights in connection with the conduct of these studies. In addition, if we were to participate in clinical trials conducted under an investigator-sponsored new drug application approved by the FDA, correspondence and communication with the FDA pertaining to these trials would strictly be between the investigator and the FDA. The communication and information provided by the investigator may not be appropriate and accurate, which could result in reviews, audits, delays or clinical holds by the FDA that affect the timelines for these studies and potentially risk the completion of these trials. As a result, many important aspects of any studies of our proprietary formulations and clinical or non-clinical trials we determine to pursue are not in our direct control.

If the third parties we engage to perform these activities fail to devote sufficient time and resources to our studies, or if their performance is substandard, it would delay the introduction of our proprietary formulations to the market or the approval of our applications by regulatory agencies. Failure of these third parties to meet their obligations could adversely affect the development of our proprietary formations and product candidates and, as a result, could have a material adverse effect on our business, financial condition and results of operations.

Even if we successfully develop any product candidate into an FDA-approved drug, failure to comply with continuing federal and state regulations could result in the loss of approvals to market the drug.

Even if we successfully develop any product candidate into an FDA-approved drug, we would be subject to extensive continuing regulatory requirements and review, including review of adverse drug experiences and clinical results from any post-marketing tests or continued actions required as a condition of approval. The manufacturer and manufacturing facilities we would use to produce any such drug preparations would be subject to periodic review and inspection by the FDA, and we would be reliant on these third parties to maintain their manufacturing processes in compliance with FDA and all other applicable regulatory requirements. Any changes to a product that may have achieved approval, including the way it is manufactured or promoted, would often require FDA approval before the product, as modified, could be marketed and sold. In addition, we and our contract manufacturers would be subject to ongoing FDA requirements for submission of safety and other post-market information. If we or our contract manufacturers failed to comply with these or any other applicable regulatory requirements, a regulatory agency may, among other things, issue warning letters, impose civil or criminal penalties, suspend or withdraw regulatory approval, impose restrictions on our operations, close the facilities of our contract manufacturers, seize or detain products or require a product recall.

Regulatory review also covers a company's activities in the promotion of its FDA-approved drugs, with significant potential penalties and restrictions for promotion of a drug for an unapproved use. Sales and marketing programs are under scrutiny for compliance with various mandated requirements, such as illegal promotions to health care professionals. We also would be required to submit information on any open and completed clinical trials to public registries and databases. Failure to comply with these requirements could expose us to negative publicity, fines and penalties that could harm our business.

We are not pursuing further development of Impracor, our historical product candidate, and we do not expect to receive any revenue from Impracor.

Historically, our business was focused on developing and commercializing our product candidate Impracor under the regulatory pathway provided by Section 505(b)(2) of the FDCA. In August 2013, our contract manufacturer for the materials to be used in a proposed Phase 3 clinical trial of Impracor notified us that such materials had demonstrated out of specification and decreasing stability test results, which we believe could likely have resulted in the materials being unusable for the duration of the trial. After considering the totality of circumstances surrounding Impracor, including these unexpected manufacturing and formulation issues, other strategic and competitive considerations related to the Impracor program, the optimal use of our capital and other resources and other potential commercialization opportunities, we have discontinued the previously planned Phase 3 trial for Impracor and terminated all development programs for Impracor. We do not at this time expect to identify or pursue a successful commercialization pathway for Impracor. Even if we were to pursue commercialization of Impracor or sell compounded formulations utilizing the Impracor technology through our pharmacy operations, we would not expect to achieve sales and revenues necessary to recover our historical costs associated with the Impracor development program.

If we are unable to protect our proprietary rights, we may not be able to prevent others from using our intellectual property, which may reduce the competitiveness and value of the related assets.

Our success will depend in part on our ability to obtain and maintain patent protection for our formulations and technologies and prevent third parties from infringing upon our proprietary rights. We must also operate without infringing upon patents and proprietary rights of others, including by obtaining appropriate licenses to patents or other proprietary rights held by third parties, if necessary. We will only be able to protect our formulations and technologies from unauthorized use by third parties to the extent that valid and enforceable patents cover them. As of November 10, 2015, we owned twelve U.S. patent applications, including nine utility and three provisional patent applications, and we owned five international patent applications filed under the Patent Cooperation Treaty. However, the applications we have filed or may file in the future may never yield patents that protect our inventions and intellectual property assets. Failure to obtain patents that sufficiently cover our formulations and technologies would limit our protection against other compounding pharmacies and outsourcing facilities, generic drug manufacturers, pharmaceutical companies and other parties who may seek to copy or otherwise produce products substantially similar to ours or use technologies substantially similar to those we own. We have made, and expect to continue to make, significant investments in certain of our proprietary formulations prior to the grant of any patents covering these formulations, and we may not receive a sufficient return on these investments if patent coverage or other appropriate intellectual property protection is not obtained and their competitiveness and value decreases.

The patent and intellectual property positions of pharmacies and pharmaceutical companies, including ours, are uncertain and involve complex legal and factual questions. There is no guarantee that we have or will develop or obtain the rights to products or processes that are patentable, that patents will issue from any pending applications or that claims allowed will be sufficient to protect the technology we develop or have developed or to which we have acquired rights. In addition, we cannot be certain that patents issued to us will not be challenged, invalidated, infringed or circumvented, including by our competitors, or that the rights granted thereunder will provide competitive advantages to us.

We also rely on unpatented trade secrets and know-how and continuing technological innovation in order to develop our formulations, which we seek to protect, in part, by confidentiality agreements with our employees, consultants, collaborators and others, including our contract manufacturing organizations or our other service providers. We also have invention or patent assignment agreements with our current employees and certain consultants. However, our employees and consultants may breach these agreements and we may not have adequate remedies for any breach, or our trade secrets may otherwise become known or be independently discovered by competitors. In addition, inventions relevant to us could be developed by a person not bound by an invention assignment agreement with us, in which case we may have no rights to use the applicable invention.

We may face additional competition outside of the U.S. as a result of a lack of patent coverage in some territories and differences in patent prosecution and enforcement laws in foreign countries.

Filing, prosecuting, defending and enforcing patents on our proprietary formulations throughout the world is extremely expensive. While we have filed five international patent applications under the Patent Cooperation Treaty we do not currently have patent protection outside of the U.S. that covers any of our proprietary formulations or other assets that we are currently pursuing. Competitors may use our technologies to develop their own products in jurisdictions where we have not obtained patent protection. These products may compete with ours and may not be covered by any of our patent claims or other intellectual property rights.

Even if we file international patent applications for any of our current or future proprietary formulations and patents are issued or approved, it is likely that the scope of protection provided by such patents would be different from, and possibly less than, the scope provided by corresponding U.S. patents. The success of our international market opportunity would be dependent upon the enforcement of patent rights in various other countries. A number of countries in which we could file patent applications have a history of weak enforcement and/or compulsory licensing of intellectual property rights. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patents and other intellectual property protection, particularly those relating to biotechnology and/or pharmaceuticals, which would make it difficult for us to stop a party from infringing any of our intellectual property rights. Even if we have patents issued in these jurisdictions, our patent rights may not be sufficient to prevent generic competition. Moreover, attempting to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

Our proprietary formulations and technologies could potentially conflict with the rights of others.

The preparation or sale of our proprietary formulations and use of our technologies may infringe on the patent or other intellectual property rights of others. If our products infringe or conflict with the patent or other intellectual property rights of others, third parties could bring legal actions against us claiming damages and seeking to enjoin our manufacturing and marketing of affected products. Patent litigation is costly and time consuming and may divert management's attention and our resources. We may not have sufficient resources to bring any such actions to a successful conclusion. If we are not successful in defending against these legal actions should they arise, we may be subject to monetary liability or be forced to alter our products, cease some or all of our operations relating to the affected products, or seek to obtain a license in order to continue manufacturing and marketing the affected products, which may not be available on acceptable terms or at all.

We are dependent on our CEO, Mark L. Baum, for the continued growth and development of our Company.

Our CEO, Mark L. Baum, has played a primary role in creating and developing our current business model. Further, Mr. Baum has played a primary role in securing much of our material intellectual property rights and related assets, as well as the means to make and distribute our current products. We are highly dependent on Mr. Baum for the implementation of our business plan and the future development of our assets and our business, and the loss of Mr. Baum's services and leadership would likely materially adversely impact our Company. We presently maintain key man insurance for Mr. Baum.

If we are unable to attract and retain key personnel and consultants, we may be unable to maintain or expand our business.

We terminated all of our employees following our filing of the Chapter 11 Case. Since the dismissal of the Chapter 11 Case in December 2011, we have developed a new business model and have focused on rebuilding our management, pharmacy, research and development, sales and marketing and other personnel in order to pursue this business model. However, because of our history, we may have significant difficulty attracting and retaining necessary employees. In addition, because of the specialized nature of our business, our ability to develop products and to compete will remain highly dependent upon our ability to attract and retain qualified pharmacy, scientific, technical and commercial employees and consultants. The loss of key employees or consultants or the failure to recruit or engage new employees and consultants could have a material adverse effect on our business. There is intense competition for qualified personnel in our industry, and we may be unable to continue to attract and retain the qualified personnel necessary for the development of our business.

We depend upon consultants and outside contractors for key aspects of our business.

We are substantially dependent on consultants and other outside contractors and service providers for key aspects of our business, including our research and development activities. Our agreements with our consultants typically provide that the consultant may terminate the agreement with advanced notice to us. If any of our consultants terminates their engagement with us, or if we are unable to engage highly qualified replacements as needed on commercially reasonable terms, we may be unable to successfully execute our business plan. We must effectively manage these consultants to ensure that they successfully carry out their contractual obligations and meet expected deadlines. However, if we are unable to effectively manage our outsourced activities or if the quality or accuracy of the services provided by consultants is compromised for any reason, our development activities may be extended, delayed or terminated, and we may not be able to commercialize our formulations or advance our business.

Changes in the healthcare industry that are beyond our control may have an adverse impact on our business.

The healthcare industry is changing rapidly as consumers, governments, medical professionals and the pharmaceutical industry examine ways to broaden medical coverage while controlling the increase in healthcare costs. Such changes could include changes to make the government's Medicare and Medicaid reimbursement programs more restrictive, which could limit or curtail the potential for our proprietary formulations to obtain eligibility for reimbursement from such payors, or changes to expand the reach of HIPAA or other health privacy laws, which could make compliance with these laws more costly and burdensome. Further, the Patient Protection and Affordable Care Act ("ACA") and the Health Care and Education Reconciliation Act of 2010, which amended ACA (collectively, the "Health Reform Law") may have a considerable impact on the existing U.S. system for the delivery and financing of health care and conceivably could have a material effect on our business, although the details for implementation of many of the requirements under the Health Reform Law will depend on the promulgation of regulations by a number of federal government agencies. It is impossible to predict the final requirements of the Health Reform Law, any other changes to laws and regulations affecting the healthcare industry, or the net effect of these requirements or changes on our business, operations or financial performance.

Because of their significant stock ownership, some of our existing stockholders are able to exert control over us and our significant corporate decisions, and sales of common stock by these stockholders from time to time could have an adverse effect on our stock price.

Our executive officers and directors collectively own, or have the right to acquire within 60 days after November 10, 2015, approximately 17% of our common stock that would be outstanding following such issuances. In addition, five individual stockholders collectively own, or have the right to acquire within 60 days after November 10, 2015, an additional approximately 41% of our common stock that would be outstanding following such issuances. The sale of even a portion of these shares, or the perception that such sales could occur, would likely have a material adverse effect on our stock price. In addition, these persons, acting together, have the ability to exercise significant influence over or control the outcome of all matters submitted to our stockholders for approval, including the election and removal of directors and any significant transaction involving us, and to control our management and affairs. Additionally, since our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws permit our stockholders to act by written consent, a limited number of stockholders may approve stockholder actions without holding a meeting of stockholders. This concentration of ownership may harm the market price of our common stock by, among other things:

- delaying, deferring, or preventing a change in control of our Company or changes to our board of directors;
- impeding a merger, consolidation, takeover, or other business combination involving our Company;
- causing us to enter into transactions or agreements that are not in the best interests of all stockholders; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results.

Effective internal controls are necessary for us to provide reliable financial results. If we cannot provide reliable financial results, our financial statements could be misstated, our reputation may be harmed and the trading price of our stock could decline. As we discuss in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2014, our management concluded that our internal controls over financial reporting were effective as of December 31, 2014. However, our controls over financial processes and reporting may not continue to be effective, or we may identify material weaknesses or significant deficiencies in our internal controls in the future. Any failure to remediate any future material weaknesses or implement required new or improved controls or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements or other public disclosures. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

A consistently active trading market for shares of our common stock may not be sustained.

Historically, trading in our common stock has been sporadic and volatile and our common stock has been “thinly-traded.” There have been, and may in the future be, extended periods when trading activity in our shares is minimal, as compared to a seasoned issuer with a large and steady volume of trading activity. The market for our common stock is also characterized by significant price volatility compared to seasoned issuers, and we expect that such volatility will continue. As a result, the trading of relatively small quantities of shares may disproportionately influence the market price of our common stock. It is possible that a consistently active and liquid trading market in our securities may never develop or be sustained.

Our stock price may be volatile.

The market price of our common stock is likely to be highly volatile and could fluctuate widely in response to various factors, many of which are beyond our control, including the following:

- changes in the pharmacy and pharmaceutical industry and markets;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- new competitors in our market;
- additions or departures of key personnel;
- limited “public float” in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- sales of our common stock by us or by stockholders;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any material strategic relationships;
- industry or regulatory developments;
- economic and other external factors; and
- the other risk factors affecting our business discussed in this Item 1A.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

We have the right to issue shares of preferred stock. If we were to issue preferred stock, it would likely have rights, preferences and privileges superior to those of our common stock.

We are authorized to issue 5,000,000 shares of “blank check” preferred stock, with such rights, preferences and privileges as may be determined from time to time by our board of directors. Following the conversion of our Series A Preferred Stock on June 29, 2012, we have no shares of preferred stock issued and outstanding. Although we have no immediate plans to issue shares of preferred stock, our board of directors is empowered, without stockholder approval, to issue preferred stock at any time in one or more series and to fix the dividend rights, dissolution or liquidation preferences, redemption prices, conversion rights, voting rights and other rights, preferences and privileges for any series of our preferred stock. The issuance of shares of preferred stock, depending on the rights, preferences and privileges attributable to the preferred stock, could reduce the voting rights and powers of our common stockholders and the portion of our assets allocated for distribution to our common stockholders in a liquidation event, and could also result in dilution to the book value per share of our common stock. The preferred stock could also be utilized, under certain circumstances, as a method for raising additional capital or discouraging, delaying or preventing a change in control of our Company.

We have not paid dividends in the past and do not expect to pay dividends in the future. Any return on investment will be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. Any payment of dividends on our common stock would depend on contractual restrictions, such as those contained in our May 2015 loan agreement, as well as our earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return on your investment will only occur if our stock price appreciates.

Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.

The sale by our stockholders of substantial amounts of our common stock in the public market or the perception that such sales could occur upon the expiration of any statutory holding period, such as under Rule 144 under the Securities Act of 1933, as amended (the “Securities Act”), upon expiration of any lock-up periods applicable to outstanding shares or upon our issuance of shares upon the exercise of outstanding options or warrants, could cause the market price of our common stock to fall. The availability for sale of a substantial number of shares of our common stock, whether or not sales have occurred or are occurring, also could make it more difficult for us to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
10.1*	Asset Purchase Agreement originally dated September 23, 2015 and subsequently amended on October 15, 2015, between ImprimisRx PA, Inc. (“ImprimisRx PA”), a Delaware corporation and a wholly-owned subsidiary of Imprimis Pharmaceuticals, Inc. and Thousand Oaks Holding Company, a Delaware corporation, and its wholly owned subsidiaries Topical Apothecary Group, LLC, a Pennsylvania limited liability company and owner and operator of TAG Pharmacy, a licensed pharmacy in Folcroft, PA; Aerosol Science Laboratories, Inc., a California corporation and former operator of ASL Pharmacy; SinuTopic, Inc., a Delaware corporation and former operator of Sinus Dynamics Pharmacy; and Mycotoxins, LLC, a California limited liability company.
31.1*	Certification of Mark L. Baum, principal executive officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
31.2*	Certification of Andrew R. Boll, principal financial and accounting officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.
32.1**	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, executed by Mark L. Baum, principal executive officer, and Andrew R. Boll, principal financial and accounting officer.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** Furnished herewith.

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.

Imprimis Pharmaceuticals, Inc.

Dated: November 12, 2015

By: /s/ Mark L. Baum

Mark L. Baum
Chief Executive Officer and Director
(Principal Executive Officer)

By: /s/ Andrew R. Boll

Andrew R. Boll
Chief Financial Officer
(Principal Financial and Accounting Officer)

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (the "Agreement"), is made this 23rd day of September, 2015, by and among Thousand Oaks Holding Company, Inc., a Delaware corporation ("Company"), Topical Apothecary Group, LLC, a Pennsylvania limited liability company ("TAG"), Aerosol Science Laboratories, Inc., a California corporation ("ASL"), SinuTopic, Inc., a Delaware corporation ("SD"), Mycotoxins, LLC, a California limited liability company ("MYC" and together with TAG, ASL, and SD, collectively, "Subsidiaries" and each a "Subsidiary"; and together with Company, TAG, ASL, and SD, collectively, "Sellers" and each, individually, a "Seller"), and ImprimisRx PA, Inc., a Delaware corporation ("Buyer").

R E C I T A L S

A. TAG is the owner and operator of "TAG Pharmacy", a licensed pharmacy located at 780 Primos Ave, Unit E, Folcroft, Pennsylvania 19032 (the "TAG Premises"). ASL is the former operator of "ASL Pharmacy", a formerly licensed pharmacy located at 900 Calle Plano, Unit M, Camarillo, California 93012. SD is the former operator of "Sinus Dynamics Pharmacy", a formerly licensed pharmacy located at 755 Lakefield Road, Unit D, Westlake Village, California 91361.

B. Upon the terms and subject to the conditions set forth herein, Buyer desires to purchase from Sellers, and Sellers desire to sell to Buyer, all of the assets (other than the Excluded Assets (defined below)) of the Company and Subsidiaries in exchange for the consideration set forth herein.

Now, therefore, in consideration of the mutual covenants, agreements, representations, and warranties contained herein, the parties hereto agree as follows:

1. **Sale and Transfer of the Assets.** Subject to the terms and conditions of this Agreement, on the Closing Date (as defined in Section 13.1), Sellers will sell, convey, assign, transfer, and deliver to Buyer, and Buyer will purchase, accept and take from Sellers, the Assets (as defined in Section 13.1), free and clear of any Encumbrances (as defined in Section 13.1)(other than the Assumed Liabilities and Permitted Encumbrances (each as defined in Section 13.1)) Sellers shall have no obligation to assist Buyer in the physical transfer of any of the Assets to another location, other than to assist any subcontractors of Buyer with the packing of the same.

2. **Purchase Price.** The purchase price (the "Purchase Price") for the Assets shall be the aggregate of the consideration set forth in Section 2.1 and Section 2.2 below.

2.1 **Closing Cash.** As partial consideration for the sale, conveyance, assignment, transfer and delivery to Buyer of the Assets, on the Closing Date, Buyer shall pay to Company by wire transfer of immediately available funds to an account or accounts designated by Company the sum of Four Hundred Ninety-Nine Thousand Dollars (\$499,000) less the Six Thousand Eighteen Dollars and Sixty-Five Cents (\$6,018.65) due the landlord under the Lease, for a net payment of Four Hundred Ninety-Two Thousand Nine Hundred Eighty-One Dollars and Thirty-Five Cents (\$492,981.35) (the "Closing Cash").

2.2 Assumption of Liabilities.

2.2.1 As additional consideration for the sale, conveyance, assignment, transfer and delivery to Buyer of the Assets, Buyer, as of the Closing Date, shall assume the lease of real property entered into by TAG with respect to the TAG Premises (the "Lease") and the obligations under the contracts set forth on Schedule 3.7 of the Disclosure Schedule other than the Private Label Agreement between SinuTopic, Inc. and R1 Technology Partners LLC dated February 18, 2015 (the "Assumed Contracts") together with the Lease, collectively, the "Assumed Liabilities"), provided that, in connection with the assumption of the Lease, at Closing Buyer shall reimburse TAG for, and thereafter Buyer shall be entitled to all benefits of and any right to receive a return of, the Six Thousand Eight Hundred and Seventy-Eight Dollars and Ninety-Eight Cents (\$6,878.98) deposit held in connection with and pursuant to the terms of the Lease (the "Lease Deposit Reimbursement").

2.2.2 Notwithstanding any provision in any Transaction Agreements (as defined in Section 13.1) to the contrary, except for assumption of the Assumed Liabilities, Buyer shall not assume or be deemed to have assumed any liabilities of Sellers or any subsidiaries or affiliates of Sellers (or any predecessor owner of all or part of Sellers' respective businesses or assets), whether as transferee or successor, by contract or otherwise, and Sellers shall remain liable for, any and all liabilities of Sellers of any kind whatsoever, whether known, unknown, liquidated or contingent, whether presently in existence or arising or asserted hereafter, including, without limitation, any accounts payable of the Sellers (collectively, the "Excluded Liabilities").

2.3 **Purchase Price Allocation.** Within thirty (30) days after Closing, Buyer shall deliver to Sellers an allocation of the sum of the Purchase Price and Assumed Liabilities (and any adjustments thereof) among the Assets as of the Closing (the "Allocation") in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. Sellers shall have an opportunity to review the Allocation for a period of not more than ten (10) days after receipt of the Allocation (the "Review Period"). If Seller delivers notice to Buyer prior to the expiration of the Review Period that Sellers' calculation of any item in the Allocation varies by twenty percent (20%) or more from the amount for such item set forth in the Allocation delivered by Buyer, Buyer and Sellers shall attempt in good faith to agree on an adjustment to the Allocation that is mutually agreeable to Buyer and Sellers for a period not to exceed ten (10) days and the Allocation as adjusted by the parties mutual agreement shall be binding on both Buyer and Sellers. If Seller does not provide notice of any dispute prior to the expiration of the Review Period, the Allocation shall be deemed to be final and binding on both Buyer and Sellers. Buyer and Sellers shall cooperate in connection with the preparation of Internal Revenue Service Form 8594 for its timely filing. Except as otherwise required by applicable law, Buyer and Sellers shall report for all tax purposes all transactions contemplated by this Agreement in a manner consistent with the Allocation and shall not take any position inconsistent therewith in any tax return, in any refund claim, in any litigation, or otherwise. If Buyer and Sellers are unable to agree on the Allocation, Buyer and Sellers shall each be permitted to file any returns reflecting an allocation of the purchase price as each shall independently determine.

2.4 **Assets Acquired on “As Is,” “Where Is” Basis.** Notwithstanding anything contained herein to the contrary, it is understood and agreed that, except as expressly set forth in this Agreement, including without limitation, the representations and warranties set forth in Section 3 of this Agreement, Sellers disclaim all warranties or representations of any kind or character, expressed or implied. Buyer is acquiring the Assets and will accept the Assets in an “as is,” “where is” condition with all faults. Buyer agrees that Buyer has not relied upon, and will not rely upon, either directly or indirectly, any representation or warranty of Sellers, or any representation or warranty of any agent or employee of Sellers, except such representations and warranties as expressly set forth in this Agreement.

3. **Representations and Warranties of Sellers.** As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the corresponding sections or subsections of the disclosure schedule attached hereto (the “Disclosure Schedule”), Sellers, jointly and severally, represent and warrant to Buyer as of the Closing Date as follows:

3.1 **Organization.** The Company is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware. ASL is a corporation, duly formed, validly existing, and in good standing under the laws of the State of California. SD is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware. TAG is a limited liability company, duly formed, validly existing, and in good standing under the laws of the Commonwealth of Pennsylvania. MYC is a limited liability company, duly formed, validly existing, and in good standing under the laws of the State of California.

3.2 **Authority.** Each Seller has full power and authority to enter into and consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the board of directors or managers, as applicable, of each Seller and no other corporate, limited liability company, or other proceedings on the part of any Seller are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each Seller, and, assuming that this Agreement constitutes a valid and binding agreement of Buyer, constitutes the legal, valid and binding agreement and obligation of each Seller, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy laws, laws affecting creditors’ rights generally, and equitable principles. No relationship or contract, order, or any other document or relationship prohibits or limits the transfers contemplated by this Agreement. Other than for compliance with the provisions of applicable statutes and regulations, no notice to, filing with, or authorization, consent, or approval of any domestic or foreign public body or authority is necessary for the consummation of the transactions contemplated by this Agreement.

3.3 **No Violation to Result.** The execution, delivery and performance by Sellers of this Agreement and the other documents contemplated hereby and the consummation by Sellers of the transactions contemplated hereby and thereby and the fulfillment by Sellers of the terms hereof and thereof, do not and will not (i) violate, breach or constitute a default under the respective organizational documents of Sellers, any contract of any Seller, or any law applicable to Sellers, (ii) give any governmental authority or any other person the right to prohibit any of the transactions contemplated by this Agreement, or (iii) result in the creation or imposition of any Encumbrance upon the Assets. Except as set forth on Section 3.3 of the Disclosure Schedule, no notice to, filing with, or consent of, any person is necessary in connection with the authorization, approval, execution, delivery or performance by Sellers of this Agreement and the other documents contemplated hereby or the consummation by any Seller of the transactions contemplated hereby or thereby.

3.4 **Title to Subject Assets.** Sellers have good and marketable title to, are the exclusive legal and equitable owners of, and have the unrestricted power and right to sell, assign and deliver the Assets. At the Closing, Sellers will deliver the Assets free and clear of all Encumbrances of any kind or nature other than Permitted Encumbrances. Upon Closing, Buyer will acquire exclusive, good and marketable title to the Assets or a valid leasehold interest in the TAG Premises and no restrictions arising out of Sellers' ownership of the Assets or rental of the TAG Premises will exist with respect to Buyer's right to resell, license, or sublicense any of the Assets or Assumed Liabilities or engage in the Business (as defined in Section 13.1) in compliance with all laws.

3.5 **Payments to Employees.** Sellers have (i) paid all accrued amounts owing to any employees of Sellers for salaries, wages, fringe benefits, accrued vacation pay, and other compensation and (ii) have made all applicable withholdings for taxes in connection with all compensation paid to Sellers employees. Buyer will not incur or otherwise become subject to any liability arising out of any employee benefit plan of Sellers as a result of the transactions contemplated by this Agreement.

3.6 **Liabilities.** Section 3.6 of the Disclosure Schedule sets forth the unaudited balance sheet of Sellers dated as of August 31, 2015 (the "Balance Sheet"). The Balance Sheet sets forth a good faith representation of the existing assets and liabilities of Sellers and was prepared in a manner consistent with Sellers' prior practices. There are no liabilities of the Sellers other than those reserved against or reflected on the Balance Sheet. A list of the accounts payable of each Seller is set forth on Section 3.6 of the Disclosure Schedule.

3.7 **Material Contracts.** Section 3.7 of the Disclosure Schedule sets forth an accurate and complete list of each material contract relating to the Business. The Company has provided the Buyer with a true, correct and complete copy of each such material contract. Each such material contract is legal, valid, binding and enforceable in all material respects in accordance with its terms against Sellers and, to the knowledge of Sellers, all counterparties to such material contracts. Except as set forth on Section 3.7 of the Disclosure Schedule and to the knowledge of Sellers, there are no existing material breaches or material defaults by Sellers under the material contracts set forth in Section 3.7 of the Disclosure Schedule.

3.8 **Taxes.** Except in connection with any Permitted Encumbrance or as otherwise set forth on Section 3.8 of the Disclosure Schedule, there is no outstanding liability arising from any federal, state, local or foreign taxes, charges, fees, levies or other assessments or charges of any similar kind whatsoever payable with respect to Sellers, whether assessed or not, that may result in an Encumbrance on or other seizure or sale of all or any part of the Assets or would result in Buyer becoming liable or responsible therefor.

3.9 **Litigation.** Except as set forth in Section 3.9, there is no judicial or administrative action, arbitration, claim, demand, hearing, investigation, litigation, proceeding or suit or, to the knowledge of any Seller, threatened against or affecting Sellers any of Sellers' respective assets before any court, agency, authority, or arbitration tribunal or that would reasonably be expected to adversely impact the Assets or the Business.

3.10 **Compliance with Laws.** Sellers have complied in all material respects with, and are not in material violation of, and have not received any written or oral notices of violation with respect to, any laws applicable to Sellers, the Assets or the Business.

3.11 **No Intent.** Sellers are not entering into this Agreement with the intent to hinder, delay, or defraud any person to which any Seller is, or may become, indebted. The Closing Cash and the Assumed Liabilities are not less than the reasonably equivalent value of the Assets.

3.12 **Reserved.**

3.13 **Conduct of Business Before the Closing.** Since August 31, 2015, Sellers: (i) have not sold or otherwise disposed of any of Sellers' respective assets; and (ii) have kept all of the equipment and other tangible personal property included in the Assets in good working order and repair, reasonable wear and tear excepted, except that Sellers have caused ASL Pharmacy and Sinus Dynamics Pharmacy to cease operations.

3.14 **Licenses and Permits.** Except as set forth in Section 3.14 of the Disclosure Schedule, all licenses held by TAG Pharmacy listed in Section 3.14 of the Disclosure Schedule are duly and validly issued and in full force and effect. TAG Pharmacy is currently registered or enrolled with the state boards of pharmacy listed in Section 3.14 of the Disclosure and the Drug Enforcement Administration and there have not been and there currently are no criminal, administrative, disciplinary proceedings, or other suits or proceedings pending or threatened against TAG Pharmacy nor do Sellers have any knowledge of any such proceedings; and no corporate officer, director, member, or shareholder has in the past had any license necessary to the conduct of the Business, suspended or revoked.

3.15 **No Other Agreements.** No Sellers nor any Representatives (as defined in Section 13.1) of Sellers have entered into any other agreements or arrangements with respect to the sale or other disposition of the Assets (except for non-binding letters of intent or similar such instruments that would in no way affect the transferability of the Assets pursuant to this Agreement) other than with respect to sales of assets in the ordinary course of business consistent with past practice.

4. **Representations and Warranties of Buyer.** Buyer represents and warrants to Sellers as follows, the truth and accuracy of each of which shall constitute a condition precedent to the obligations of Sellers:

4.1 **Organization.** Buyer is a corporation, duly formed, validly existing, and in good standing under the laws of the State of Delaware.

4.2 **Authority.** Buyer has full power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the board of directors of Buyer and no other corporate or other proceedings on the part of Buyer are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Buyer, and, assuming that this Agreement constitutes a valid and binding agreement of Sellers, constitutes the legal, valid, and binding agreement and obligation of Buyer, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy laws, laws affecting creditors' rights generally, and equitable principles. No relationship of Buyer or contract, order, or any other agreement to which Buyer is a party prohibits or limits the transactions contemplated by this Agreement. Other than for compliance with the provisions of applicable statutes and regulations, Buyer is not required to provide any notice to, make any filing with, or obtain the authorization, consent or approval of, any domestic or foreign governmental authority in order to consummate the transactions contemplated by this Agreement.

4.3 **No Violation to Result.** The execution, delivery and performance by Buyer of this Agreement and the other documents contemplated hereby and the consummation by Buyer of the transactions contemplated hereby and thereby and the fulfillment by Buyer of the terms hereof and thereof, do not and will not (i) violate, breach or constitute a default under the organizational documents of Buyer, any contract of Buyer, or any law applicable to Buyer or (ii) give any governmental authority or any other person the right to prohibit any of the transactions contemplated by this Agreement. No notice to, filing with, or consent of, any person is necessary in connection with the authorization, approval, execution, delivery or performance by Buyer of this Agreement and the other documents contemplated hereby or the consummation by Buyer of the transactions contemplated hereby or thereby.

5. **Buyer Covenants.**

5.1 **Buyer Filing of Change of Ownership Paperwork.** After the Closing Date, Buyer will cause to be timely filed all notices and applications necessary for Buyer to acquire or, to the extent permissible under applicable law, transfer to Buyer any permits or contracts held by TAG in connection with the operation of the TAG Pharmacy.

5.2 **Buyer Response to PBM and Other Audits.** After the Closing Date and for a period of six (6) months, Buyer shall timely respond to any PBM (as defined in Section 13.1) or similar audits with respect to TAG Pharmacy that are received by Buyer, and shall promptly give written notice to the Company of any such audits. In no event shall Buyer be required to incur any financial liability or make any payment in connection with any such audit.

5.3 **Maintenance of Pharmacy Records.** After the Closing and receipt from Sellers of all prescription files and records relating to each of TAG Pharmacy, ASL Pharmacy and Sinus Dynamics Pharmacy (the "Pharmacy Records"), Buyer, at Buyer's expense, will transfer the Pharmacy Records to TAG Pharmacy or Buyer's central repository of records. Buyer agrees to preserve all Pharmacy Records, to respond to any inquires received with reference thereto, to provide each Seller with reasonable access thereto and permit each Seller to make copies thereof during normal business hours for a period of seven (7) years following the Closing Date.

5.4 Employer Identification Number (EIN); Provider Numbers; License Applications.

5.4.1 From and after the Closing, for income tax reporting purposes all activities with respect to TAG Pharmacy shall be reportable under Buyer's EIN, and Buyer will have no responsibility for filing tax returns under the Sellers' EINs for any of the Company, TAG, ASL, SD or MYC.

5.4.2 Within fifteen (15) days after Closing, Buyer will submit all change of ownership notices, applications, fees, and other documentation necessary to obtain any required licenses from the Pennsylvania Board of Pharmacy with respect to Buyer's ownership of TAG Pharmacy (the "PA Licensure").

5.4.3 Buyer will obtain new NPI and NCPDP numbers to be used in connection with Buyer's TAG Pharmacy and shall activate such new NPI and NCPDP numbers within fifteen (15) days after Buyers receipt of PA Licensure.

5.4.4 Within ninety (90) days after Closing, Buyer will submit (i) all change of ownership notices, applications, fees, and other documentation necessary to obtain required licenses in any jurisdiction other than Pennsylvania with respect to Buyer's ownership of TAG Pharmacy ("Other Licensure"); and (ii) all change of ownership and other documentation necessary in connection with all payer contracts (together with Other Licensure, collectively "Required Approvals").

5.5 **Actions Under Power of Attorney.** All powers granted to Buyer pursuant to the power of attorney delivered to Buyer pursuant to Section 8.2.4(g) of this Agreement shall expire upon the earliest to occur of (i) Buyer's receipt of all Required Approvals; and (ii) one hundred eighty (180) days after Closing (the "POA Term"); provided, however, that the POA Term may be extended for one or more additional sixty (60) day periods with the written consent of TAG, which consent shall not be unreasonably withheld. Upon expiration of the POA Term, Buyer (i) shall not exercise any powers granted to Buyer pursuant to such power of attorney; and (ii) shall either deliver the original of such power of attorney to TAG or provide written confirmation to TAG that the original of such power of attorney has been destroyed.

6. Bulk Transfer Provisions. Each party hereto hereby waives compliance with the provisions of any applicable bulk transfer law; provided, however, that Sellers agree: (i) to pay and discharge when due or to contest or litigate all claims of creditors that are asserted against Buyer or the Assets by reason of noncompliance with any such law; (ii) to indemnify, defend and hold harmless Buyer from and against any and all such claims in the manner provided in Section 9; and (iii) to take promptly all necessary action to remove any Encumbrance on the Assets by reason of such noncompliance.

6.1 Purchased Assets.

6.1.1 In the event that, at any time or from time to time following the Closing, any party identifies any asset that is included within the definition of "Assets" that was not transferred as of Closing, then Sellers shall promptly transfer, or cause to be transferred, such asset to Buyer for no additional consideration. Prior to any such transfer, the applicable Seller shall hold such asset in trust for Buyer.

6.1.2 Notwithstanding the foregoing, if any of the Assets are not assignable or transferable (each, a “Non-Transferable Asset”) without consent of a third party thereto, and if any such consent is not obtained on or prior to the Closing Date, this Agreement and the related instruments of transfer shall not constitute an assignment or transfer of such Non-Transferable Asset, and Buyer or its designee(s) shall not assume the applicable Seller or Sellers’ rights or obligations under such Non-Transferable Asset (and such Non-Transferable Asset shall not be included in the Assets), and instead Buyer, at Buyer’s sole cost and expense shall use commercially reasonable efforts to obtain any such consent as soon as reasonably practicable after the Closing Date and thereafter the applicable Seller shall transfer and assign to Buyer such Non-Transferable Assets for no additional consideration. Following any such assignment or transfer, such Non-Transferable Assets shall be deemed Assets for purposes of this Agreement.

6.1.3 After the Closing, the Sellers shall use commercially reasonable efforts (including making any necessary payments to third parties or otherwise incurring expenses or costs, but only to the extent any payments, expenses or costs are reimbursed by Buyer) to provide Buyer or its designee(s) with all of the rights and benefits of any Non-Transferable Assets after the Closing as if the appropriate consent had been obtained.

6.2 **Interim Medication and Devices Inventory and Reconciliation.** On the Closing Date, Sellers shall deliver to Buyer an inventory of all drugs and devices on hand at TAG Pharmacy, ASL Pharmacy and Sinus Dynamics Pharmacy as of the Closing Date (“Closing Inventory”).

6.3 **Limited Power of Attorney.** Effective upon the Closing, the Sellers hereby irrevocably appoint Buyer and its successors, agents and assigns as its true and lawful attorney, in its name, place and stead, with power of substitution, to take any action and to execute any instrument which Buyer may deem necessary or advisable for the purposes of: (i) demanding and receiving any and all Assets not held by Sellers and to make endorsements and give receipts and releases for and in respect of the same; (ii) to institute, prosecute, defend, compromise, or settle any and all proceedings with respect to the Assets and the Lease; (iii) to make any filings required to transfer any of the Sellers’ intellectual property rights included in the Assets; (iv) to receive and open all mail, packages and other communications addressed to any Seller relating to the Business; and (v) conveying to Buyer the right to use, among other required numbers, but not limited to, TAG Pharmacy’s state licenses, Board of Pharmacy registrations, DEA registrations, Medicaid Provider Numbers, Medicare Provider Numbers, and NCPDP and NPI numbers. The foregoing power of attorney is a special power of attorney coupled with an interest and is irrevocable.

6.4 **Interim Operations.** Sellers will use commercially reasonable efforts to introduce parties designated by Buyer to (i) the management of NeilMed, (ii) device manufacturers utilized by Sellers in connection with the Business, and (iii) other contract parties with respect to contracts utilized by Sellers in connection with the Business as requested by Buyer. Because Sellers will not operate ASL Pharmacy or Sinus Dynamics Pharmacy following execution of this Agreement, Sellers will use commercially reasonable efforts to provide information to Buyer concerning the cost of warehousing in California the portion of the Assets to be acquired from ASL and SD and for shipping such portion of the Assets to the TAG Premises. Any storage or shipping costs related to the portion of the Assets to be acquired from ASL and SD shall be at Buyer’s sole cost and expense and Buyer shall remove all such Assets from any premises of Sellers on or before September 30, 2015.

7. **Survival of Representations and Warranties.** Except for the representations and warranties of Sellers set forth in Sections 3.1, 3.2, and 3.4 and the representations and warranties of Buyer set forth in Section 4.1 and 4.2, which warranties shall survive indefinitely, all representations and warranties made under this Agreement will survive the Closing for a period of one (1) year.

8. **Conditions to Closing.**

8.1 **Closing.** The transactions contemplated by this Agreement shall close by electronic exchange of documents (the “Closing”) as soon as practicable after the date on which the document deliveries and actions referenced in this Section 8 are completed (“Closing Date”).

8.2 **Conditions to Buyer’s Obligations.** The obligations of Buyer to consummate the transactions contemplated under this Agreement and the other Transaction Agreements are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent (the “Buyer Conditions”), any one or more of which may be waived, in part or in full, by Buyer in writing:

8.2.1 The representations and warranties of each Seller contained in this Agreement (and in any other Transaction Agreement delivered by any Seller pursuant hereto) shall be true, correct, and complete in all material respects on and as of the Closing and each Seller shall have executed and delivered to Buyer a certificate as of the Closing to the effect set forth in this Section 8.2.1.

8.2.2 All of the terms, covenants, agreements and obligations of this Agreement to be complied with, performed, or satisfied by any Seller on or before the Closing Date shall have been duly complied with, performed, or satisfied in all material respects on or before such date and each Seller shall have executed and delivered to Buyer a certificate as of the Closing to such effect.

8.2.3 Any lenders to Sellers who are required to approve or consent to the sale of the Assets to Buyer pursuant to this Agreement shall have delivered an approval or consent, including assurance that Buyer will not be liable for any claims such lenders may have against Sellers or the Assets, in form and substance reasonably acceptable to Buyer.

8.2.4 On or prior to the Closing, Sellers shall have delivered or made available to Buyer the following:

- (a) the Pharmacy Records.

(b) evidence satisfactory to Buyer that any Encumbrances other than Permitted Encumbrances on the Assets have been released and discharged, including UCC-3 termination statements;

(c) a certificate of each Seller's secretary (or comparable officer), setting forth certified copies of the articles of organization, certificate of formation, certificate of incorporation, operating agreement, or limited liability company agreement, each to the extent applicable and as in effect immediately prior to the Closing, and resolutions of such Seller's managers, directors, stockholders, or members, as applicable and required, authorizing the execution, delivery, and performance of this Agreement and the other documents contemplated hereby and the consummation of the transactions contemplated hereby and thereby, and certifying that (i) such articles of organization, certificate of formation, certificate of incorporation, operating agreement, or limited liability company agreement, each as applicable, and such resolutions have not been amended or rescinded and are in full force and effect and (ii) such Seller's authorized officer or manager executing this Agreement and other documents delivered pursuant to this Agreement is an incumbent officer or manager and the specimen signature on the certificate is that authorized officer's or manager's genuine signature;

(d) a good standing certificate from the jurisdiction of each Seller's respective formation or incorporation each dated as of a date reasonably close to the Closing;

(e) an unconditional consent to assignment of the Lease to Buyer from the landlord set forth in the Lease;

(f) a Bill of Sale duly executed by each Seller in the form attached hereto as Exhibit A;

(g) a Power of Attorney duly executed by TAG in the form attached hereto as Exhibit B;

(h) duly executed counterparts to this Agreement and all other Transaction Agreements to which each Seller is a party; and

(i) such other bills of sale, assignments, certificates of title and other documents of transfer as may be reasonably requested by Buyer in order to convey to Buyer good and marketable title to all of the Assets, free and clear of all Encumbrances other than Permitted Encumbrances, and in order to carry out the intentions and purposes of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby.

8.3 Conditions to Sellers' Obligations. The obligations of the Sellers to consummate the transactions contemplated under this Agreement and the Transaction Agreements are subject to the fulfillment and satisfaction, prior to or at the time of the Closing, of each of the following conditions precedent, any one or more of which may be waived, in part or in full, by the Company in writing:

8.3.1 The representations and warranties of Buyer contained in this Agreement (and in any other Transaction Agreement delivered by Buyer pursuant hereto) shall be true, correct and complete in all material respects on and as of the Closing. Buyer shall have executed and delivered to Buyer a certificate as of the Closing to the effect set forth in this Section 8.3.1.

8.3.2 All of the terms, covenants, agreements and obligations of this Agreement to be complied with, performed or satisfied by Buyer on or before the Closing Date shall have been duly complied with, performed or satisfied in all material respects on or before such date and Buyer shall have executed and delivered to the Company a certificate as of the Closing to such effect.

8.3.3 Buyers shall have delivered to Sellers, directly or through an intermediary, to Company:

(a) the Closing Cash (as adjusted pursuant to Section 13.5), the Lease Deposit Reimbursement, and, if any, the Apportioned Obligations Reimbursement (as defined in Section 13.5);

(b) any document or instrument reasonably requested by Sellers to evidence Buyer's assumption of all obligations under the Lease;

(c) duly executed counterparts to this Agreement and all other Transaction Agreements to which such Buyer is a party; and

(d) such other bills of sale, assignments, certificates of title and other documents of transfer as may be reasonably requested by Seller in order to convey to Buyer good and marketable title to all of the Assets and in order to carry out the intentions and purposes of this Agreement and the other Transaction Agreements and the transactions contemplated hereby and thereby all as duly executed by Buyer.

9. Liability and Indemnification.

9.1 Each of Buyer, on one hand, and Sellers, jointly and severally, but in each case subject to Section 9.5 of this Agreement, on the other hand, hereby covenant and agree to indemnify, defend, protect and hold harmless the other party and such party's affiliated parties, agents, successors, and assigns from, against and in respect of all Damages (defined below) suffered, sustained, incurred or paid by the other party, in each case in connection with, resulting from or arising out of (whether or not involved in a third party claim): (i) the breach of any representation or warranty made by such party; (ii) the breach of any covenant or agreement on the part of such party; and (iii) enforcing the indemnification rights of the Indemnified Party (as defined below).

9.2 Subject to Section 9.5 of this Agreement, Buyer shall indemnify, defend, protect and hold harmless Sellers and Sellers' respective agents, successors, and assigns, from and against any and all Damages arising, resulting from, or relating to: (i) the Lease; (ii) the ownership of the Assets; and (iii) the operation of the Business, in each instance arising after the Closing Date.

9.3 Sellers, jointly and severally but subject to Section 9.5 of this Agreement, shall indemnify, defend, protect and hold harmless Buyer, and Buyer's agents, successors, and assigns, from and against any and all Damages arising, resulting from or relating to: (i) any Excluded Liabilities; or (ii) the ownership of the Assets and operation of the Business, in each instance arising on or prior to the Closing Date.

9.4 In the event any claim for indemnification hereunder arises, including, without limitation, on account of a claim or action made or instituted by a third party, the party to this Agreement seeking indemnification (the “Indemnified Party”) hereunder shall notify in writing the party hereto from which it seeks indemnification (the “Indemnifying Party”) as soon as reasonably practicable, but in no event later than fifteen (15) days, after the Indemnified Party has actual knowledge of any claim that it has under this Section 9.

9.5 Notwithstanding any provisions of this Agreement to the contrary, each party expressly agrees that (i) in no event shall any indemnifying party’s aggregate liability for any Damages payable to the indemnified parties pursuant to the indemnification provisions of this Section 9 exceed an amount equal to Closing Cash; (ii) in the absence of fraud, gross negligence, or intentional misconduct (a) recourse for any Damages payable to the indemnified parties pursuant to the indemnification provisions of this Section 9 shall be limited to assets then held by the applicable indemnifying party; and (b) no party shall seek to recover Damages from any employee, officer, director, manager, stockholder (other than a Seller), member (other than a Seller), any affiliate (or any employee, officer, director, manager, stockholder, or member of any affiliate) of the indemnifying party.

10. **Sellers’ Accounts Receivable.** All accounts receivable of any of the Sellers, or any of them, including third-party receivables, which accrue prior to the Closing Date shall remain the property of Sellers. For a period of ninety (90) days from and after the Closing Date, Buyer agrees to accept payment of accounts receivable for and on behalf of Sellers, and shall make an accounting of and transmit such collected receivables to the Company on Friday of each week, whether received during such 90-day period or thereafter (“A/R Payments”). On the 91st day after the Closing Date, Buyer shall return all records of A/R Payments to the Company. A/R Payments received, unless otherwise specified by any payer, shall be allocated on a first in first out basis. Notwithstanding any of the above, Buyer shall have no duty actively to attempt to collect such receivables, but will cooperate with Sellers in such collection.

11. **Publicity and Disclosure.**

11.1 Buyer and the Company shall mutually determine the form and substance of any press release, publicity or other public communication related to this Agreement or the transactions contemplated hereby. Each party shall use commercially reasonable efforts to provide the other with the opportunity to comment on the initial press release announcing this Agreement and the transactions contemplated hereby prior to its release. No party shall make any disclosure of this Agreement or the existence, terms and conditions hereof (whether or not in response to an inquiry about the existence or subject matter of this Agreement), unless previously approved by Buyer and the Company. Notwithstanding the foregoing, nothing contained herein shall prohibit any party from making any disclosure which the party in good faith believes is required by, or advisable according to, applicable laws, regulations or stock market rules.

11.2 Sellers hereby agree that each shall hold, and shall use its commercially reasonable efforts to cause its Representatives to hold, in strict confidence from any Person (other than such Representatives), and shall not (and shall use commercially reasonable efforts to cause its Representatives not to) disclose, transfer, transmit or use, any and all Buyer Confidential Information (defined below), except to the extent: (i) compelled to disclosure by judicial or administrative process or by other requirements of law upon the advice of counsel and following prompt notice to Buyer of any related proceeding thereby allowing Buyer reasonable opportunity to seek an appropriate protective order or other assurance that Buyer Confidential Information shall be afforded confidential treatment, (ii) previously known by the Person receiving such Buyer Confidential Information or (iii) in the public domain through no fault of the receiving person. After the Closing, each Seller shall, and shall use commercially reasonable efforts to cause their Representatives to, at the request and option of Buyer, deliver all tangible embodiments (and all copies) of Buyer Confidential Information that are in such party's possession or under such party's control.

12. **Non-Competition.**

12.1 **Covenant Not to Compete.** For the period commencing with the Closing and ending on the second anniversary of the Closing, each of Sellers and their respective directors, officers, managers, affiliates, agents, successors and assigns (except, in each instance, for any stockholder of the Company or any directors, officers, managers, affiliates (other than the Subsidiaries), agents, successors, and assigns of any stockholder of the Company), shall not, for any reason whatsoever, directly or indirectly, for themselves, as a principal, or for another's account, on behalf of or in conjunction with any other person or through any form of ownership in any person, anywhere in the continental United States:

12.1.1 engage in, research, develop, plan, participate, sponsor, organize, encourage, lend to, or invest in any activity competitive with any aspect of the Business, including activities related or ancillary thereto and reasonable extensions thereof, or be employed or engaged by or involved with any person in connection with such activities;

12.1.2 cause, induce, solicit or encourage any contractor, vendor, service provider, strategic partner or actual or prospective customer of the Business (the "Covered Persons") to terminate such status or advise any person against entering into such status;

12.1.3 hire or attempt to hire, or solicit business from or provide services to, any Person who was a Covered Person within the twenty-four (24) months preceding the Closing Date;

12.1.4 otherwise intentionally disrupt or interfere with, or attempt to disrupt or interfere with, the relations of Buyer with any Covered Person as such relations relate to the Assets or Business; or

12.1.5 disparage or make any false or inaccurate statements (whether in oral, written, electronic or other form) to any media source, industry member, company, or group, financial institution or Covered Person regarding Buyer as they relate to the Assets or Business; provided, that the foregoing shall not prohibit any such persons from, collectively, owning as a passive investment two percent (2%) or less of the equity of any publicly-traded entity. For purposes of the foregoing, a person who is not a customer of the Business shall be considered a "prospective customer" if any Subsidiaries made a presentation or written proposal to such person during the twenty-four (24) month period preceding the date hereof or was preparing to make such a presentation or proposal on the date hereof.

12.2 **Damages.** Because of the difficulty of measuring economic losses to Buyer as a result of a breach of the foregoing covenants in this Section 12, and because of the immediate and irreparable damage that could be caused to Buyer for which Buyer would have no other adequate remedy, Sellers hereby agree that the foregoing covenants contained in this Section 12 may be enforced by Buyer in the event of a breach or threatened breach by any Sellers, in addition to, but not in lieu of, any other available remedies (including, without limitation, monetary Damages), by injunctions, restraining orders, or other equitable remedies, without necessity of posting an injunction bond.

12.3 **Reasonable Restraint.** It is agreed by the parties that the foregoing covenants in this Section 12 impose a reasonable and valid restraint on Sellers in light of the activities and business of Sellers and Buyer on the date of the execution of this Agreement.

12.4 **Independent Covenant.** It is understood by the parties that each of the covenants contained in this Section 12 are essential elements of this Agreement and that, but for the agreement of Sellers to comply with such covenants, Buyer would not have agreed to enter into this Agreement. Sellers each hereby agree that all covenants contained in this Section 12 are material, reasonable, and valid. The covenants in this Section 12 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant and the existence of any claim or cause of action of any Sellers against Buyer, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Buyer of any such covenant. Moreover, in the event that any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth are not permitted by applicable law or are too broad or to any extent invalid, then it is the intention of the parties that such restrictions be enforced to the fullest extent which the court deems to be permissible by applicable law, and this Agreement shall thereby be reformed.

13. **General Provisions.**

13.1 **Certain Definitions.**

13.1.1 "Assets" means all of Sellers' respective right, title and, interest in and to all assets properties, interests, and other rights of Sellers other than Excluded Assets, including without limitation: (i) all contract rights with respect to the Assumed Contracts; (ii) all prepaid expenses, deposits, rebates, credits, advances, other prepayments and related rights paid, obtained by, or related to Sellers; (iii) all intellectual property rights (including, without limitation, all patent rights, trademarks, copyrights, inventions, trade secrets, and other intellectual property and proprietary rights owned by Sellers relating to the foregoing) of Sellers and all rights thereunder or in respect thereof, including, without limitation, but only to the extent transferable, any third-party intellectual property rights licensed by any Sellers and all rights to the names of each Seller; (iv) all training materials, presentation materials, and sales or promotional materials of each Seller; (v) all tangible and intangible assets, including the Closing Inventory and all other inventory, equipment, and fixed assets; (vi) all internal systems and software (as well as the source code for, and documentation applicable to, each current version of the software with which such software may be compiled, used, or interoperate) owned by, or used pursuant to a transferable license, or used by Sellers; (vii) copies of all Pharmacy Records, customer lists, books, files, papers, ledgers, correspondence, databases, information systems, programs, materials, documents and records of each Seller relating to the Business as physically maintained or maintained on any other medium; (viii) to the extent transferable, all permits of Sellers; and (ix) all claims, causes of action, rights to tender claims, or other rights against any person related to the Assets, including, without limitation, those assets set forth on the asset schedule, dated as of August 26, 2015, delivered by Buyers to Sellers, but excluding, in all instances, the Excluded Assets.

13.1.2 “Business” means the collective the pharmacy businesses of Sellers.

13.1.3 “Buyer Confidential Information” means all: (i) documents and information concerning Buyer or any of its respective Representatives furnished in connection with this Agreement, any of the other Transaction Agreements or the transactions contemplated hereby or thereby (including, without limitation, any claim or dispute arising out of or related to this Agreement or the transactions contemplated hereby, or the interpretation, making, performance, breach or termination thereof); and (ii) all information concerning the Agreement, the Business and the Assets that is not generally available to the public and including, without limitation, any information provided or made available to the Company following the Closing pursuant to the Agreement.

13.1.4 “Company Confidential Information” means all documents and information concerning Sellers or any of their respective Representatives or affiliates furnished in connection with this Agreement or the transactions contemplated hereby; provided, however, that Company Confidential Information shall not include the Assets.

13.1.5 “Damages” means all liabilities, losses, claims, damages, causes of actions, lawsuits, administrative proceedings (including informal proceedings), investigations, audits, demands, assessments, adjustments, judgments, settlement payments, deficiencies, penalties, fines, taxes, and costs and expenses (including, without limitation, reasonable and documented attorneys’ fees).

13.1.6 “Encumbrance” means any claim, lien, pledge, assignment, option, charge, easement, license, restraint, security interest, right-of-way, encumbrance, mortgage or other right or obligation (including, without limitation, with respect to any securities, any preemptive right, right of first refusal, put, call or other restriction on transfer, and, with respect to intellectual property rights, any license, covenant, release or immunity), other than encumbrances created by or through Buyer.

13.1.7 “Excluded Assets” means, with respect to each Seller, any cash on hand, cash in banks, accounts receivable, any contracts and contract rights with respect to all contracts that are not Assumed Contracts, anticipated or actual tax refunds, any and all refunds payable to any Seller by Amerisource Bergen, and rights under insurance policies, including any refunds of prepaid insurance or refunds upon termination, as well as the real property leases and permits held by ASL or SD.

13.1.8 “PBM” means pharmacy benefit managers.

13.1.9 “Permitted Encumbrance” means (a) liens imposed by law for taxes that are not yet due; (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like liens imposed by law, securing obligations that are not overdue; (c) rights reserved to or vested in any governmental authority to control or regulate, or obligations or duties to any governmental authority with respect to, any right, power, franchise, grant, license, permit or use of any property; and (d) any extension, renewal or replacement of the foregoing.

13.1.10 “Representatives”, with respect to any person (which shall include any person, limited liability company, partnership, trust, unincorporated organization, corporation, association, joint stock company, business, governmental authority or other entity), means the directors, officers, employees, consultants, agents or other representatives thereof (including legal counsel, accountants, financial advisors, investment bankers and brokers).

13.1.11 “Transaction Agreements” means this Agreement, the Bill of Sale delivered pursuant to Section 8.2.4(f), the Power of Attorney delivered pursuant to Section 8.2.4(g), and any other documents or instruments delivered pursuant to Section 8.2.4(i).

13.2 **Further Assurances.** After the Closing Date, Sellers, and each of them, shall execute and deliver all such further instruments, documents, deeds, bills of sale, assignments and assurances and shall take and perform all other acts which the other may reasonably request in order to further effect or perfect the sale and transfer of the Assets to Buyer as contemplated in this Agreement. Following the Closing: (i) Buyer shall promptly deliver to the Company any mail or other communications received by Buyer relating to the Excluded Assets or the Excluded Liabilities; (ii) each Seller, as applicable, shall promptly forward to Buyer any payments received by such Seller on account of any Purchased Assets; and (iii) each Seller shall promptly deliver to Buyer any mail or other communications received by such Seller relating to the Assets or the Lease.

13.3 **Termination.** This Agreement may be terminated and abandoned at any time prior to the Closing Date by (i) mutual written agreement of Sellers and Buyer, (ii) by written notice from Sellers to Buyer or Buyer to Sellers if the Closing shall not have occurred on or before September 28, 2015 (provided, however, that the party seeking to terminate this Agreement shall not seek to terminate because of its breach or violation of any representation, warranty, or covenant contained herein having caused or resulted in a failure of the Closing to occur by such date), (iii) by Sellers’ written notice to Buyer in the event of a material breach by Buyer, provided, Sellers are not then in material breach of any of the provisions of this Agreement, (iv) by Buyer’s written notice to Sellers in the event of a material breach by any Seller, provided Buyer is not then in material breach of any of the provisions of this Agreement, or (v) by the Buyer if a third party initiates a claim or proceeding which has or is reasonably likely to have a material adverse effect on the Assets or the Business.

Either party may, by virtue of written notice in compliance with this paragraph, alter or change the address or the identity of the person to whom any notice, or copy thereof, is to be sent.

13.8 **Waivers.** A waiver by any party of any of the terms and conditions of this Agreement in any one instance shall not be deemed or construed to be a waiver of such term or condition for the future, or of any subsequent breach thereof, nor shall it be deemed a waiver of performance of any other obligation hereunder.

13.9 **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of the successors and assignees of the parties.

13.10 **Headings.** The subject headings of the paragraphs and subparagraphs of this Agreement are for convenience only and shall not in any way affect the construction or interpretation of any provision of this Agreement.

13.11 **Entire Agreement.** This Agreement contains the entire understanding of the parties hereto relating to the subject matter hereof and supersedes all prior and collateral agreements, understandings, statements and negotiations of the parties. Each party acknowledges that no representations, inducements, promises, or agreements, oral or written, with reference to the subject matter hereof have been made other than as expressly set forth herein.

13.12 **Severability.** If any provision of this Agreement, as applied to any party or to any circumstance, shall be found by a court of competent jurisdiction to be void, invalid or unenforceable, the same shall in no way affect any other provision of this Agreement, the application of any such provision in any other circumstance, or the validity or enforceability of this Agreement.

13.13 **Governing Law/Interpretation.** This Agreement shall be governed by, construed in accordance with and enforced under the internal laws of the State of California. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

13.14 **Disputes.** In the event a dispute should arise between any of the Sellers, on the one hand, and Buyer, on the other, whether based on contract, tort, statute, or other legal theory, arising out of this Agreement, such dispute shall be resolved by binding arbitration to take place in the State of California.

13.15 **Assignment.** The respective rights and obligations of the parties to this Agreement may not be assigned by any party without the prior written consent of the other, which consent may not be unreasonably withheld or delayed.

13.16 **Successors and Assigns.** The terms and provisions of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the parties.

13.17 **Modification and Waiver.** This Agreement may not be amended, modified, or supplemented except by written agreement signed by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute, a waiver of any other provision.

13.18 **Counterparts.** This Agreement may be executed in two or more counterparts, which when taken together, whether or not including any transmitted by email or facsimile, shall constitute a single, signed, final, original edition of this Agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

SELLERS

Thousand Oaks Holding Company, Inc.,
a Delaware corporation

By: /s/ Paul Fischer
Paul Fischer, President

Topical Apothecary Group, LLC,
a Pennsylvania limited liability company

By: /s/ Paul Fischer
Paul Fischer, Manager

Aerosol Science Laboratories, Inc.,
a California corporation

By: /s/ Paul Fischer
Paul Fischer, President

SinuTopic, Inc.,
a Delaware corporation

By: /s/ Paul Fischer
Paul Fischer, President

Mycotoxins, LLC,
a California limited liability company

By: /s/ Thomas Rafferty
Thomas Rafferty, President

BUYER

ImprimisRx PA, Inc.,
a Delaware corporation

By: /s/ Mark L. Baum
Mark L. Baum, Chief Executive Officer

FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO ASSET PURCHASE AGREEMENT (the "Amended Agreement"), is made this 15th day of October, 2015, by and among Thousand Oaks Holding Company, Inc., a Delaware corporation ("Company"), Topical Apothecary Group, LLC, a Pennsylvania limited liability company ("TAG"), Aerosol Science Laboratories, Inc., a California corporation ("ASL"), SinuTopic, Inc., a Delaware corporation ("SD"), Mycotoxins, LLC, a California limited liability company ("MYC" and together with TAG, ASL, SD, and the Company, collectively, "Sellers" and each, individually, a "Seller"), and ImprimisRx PA, Inc., a Delaware corporation ("Buyer").

RECITALS

WHEREAS, the Sellers and Buyer entered into that certain Asset Purchase Agreement dated as of September 23, 2015 (the "Purchase Agreement").

WHEREAS, due to a delay in the closing of the Purchase Agreement, on or about October 2, 2015, the Sellers and Buyer entered into that certain Interim Provisional Letter Amendment to Asset Purchase Agreement (the "Interim Management Agreement") wherein the parties agreed that the Buyer would fund all reasonable operating expenses of TAG Pharmacy which arose in the ordinary course of business (the "TAG Expenses"), of which the Sellers would reimburse the Buyer for.

WHEREAS, pursuant to the terms of the Interim Management Agreement, as of the date of this Amended Agreement, the Buyer has incurred total TAG Expenses of Seventeen Thousand Three Hundred Forty Six Dollars and Forty Three Cents (\$17,346.43), a complete accounting of which has been attached hereto as *Exhibit A*.

WHEREAS, the parties desire to amend Section 2.1 of the Purchase Agreement for the sole purpose of amending the final Closing Cash amount (all capitalized terms used herein and not defined shall have the meanings provided for in the Purchase Agreement).

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and other agreements described in this Amended Agreement, and for good and valuable consideration, receipt of which is hereby acknowledged, the parties hereby agree as follows:

1. Amendment to Section 2.1. Section 2.1 of the Purchase Agreement shall be amended in its entirety as follows:

2.1 Closing Cash. *As partial consideration for the sale, conveyance, assignment, transfer and delivery to Buyer of the Assets, on the Closing Date, Buyer shall pay to Company by wire transfer of immediately available funds to an account or accounts designated by Company the sum of Five Hundred Twenty Four Thousand Dollars (\$524,000.00) less TAG Expenses of Seventeen Thousand Three Hundred Forty Six Dollars and Forty Three Cents (\$17,346.43) which shall be retained by the Buyer and thus reduce the total amount due and payable pursuant to the terms of the Interim Management Agreement, for a net payment to the Sellers of Five Hundred and Six Thousand Six Hundred Fifty Three Dollars and Fifty Seven Cents (\$506,653.57) (the "Closing Cash").*

2. **Binding Effect**. This Amended Agreement binds and is for the benefit of the successors and permitted assigns of each party.

3. **Governing Law/Interpretation**. This Amended Agreement and the Purchase Agreement shall be governed by, construed in accordance with and enforced under the internal laws of the State of California. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires.

4. **Complete Agreement; Amendments**. This Amended Agreement and the Purchase Agreement represent the entire agreement about this subject matter and supersede prior negotiations or agreements with respect to such subject matter. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amended Agreement and the Purchase Agreement merge into this Amended Agreement and the Purchase Agreement.

5. **Severability of Provisions**. Each provision of this Amended Agreement is severable from every other provision in determining the enforceability of any provision.

6. **Counterparts**. This Amended Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one agreement. Delivery of an executed counterpart of a signature page of this Amended Agreement by facsimile, portable document format (.pdf) or other electronic transmission will be as effective as delivery of a manually executed counterpart hereof.

*****SIGNATURE PAGE FOLLOWS*****

SIGNATURE PAGE

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to Asset Purchase Agreement on the day and year first above written.

SELLERS

Thousand Oaks Holding Company, Inc.
a Delaware corporation

By: /s/ Paul Fischer
Paul Fischer, its President

Topical Apothecary Group, LLC
a Pennsylvania limited liability company

By: /s/ Paul Fischer
Paul Fischer, its Manager

Aerosol Science Laboratories, Inc.
a California corporation

By: /s/ Paul Fischer
Paul Fischer, its President

SinuTopic, Inc.
a Delaware corporation

By: /s/ Paul Fischer
Paul Fischer, its President

Mycotoxins, LLC
a California limited liability company

By: /s/ Thomas Rafferty
Tom Rafferty, its President

BUYER

ImprimisRx PA, Inc.
a Delaware corporation

By: /s/ Mark L. Baum
Mark L. Baum, Chief Executive Officer

[SIGNATURE PAGE TO ASSET PURCHASE AGREEMENT]

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Mark L. Baum, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Imprimis 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(s) 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 the report any change in this 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(s) 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: November 12, 2015

/s/ Mark L. Baum

Mark L. Baum
Chief Executive Officer
Principal Executive Officer

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER UNDER
SECTION 302 OF THE SARBANES-OXLEY ACT**

I, Andrew R. Boll, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Imprimis 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(s) 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 the report any change in this 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(s) 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: November 12, 2015

/s/ Andrew R. Boll

Andrew R. Boll
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION REQUIRED BY
SECTION 1350 OF TITLE 18 OF THE UNITED STATES CODE**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned hereby certifies in his capacity as the specified officer of Imprimis Pharmaceuticals, Inc. (the "Company"), that, to the best of his knowledge, the Quarterly Report of the Company on Form 10-Q for the fiscal quarter ended September 30, 2015 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods presented in the financial statements included in such report.

Date: November 12, 2015

/s/ MARK L. BAUM

Mark L. Baum
Chief Executive Officer
(Principal Executive Officer)

Date: November 12, 2015

/s/ ANDREW R. BOLL

Andrew R. Boll
Chief Financial Officer
(Principal Financial and Accounting Officer)

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
