Unichem Pharmaceuticals (USA), Inc.
Financial Statements
March 31, 2020 and 2019

Unichem Pharmaceuticals (USA), Inc.
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WilkinGuttenplan
CPAs & Advisors

Independent Auditors' Report

To the Board of Directors of

Unichem Pharmaceuticals (USA), Inc.

We have audited the accompanying financial statements of Unichem Pharmaceuticals (USA), Inc. (the "Company") which comprise the balance sheets as of March 31, 2020 and 2019 and the related statements of operations and retained earnings (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wilkin & Guttenplan

East Brunswick, New Jersey

May 12, 2020

Unichem Pharmaceuticals (USA), Inc.
Balance Sheets
March 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	$ 2,300,058	$ 397,732
Accounts receivable, net	38,586,508	43,658,501
Inventories, net	11,768,302	11,352,415
Accounts receivable, due from parent	101,822	42,634
Other prepaid expenses	533,103	509,846
Total Current Assets	53,289,793	55,961,128
Property and equipment, net	576,352	415,634
Deferred tax asset	390,000	427,000
Total Assets	$ 54,256,145	$ 56,803,762
Liabilities and Shareholder's Equity		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 5,122,416	$ 3,600,038
Income taxes payable	50,000	310,000
Line of credit, net of unamortized financing costs	18,472,167	24,105,485
Due to parent	20,333,870	20,707,688
Total Current Liabilities	43,978,453	48,723,211
Shareholder's Equity		
Common stock, $1 par value, 6,500,000 shares authorized; 6,476,955 issued and outstanding	6,476,955	6,476,955
Retained earnings	3,800,737	1,603,596
Total Shareholder's Equity	10,277,692	8,080,551
Total Liabilities and Shareholder's Equity	$ 54,256,145	$ 56,803,762

The accompanying notes are an integral part of these financial statements.

Unichem Pharmaceuticals (USA), Inc.
Statements of Operations and Retained Earnings (Deficit)
For the Years Ended March 31, 2020 and 2019

	2020	2019
Net Sales	$ 103,410,345	$ 91,280,203
Cost of Goods Sold	70,416,940	66,553,241
Gross Profit	32,993,405	24,726,962
Operating Expenses		
Distributor fees	15,119,279	10,005,069
Logistics fees	6,210,604	5,115,203
Officer's and office salaries	3,727,987	2,897,308
Administrative	1,066,149	479,272
Professional fees	837,173	427,397
Payroll taxes and benefits	726,453	527,248
Travel and entertainment	370,223	287,825
Rent	344,401	207,210
Insurance	314,553	265,315
Marketing and trade shows	242,941	240,847
Depreciation	179,853	134,554
Market research	145,797	74,684
Total Operating Expenses	29,285,413	20,661,932
Income from Operations	3,707,992	4,065,030
Non-Operating Expenses		
Loss on disposal of property and equipment	(3,011)	-
Interest expense	(737,586)	(742,169)
Total Non-Operating Expenses	(740,597)	(742,169)
Income Before Provision for Income Taxes	2,967,395	3,322,861
Provision for Income Taxes		
Current tax provision	733,254	114,000
Deferred tax provision	37,000	1,023,000
Total Provision for Income Taxes	770,254	1,137,000
Net Income	2,197,141	2,185,861
Retained Earnings (Deficit) Beginning	1,603,596	(582,265)
Retained Earnings Ending	$ 3,800,737	$ 1,603,596

The accompanying notes are an integral part of these financial statements.

Unichem Pharmaceuticals (USA), Inc.
Statements of Cash Flows
For the Years Ended March 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Net income	$ 2,197,141	$ 2,185,861
Adjustment to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	179,853	134,554
Amortization	58,915	-
Loss on disposal of property and equipment	3,011	-
Deferred tax expense	37,000	114,000
Changes in operating assets and liabilities		
Accounts receivable	5,071,993	(17,200,302)
Accounts receivable, due from parent	(59,188)	368,515
Inventories	(415,887)	(6,243,791)
Prepaid expenses	(23,257)	228,166
Accounts payable and accrued expenses	1,522,378	2,245,104
Income taxes payable	(260,000)	298,855
Net Cash Provided by/(Used in) Operating Activities	8,311,959	(17,869,038)
Cash Flows from Investing Activities		
Acquisition of property and equipment	(343,582)	(162,479)
Cash Flows from Financing Activities		
Proceeds from line of credit, net of repayments	(5,927,892)	7,037,680
Line of credit acquisition costs	235,659	-
Net proceeds from (repayments of) due to parent	(373,818)	10,832,996
Net Cash Provided by/(Used in) Financing Activities	(6,066,051)	17,870,676
Net Increase/(Decrease) in Cash	1,902,326	(160,841)
Cash - Beginning of Period	397,732	558,573
Cash - End of Period	$ 2,300,058	$ 397,732
Cash Paid During the Period for		
Interest	$ 666,272	$ 743,850
Income taxes	$ 993,348	$ 859,733

The accompanying notes are an integral part of these financial statements.

Note 1 Nature of Operations

Unichem Pharmaceuticals (USA), Inc. (the "Company"), was incorporated on March 9, 2004 under the laws of the State of New Jersey and is headquartered in East Brunswick, New Jersey. The Company operates as the U.S. distributor of certain generic prescription pharmaceuticals developed by Unichem Laboratories, Ltd. (the "Parent"). As of March 31, 2020, the Company distributes twenty-eight (28) FDA approved generic prescription drugs.

The sole stockholder of the Company, an India-based developer and manufacturer of generic prescription drugs, is the sole provider of generic prescription drugs to the Company.

Note 2 Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the financial statements include allowances and provisions for customer chargebacks, rebates, and cash discounts. These estimates are based on historical experience and on various assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from those estimates.

Cash

Cash is held in bank accounts which are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At times, the Company's bank balances exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Management has determined that no allowance is necessary at March 31, 2020 and 2019.

Inventories

Inventories consist of finished goods and are valued at the lower of cost or net realizable value. Cost is primarily determined by using the moving average method. The customers are permitted to return purchased products for a credit when they are within three months of the expiration date, additionally, once the product has expired, the Company will take returned goods for an additional six months. Returned product is generally not resold by the Company. The Company regularly reviews the inventory quantities on hand, and when appropriate, records a provision for obsolete, excess, and expired/short dated inventory.

Note 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Product Sales

The Company's primary customers consist of major pharmacies, wholesalers and distributors. The wholesalers and distributors in-turn sell the products directly to pharmacies, clinics, hospitals, and private medical practices. Revenue from product sales is recognized when substantially all the risks and rewards of ownership have transferred to customers, when estimates of their selling price and discounts, rebates, and promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable, collection is reasonably assured, and persuasive evidence of an arrangement exists.

The Company establishes allowances for chargebacks, discounts, returns, rebates, and other adjustments at the time of the sale. In determining the amount of pricing allowances to be established, the Company considers its own business experience and knowledge of industry and competitive practices, as well as its assessment of the impact on price adjustments due to external market forces, if any. The factors considered include, but are not limited to, actual pricing allowance experience by product by customer, the Company's contractual arrangements with its customers, inventory reports, estimates of products in the distribution channel, customers' right of return, applicable marketing and pricing regulations and current and projected economic conditions.

The data used by the Company in establishing pricing allowances is based on information developed internally and obtained from external sources. Pricing allowances are presented as a reduction of revenue in the statements of operations and retained earnings. The principal allowances are as follows:

Chargebacks

The provision for chargebacks is a significant estimate used in the recognition of revenue. As part of the its contracts with the wholesale customers, the Company agrees to reimburse wholesalers for the difference between the gross sales price at which the Company sells its products to the wholesalers and the actual prices of the products at the time of resale to the end user. The Company estimates chargeback at the time of the sale to wholesalers based on wholesaler inventory, historical chargeback rates and current pricing.

Wholesaler Rebates

Current accounting standards related to consideration given by a vendor to a customer, including a reseller of a vendor's products, specify that cash consideration given by a vendor to a customer is presumed to be a reduction of the selling price of the vendor's products or services and therefore should be characterized as a reduction of product sales. Consideration should be characterized as a cost incurred, if the Company received, or will receive, an indefinable benefit (goods or services) in exchange for the consideration and the Company can reasonably estimate the fair value of the benefit received.

Note 2 Summary of Significant Accounting Policies (Continued)
Revenue Recognition (Continued)

Wholesaler Rebates (Continued)
The Company has provided an estimate for pending customer rebates. Certain wholesaler customers submit for reimbursement throughout the course of business. The estimated allowance is based on various customer agreements in place with the Company for which the customer has not yet submitted for reimbursement.

Certain fees paid to wholesalers do not meet the meet the foregoing conditions to be characterized as a cost, as such, the Company characterized these fees as a reduction of product sales and have included them in wholesaler rebates in the table in Note 7.

Pending Rebates
The Company has provided an estimate for pending customer rebates. Certain wholesaler customers submit for reimbursement throughout the course of business. The estimated allowance is based on various customer agreements in place with the Company for which the customer has not yet submitted for reimbursement.

Prompt Payment Discounts
Discounts for prompt payment is established based on the eligible customers' payment history, the contractual discount percentage, and the ending accounts receivable balance.

Medicaid Rebates
Federal law requires all pharmaceutical manufacturers, as a condition of having their products receive federal reimbursement under Medicaid and Medicare Part B, to pay rebates to state Medicaid programs on units of their pharmaceuticals that re-dispensed to Medicaid beneficiates. For the years ended March 31, 2020 and 2019, the Company had accrued a liability related to the rebates totaling $730,071 and $764,973, respectively.

Advertising
The Company's policy is to expense advertising costs as the costs are incurred. Advertising costs incurred during the years ended March 31, 2020 and 2019 total approximately $111,000 and $180,000, respectively, and are included in marketing and trade shows expense on the accompanying statements of operations and retained earnings (deficit).

Shipping and Handling Costs
Shipping and handling costs of approximately $2,662,000 and $2,028,000 for the years ended March 31, 2020 and 2019, respectively, are included in operating expenses on the accompanying statements of operations and retained earnings (deficit) as logistics fees.

Note 2 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using straight-line method over the estimated useful lives of the assets: five years for equipment, seven years for furniture and fixtures, and five years for software. Expenditures for maintenance and repairs are charged to expense as incurred.

Financing Costs

In June 2019, the Company incurred cost to obtain the line of credit. These costs are being amortized on a straight-line basis to expense over the term of the line of credit.

Income Taxes

The Company is a C Corporation and provisions, if applicable, are made for federal and state income taxes.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax asset and liabilities is recognized in the income in the periods that includes the enactment date.

The Company recognizes deferred tax assets to the extent that management believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income and results of recent operations.

The statute of limitations for the examination of the Company's income tax returns by the Internal Revenue Service and States is generally three years from the final filing date of the tax returns.

Reclassifications

Certain amounts in the March 31, 2019 financial statements have been reclassified to conform to the March 31, 2020 financial statement presentation. These reclassifications had no effect on the previously reported results of operations or equity balances.

Note 2 Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

Revenue from Contracts with Customers
In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASU 2014-09), issued as a new Topic, Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (ASC 606). The guidance in ASC 606 outlines a comprehensive model for all entities to use in accounting for revenue arising from contracts with customers as well as required disclosures. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration, which the entity expects to receive in exchange for those goods or services. The new standard requires additional disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers including significant judgments and changes in judgments.

The Company adopted the new revenue standard effective January 1, 2019 using the modified retrospective transition method applied to all contracts. The adoption of the new revenue standard did not have a material impact on the Company's consolidated financial position, results of operations, or cash flows. The Company expects the impact of the adoption of the new revenue standard will be immaterial to net income on an ongoing basis.

Subsequent Events
The Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued. See Note 15.

Note 3 Accounts Receivable, Net

Accounts receivable with customers are reflected net of allowances for pending chargebacks, rebates, fees, and cash discount. The receivables are generally due within 30 to 90 days, depending on the customer, from the invoice date. Accounts receivable consist of:

	March 31, 2020	March 31, 2019
Accounts Receivable	$ 74,663,269	$ 72,707,292
Allowance for chargeback provision	(28,586,132)	(20,274,879)
Allowance for pending rebates	(4,396,588)	(6,118,752)
Allowance for cash discount	(2,109,920)	(2,011,872)
Allowance for other reductions	(984,121)	(643,288)
Accounts Receivable, Net	$ 38,586,508	$ 43,658,501

Note 4 Inventories

Inventories consist of the following:

	March 31, 2020	March 31, 2019
Inventory	$ 12,018,538	$ 11,656,667
Less: Inventory reserve	(250,236)	(304,252)
Total	$ 11,768,302	$ 11,352,415

Note 5 Property and Equipment

Property and equipment consist of the following at March 31:

	2020	2019
Equipment	$ 62,001	$ 33,800
Furniture and fixtures	266,484	228,008
Computers	97,881	92,328
Computer software	805,440	544,000
Total	1,231,806	898,136
Less: Accumulated depreciation and amortization	655,454	482,502
Total	$ 576,352	$ 415,634

Note 6 Line of Credit

In June 2017, the Company entered into an amended and restated revolving promissory note with Citibank, N.A. allowing for borrowings up to $30,000,000. The guarantor of the note was the Parent. Advances bear interest at the London Inter-Bank Offered Rate ("LIBOR"), or another commercially available source reporting such quotations as designated by agent plus 1.00%. At March 31, 2019, LIBOR was 2.82%. The line of credit matured on June 27, 2019.

On June 27, 2019, the Company secured a line of credit with Citibank, N.A. in the amount of $35,000,000 which expires in June 2022. The line of credit interest rate is equal to the 30-day LIBOR rate plus 2.00%. The 30-day LIBOR at December 31, 2019 was 1.08% which equated to an effective interest rate of 3.08%. The borrowing base of the line of credit consists of 85% of the eligible receivables, and 65% of eligible inventory, net of certain caps as defined in the credit agreement. The line of credit is also collateralized by substantially all of the assets of the Company.

Note 6 Line of Credit (Continued)

The line of credit requires the Company meet to certain negative covenants. The Company was in compliance with all such covenants at March 31, 2020. If the Company fails to meet these covenants, the commitments under the Revolving Credit Facility could be terminated and any outstanding borrowings, together with accrued interest, under the line of credit could be declared immediately due and payable.

The schedule below presents the amount drawn on the line of credit and the unamortized financing costs associated with the debt acquisition consists of the following:

	June 30,	
	2020	2019
Outstanding balance of the line of credit	$ 18,648,911	$ 24,105,485
Unamortized financing costs	(176,744)	-
Net line of credit balance	$ 18,472,167	$ 24,105,485

Amortization of the debt issuance costs is reported as interest expense in the statement of operations and retained earnings. Interest expenses, related to the amortization of financing costs approximate $60,000 and $0 for the years ended March 31, 2020 and 2019, respectively.

Note 7 Gross-to-Net Product Sales

The schedule below presents the Gross-to-Net product sales reconciliation for the years ended:

	March 31, 2020	March 31, 2019
Gross Sales	$355,979,648	$ 303,521,121
Chargebacks	(222,023,679)	(178,962,712)
Wholesaler rebates	(19,441,508)	(24,889,811)
Cash discount	(8,324,364)	(6,592,251)
Other reductions	(2,212,077)	(1,386,152)
Off invoice discounts	(567,675)	(409,992)
Net Sales	$103,410,345	$ 91,280,203

Note 8 Income Taxes

The Company periodically evaluates whether there are any uncertain tax positions requiring accounting recognition in the financial statements. Based on this evaluation, the Company has determined that there are no material uncertain tax positions requiring recognition or disclosure.

Note 8 Income Taxes (Continued)

For the years ended March 31, 2020 and 2019, federal and state income taxes have been provided as follows:

	March 31, 2020	March 31, 2019
Current Tax		
Current		
Federal income tax expense	$ 639,771	$ 872,000
State income tax expense	93,483	151,000
Deferred tax and other		
Federal income tax expense	32,000	45,000
State income tax expense	5,000	69,000
Total	$ 770,254	$1,137,000

The tax effect of temporary differences that gave rise to significant components of deferred tax assets and liabilities consisted of the following at March 31, 2020 and 2019:

	March 31, 2020	March 31, 2019
Deferred tax assets		
Start-up cost	$ 189,000	$ 232,000
Inventory capitalization	41,000	35,000
Deferred rent liability	36,000	22,000
Accrued Medicaid	174,000	182,000
Accrued payroll	34,000	-
Net Deferred Tax Assets	474,000	471,000
Less: deferred tax liability: property plant and equipment	(84,000)	(44,000)
Total	$ 390,000	$ 427,000

Management determined that no valuation allowance is needed for the deferred tax asset at March 31, 2020 and 2019. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

Note 9 Related Party Transactions

The Company purchases substantially all of its inventory from the Parent. The Company also purchases testing supplies, for which it is reimbursed by the Parent. Purchases and reimbursements for the years ended March 31, 2020 and 2019 were $70,834,470 and $72,144,171, respectively.

At March 31, 2020 and 2019, the Company owed the Parent approximately $20,232,000, net of receivables of approximately $102,000, and $20,665,000, net of receivables of approximately $43,000, respectively, for purchases of inventory, which is included on the accompanying balance sheets.

Note 10 Logistics Agreement

The Company utilizes various third-party logistics providers for warehousing, shipping and various other services related to supply chain management. For the years ended March 31, 2020 and 2019, expenses were approximately $6,211,000 and $4,562,000, respectively, and are included in logistics fees on the accompanying statements of income and accumulated deficit.

Note 11 Major Customers

For the year ended March 31, 2020, three customers accounted for approximately 26%, 18% and 15% of net sales, respectively. In addition, two customers accounted for approximately 46% and 28%, respectively, of accounts receivable at March 31, 2020.

For the year ended March 31, 2019, three customers accounted for approximately 31%, 25% and 22% of net sales, respectively. In addition, three customers accounted for approximately 34%, 25% and 21%, respectively, of accounts receivable at March 31, 2019.

Note 12 Defined Contribution Plan

The Company participates in a qualified retirement plan under Section 401(k) of the Internal Revenue Code (the "Code") that permits nonunion employees over the age of 21 to voluntarily contribute up to the maximum allowed under the Code. The Company matches 100% of employee contributions up to the first 3% of compensation and 50% of employee contributions between 3% and 5% of compensation. Employer contributions for the years ended March 31, 2020 and 2019 were approximately $82,000 and $58,000, respectively.

Note 13 Commitments and Contingencies

Leases

The Company leases office space in East Brunswick, NJ and Hasbrouck Heights, NJ, which expire March 2025 and May 2024, respectively. The Company also leases a copier. All leases are considered noncancelable operating leases and require approximate future minimum rental payments as follows:

Year Ending December 31,	Future Payments
2021	$ 352,000
2022	356,000
2023	356,000
2024	360,000
2025	23,000
Total	$1,447,000

Rent expense, including equipment rental, for the years ended March 31, 2020 and 2019 was approximately $345,000 and $211,000, respectively.

During March 2019, the Company moved out of the office space in Hasbrouck Heights and is currently seeking a tenant to sublease the space for the duration of the lease agreement.

Letters of Credit

At March 31, 2020 and 2019, the Company was contingently liable under an outstanding letter of credit totaling $50,000 which was issued as a security deposit for the Hasbrouck Heights space.

Note 14 Recent Accounting Pronouncements

Effective for its annual financial statements for 2021 and interim financial statements thereafter, the Company expects to adopt new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Company is lessee. Upon adoption, among other effects, the Company will be required to record assets and liabilities for all operating lease obligations with terms of twelve (12) months or greater. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Note 15 Subsequent Event - COVID-19 Coronavirus

In late 2019, a novel strain of coronavirus, COVID-19, emerged globally. As the impact of the spread of the COVID-19 continues to spread in the United States and around the world, the Company may experience disruptions that could impact their ability to carry out all its activities. As of the date of the issuance of these financial statements, the Company cannot reasonably estimate the impact to the entity's future activities, revenues, financial condition or results of operations; however, such impact could be significant.