Amended and Restated Collaboration and License Agreement with Aralez; Letter Agreement with AstraZeneca and Aralez

We entered into a license agreement with Pozen Inc., who subsequently entered into a business combination with Tribute Pharmaceuticals Canada Inc. to become known as Aralez Pharmaceuticals Inc., or Aralez. Under this agreement, we were granted an exclusive, royalty-bearing license under certain of Aralez's intellectual property in the United States to manufacture, develop and commercialize VIMOVO and other medicines controlled by us that contain gastroprotective agents in a single fixed combination oral solid dosage form with NSAIDs, excluding DUEXIS, in the United States.

Under the Aralez license agreement, we are required to pay Aralez a flat ten percent royalty based on net sales of VIMOVO and such other medicines sold by us, our affiliates or sublicensees during the royalty term, subject to minimum annual royalty obligations of $7.5 million, which minimum royalty obligations will continue for each year during which one of Aralez's patents covers such medicines in the United States and there are no competing medicines in the United States. The royalty rate may be reduced to a mid-single digit royalty rate as a result of loss of market share to competing medicines. Our obligation to pay royalties to Aralez will expire upon the later of (a) expiration of the last-to-expire of certain patents covering such medicines in the United States, and (b) ten years after the first commercial sale of such medicines in the United States. In addition, we will be obligated to reimburse Aralez for costs, including attorneys' fees, incurred by Aralez in connection with VIMOVO patent litigation moving forward, subject to agreed caps.

We are responsible for, and are required to use diligent and reasonable efforts directed to commercializing VIMOVO or another qualified medicine in the United States. We also own and maintain all regulatory filings and marketing approvals in the United States for any such medicines, including all investigational new drugs, or INDs, and new drug applications, or NDAs, for VIMOVO. Aralez covenanted that it will not at any time prior to the expiration of the royalty term, and will ensure that its affiliates do not, directly or indirectly, develop or commercialize or license any third party to develop or commercialize certain competing medicines in the United States.

The Aralez license agreement, unless earlier terminated, will expire upon expiration of the royalty term for all such medicines in the United States. Either party has the right to terminate the agreement upon uncured material breach by the other party or upon the bankruptcy or similar proceeding of the other party. We also have the right to terminate the Aralez license agreement for cause upon certain defined medicine failures.

In November 2013, we, AstraZeneca and Aralez entered into a letter agreement in which Aralez consented to AstraZeneca's assignment of the Aralez license agreement to us and that addresses the rights and responsibilities of the parties in relation to the Aralez license agreement and the amended and restated collaboration and license agreement between Aralez and AstraZeneca for territories outside the United States, or the Aralez-AstraZeneca license agreement. Under the letter agreement, we and AstraZeneca agreed to pay Aralez milestone payments upon the achievement by us and AstraZeneca, collectively, of certain annual aggregate global net sales thresholds ranging from $550.0 million to $1.25 billion with respect to medicines licensed by Aralez to us under the Aralez license agreement and to AstraZeneca under the Aralez-AstraZeneca license agreement. The aggregate milestone payment amount that may be owed by AstraZeneca and us, collectively, under the letter agreement is $260.0 million, with the amount payable by each of us and AstraZeneca with respect to each milestone to be based upon the proportional sales achieved by each of us and AstraZeneca, respectively, in the applicable year.

The letter agreement will terminate with respect to Aralez and us upon the termination of the Aralez license agreement.

Patheon Agreement

In November 2013, we entered into a master manufacturing services agreement and product agreement, or, collectively, the Patheon manufacturing agreement, with Patheon who was AstraZeneca's contract manufacturer of VIMOVO, for the manufacture and supply of VIMOVO. Under the Patheon manufacturing agreement, we agreed to purchase a specified percentage of our VIMOVO requirements for the United States from Patheon or its affiliates. In addition, under the terms of the Patheon manufacturing agreement, we are able to enter into individual product agreements with Patheon for the manufacture of specific medicines in addition to VIMOVO if agreed by us and Patheon.

Pursuant to the Patheon manufacturing agreement, we are required to supply Patheon with any active materials for VIMOVO. We must pay an agreed price for final, packaged VIMOVO supplied by Patheon subject to adjustments, including certain unilateral adjustments by Patheon, such as annual adjustments for inflation and adjustments to account for certain increases in the cost of components of VIMOVO other than active materials.