Document Withheld for Privilege

PLAINTIFFS TRIAL EXHIBIT
**P-23053_00001**

## DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT

This DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT ("Agreement") is made effective as of February 1. 2008 (the "Effective Date"), by and between Actavis Elizabeth LLC. ("Actavis"), organized and existing under the laws of Delaware, United States, and Alpharma Pharmaceuticals LLC ("Alpharma"), organized and existing under the laws of Delaware, United States. Alpharma and Actavis, each a "Party", together constitute the "Parties".

A. Whereas, Actavis is a manufacturer of generic pharmaceuticals that has also been manufacturing a certain proprietary pharmaceutical product for Alpharma.

B Whereas Alpharma has been developing a new pharmaceutical product at Actavis' Facility pursuant to the terms of a License Agreement dated as of December 19, 2005; and is in the latter stages of clinical development on that new pharmaceutical product for which it intends to file an NDA and now wants Actavis to assist in the scale-up, validation for commercialization, commercial manufacture and packaging, of such product as provided in this Agreement and the attachments hereto.

C. Whereas Actavis desires to provide such services pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein and other good and valuable consideration, the Parties agree as follows:

### ARTICLE 1
### DEFINITIONS

The following capitalized terms have the meanings set forth in this Agreement:

1.1 "**Actavis Technology**" means any and all Intellectual Property owned or licensed to Actavis as of the Effective Date that is necessary or useful for the Manufacture of the Product.

1.2 "**Affiliate(s)**" means any corporation, firm, partnership or other entity that controls, is controlled by or is under common control with, either directly or indirectly, a Party. For purposes of this definition, "control" shall mean (i) the ownership (directly or indirectly) of at least fifty percent (50%) of the voting share capital of such entity or any other comparable equity or ownership interest and/or (ii) the power to direct or cause the direction of the management and policies of such entity (whether through contract or otherwise).

1.3 "**Alpharma Technology**" means any and all Intellectual Property owned or licensed to Alpharma as of the Effective Date or during the Term that is necessary or useful for the development, use, manufacture, registration, formulation, marketing, promotion, distribution and/or sale of the Product, including any and all un-patented improvements.

1.4 "**API**" means each of Morphine Sulfate and Naltrexone Hydrochloride, each meeting the requirements of the Specifications for use in the Manufacture of the Product that is purchased by Alpharma as contemplated in this Agreement for the Manufacture and Development of Product by Actavis.

1.5 "**Applicable Laws**" means all laws, ordinances, rules and regulations within the Territory applicable to the Manufacturing of the Product or any aspect thereof and the obligations of Alpharma or Actavis, as the context requires under this Agreement, including, without limitation, (i) all applicable federal, state and local laws and regulations of each Territory (including Environmental Laws); (ii) the U.S. Federal Food, Drug and Cosmetic Act, (iii) the current Good Manufacturing Practices established by the Federal Regulations promulgated thereunder ("GMPs"), and (iv) the rules and regulations promulgated under and/or by the United States Drug Enforcement Agency or any successor agency ("DEA"), in each of the above cases, as each may be amended from time to time.

1.6 "**Batch**" means a specific quantity of a Product comprising a number of units mutually agreed upon between the Parties, and that (i) is intended to have uniform character and quality within specified limits and in accordance with the Specifications, and (ii) is Manufactured according to a single manufacturing order during the same cycle of Manufacturing.

1 7 "**Calendar Quarter**" means a period of three (3) consecutive months commencing on January 1, April 1, July 1 or October 1 of any calendar year.

1.8 "**Confidential Information**" is as defined in Section 10.2.

1.9 "**Defect**" shall mean any instance where a Product fails to conform to the Specifications and/or Applicable Laws and such failure is discoverable upon reasonable physical inspection or standard testing procedures upon receipt by Alpharma in accordance with Alpharma's standard operating procedures

1.10 "**Defective Product**" means any Product that fails to conform to the Specifications and/or Applicable Laws. With respect to a Product that meets Specifications and Applicable Laws, but which otherwise is held by a Regulatory Authority to be contaminated or adulterated (through an act or omission of Actavis), such Product shall be deemed a Defective Product.

1.11 "**Environmental Laws**" means all applicable laws, directives, rules, regulations, guidelines and court orders currently in existence or hereafter adopted relating to occupational safety and health, or safety, preservation or protection of the environment and/or relating to the release, threatened release, handling, treatment, transportation or storage or wastes or materials covered by the terms of one or more Environmental Laws.

1.12 "**Facility**" means Actavis' facility located at 200 Elmora Avenue, Elizabeth NJ or such other FDA approved facility that Actavis deems appropriate to transfer the Manufacture of the

Product to, provided that Alpharma approves of such transfer, such approval not to be unreasonably withheld.

1 13 "**Failure To Supply**" means any consecutive 3 (three) month period after any required delivery date during which Actavis has not timely delivered to Alpharma at least eighty percent (80%) of the quantities of Product ordered and accepted in compliance with Article 3 hereof; provided that non-delivery by reason of Force Majeure shall not be a Failure To Supply.

1 14 "**FDA**" means the United States Food and Drug Administration or any successor agency.

1.15 "**Intellectual Property**" means all rights and interests, vested or arising out of any intellectual property (whether or not patented), including without limitation, patents, patent applications, know-how, trade secrets, copyrights, trademarks, designs, concepts, technical information, manuals, standard operating procedures, instructions or specifications related to the Product (or the Manufacture thereof) in this Agreement.

1 16 **"Launch"** means the introduction of the Product by Alpharma into interstate commerce

1 17 **"Launch Date"** means the date on which Alpharma Launches the Product.

1.18 "**Manufacture(d)**" or "Manufacturing" means the compounding, filling, manufacturing, storing, testing and/or packaging of the API and Raw Materials into Product in accordance with the Specifications and the terms and conditions set forth in this Agreement.

1.19 "**Manufacturing Date**" means the day(s) on which the Product is to be Manufactured by Actavis.

1.20 "**NDA**" means the New Drug Application for the Product as filed with and approved by the FDA.

1.21 "**Product(s)**" means the pharmaceutical products listed on Exhibit B as they may be amended from time to time (with the consent of both Parties).

1.22 "**Purchase Order**" shall have the meaning set forth in Section 3.4.

1.23 "**Purchase Requirement**" shall have the meaning set forth in Section 3.1

1.24 "**Raw Materials**" means all materials, supplies, components and packaging necessary to Manufacture and ship the Product in accordance with the Specifications, as provided in Exhibit A, but not including the API.

1.25 "**Regulatory Authority**" means any governmental regulatory authority within the Territory involved in regulating any aspect of the development, manufacture, market approval, sale, distribution, packaging or use of the Product, including, without limitation the FDA and the DEA.

1.26 "**Regulatory Documents**" shall include the NDA and such other similar documents used to support the Manufacturing, sale and use of the Product in applications approved by Regulatory Authorities, and licenses, certificates or other written approvals issued by Regulatory Authorities.

1.27 "**Required Facility Change**," means a change to Actavis' Facility or equipment that is requested or required by any Regulatory Authority in the exercise of its proper jurisdiction or as may otherwise be required by Applicable Law.

1.28 "**Required Product Change**," means a change to the Product, manufacturing process, or other Product-specific Specifications that are requested or required by any Regulatory Authority in the exercise of its proper jurisdiction or as may otherwise be required by Applicable Law.

1.29 "**Rolling Forecast**" shall have the meaning set forth in Section 3.2.

1.30 "**Specifications**" means the procedures, requirements, standards, quality control testing and other data and the scope of services as set forth or referenced in the NDA approved by the FDA which shall be set forth on Exhibit A, which NDA and Exhibit are hereby incorporated by reference into this Agreement, along with any valid amendments or modifications thereto, subject to the terms and conditions set forth in Article 7.

1.31 **"SKU"** means a Stock Keeping Unit of the Product as maintained by Actavis at the Facility.

1.32 "**Term**" shall have the meaning set forth in Section 14.1.

1.33 "**Territory**" means the United States of America, its territories, possessions and commonwealths, and any other country that the Parties agree in writing to add to this definition of Territory in an amendment to this Agreement.

## ARTICLE 2
## DEVELOPMENT, SCALE-UP, VALIDATION, STABILITY & RELATED SERVICES

2.1 Development & Scale-Up Services. Commencing upon the Effective Date of this Agreement, the Parties shall work together in good faith to jointly agree to (i) the extent and timing of the development activities to be performed by Actavis in connection with filing the NDA for the Product, in accordance with the License Agreement between the Parties dated December 19, 2005 (the "Development Activities"); and (ii) the tasks required of Actavis to validate the Manufacture of the Product in commercial scale batch sizes (the "Scale-Up Services"). Such agreed upon Development Activities and Scale-Up Services shall be performed by qualified Actavis personnel in accordance with a plan to be agreed to by the Parties. The Scale-Up Services shall include those items listed on Schedule 2.1 attached hereto, the

corresponding charges for which shall be billed to Alpharma at the completion of each intermediate manufacturing and testing step under the master formula of the Product process.

2.2 Validation Services. During the period between the Effective Date of this Agreement and the Launch Date, Actavis, on a per Batch basis, will undertake the work necessary to manufacture Batches under an approved validation protocol intended to validate that process for commercial viability to ensure that Product quality attributes can be met on a reproducible basis (the "Validation Services"). With regard to each Validation Batch, whether or not Validation is successful, such Validation Services will be billed to Alpharma to include a 20% premium on the labor and overhead related to analytical testing conducted in connection with each Validation Batch, which will be added to the pricing set forth on Exhibit B upon the completion of the necessary validation testing.

2.3 Stability Services. Actavis will charge Alpharma a flat annual fee of $15,000 per SKU for stability services required for the development of SKUs other than 100 count bottles of Product that may be requested by Alpharma from time to time.

2.4 Supply of API. Actavis shall be solely responsible for applying to and obtaining from the applicable Regulatory Authorities all required approvals and other regulatory documents necessary to authorize the purchase by Alpharma of API (including, without limitation, the DEA Quota for the Morphine Sulfate API) in sufficient quantities to meet Alpharma's actual purchases of Product manufactured by Actavis in the Facility in accordance with the terms of this Agreement. Alpharma shall cooperate with Actavis with respect to all such applications including providing accurate forecasts of API requirements to meet its stated demand. Alpharma shall have the right to review all filings before submission to the DEA or other Regulatory Authority and to participate in any discussions with the DEA or such other Regulatory Authority to the extent any such filing involves the API to be used in connection with the Product. It is acknowledged by Alpharma that Actavis currently manufactures other products containing Morphine Sulfate, and that nothing in this Agreement is intended to require Actavis to take action that would impair its ability to obtain an adequate quota of Morphine Sulfate for its other manufacturing needs. In the event that the DEA Quota for Morphine Sulfate granted to Actavis in any period is less than the DEA Quota that is applied for by Actavis based on the forecasts supplied by both Alpharma for the Product, and Actavis' own forecasts, the DEA Quota that is actually obtained by Actavis shall be apportioned among the products that Actavis manufactures in the same proportion as the Alpharma Morphine Sulfate forecast for Product bears to the original application to the DEA for Morphine Sulfate. For avoidance of doubt, if the Alpharma forecast for Morphine Sulfate for the Product equals 50% of the overall application to the DEA for Morphine Sulfate, 50% of the DEA Quota that is granted to Actavis shall be allocated to the Manufacture of Product for the period covered by the application. Alpharma agrees to purchase 100% of the Product manufactured with the Morphine Sulfate allocated by Actavis in accordance with the provisions of this Section 2.4, where Actavis obtains less than the DEA Quota applied for.

2.5 API Sourcing and Handling. Alpharma shall be responsible for (a) identifying an appropriate API vendor and for purchasing the API that complies with the Specifications for use

in the Manufacture of Product, and (b) delivering such API in adequate time to the Facility in order to allow Actavis to meet Alpharma's demand timeframes as expressed from time to time in Alpharma's Purchase Orders; provided, however, that Actavis and Alpharma shall coordinate their efforts to ensure that sufficient quantities of the API are delivered to enable Actavis to Manufacture the Product in accordance with Article 3 hereof. Actavis shall be responsible for testing and releasing the API either by itself or by use of an Actavis-approved contract laboratory that maintains the required storage conditions directed by the Specifications and is listed as an approved laboratory in the NDA. Actavis shall use the API solely and exclusively for Manufacturing Product under this Agreement. Actavis agrees to provide adequate and secure storage facilities for the API and shall store such API in accordance with all Applicable Laws and the Specifications. Actavis shall have adequate controls in place to manage the receipt, storage and use of the API. The anticipated yield loss for Morphine Sulfate is 9%, based on the Parties' experience manufacturing KADIAN®, and shall be applied to the first year's Manufacture of Product. After twelve months of commercial scale Manufacturing of the Product, the Parties shall review Product manufacturing records to assess the actual yield loss experience for the Product (the "Yield Loss"). Such Yield Loss will be applied prospectively to the Manufacture of the Product for each of the succeeding years of the Term, provided however, in the event that the Yield Loss increases or decreases as compared to the Yield Loss for the previous year, the applicable Yield Loss for the next succeeding year will be the average of all prior years' Yield Losses. Actavis shall reimburse Alpharma for Alpharma's actual cost of all API used in excess of such Yield Loss. The Yield Loss shall be determined on a per Batch basis, and Actavis shall credit any amount owed to Alpharma with respect to excessive Yield Loss to the price for the next subsequent Batch of Product, unless Alpharma notifies Actavis in writing to provide cash reimbursement to Alpharma.

2.6 API Pricing. The Parties agree that the initial cost to Alpharma of the Morphine Sulfate is $1,050/kg and the initial cost of the Naltrexone Hydrochloride is $15,150/kg. In the event that the cost of the API to Alpharma is increased during the Term, any reimbursement for API required pursuant to the terms of this Agreement, shall be at the then current purchase price to Alpharma for the API.

2.7 Raw Materials. Actavis shall be responsible for procuring, inspecting and releasing adequate Raw Materials as necessary to meet the Firm Commitment (as defined in Section 3.4), unless otherwise agreed to by the Parties in writing. Actavis shall (i) use only such suppliers of Raw Materials as identified in the Specifications and (ii) be responsible for contracting for the supply of such Raw Material(s) from such supplier/s. In the event that Actavis desires to purchase Raw Material(s) from a supplier not identified in the Specifications, Alpharma shall consider such request with such approval not to be unreasonably withheld. With respect to any supplier identified in the Specifications, Alpharma will be responsible for all costs associated with qualification of such supplier of a Raw Material if not previously qualified by Actavis.

2.8 Reimbursement for Materials. In the event of (i) a Specification change for any reason (other than due to a change as contemplated by Section 7.2 hereof), (ii) termination of this Agreement for cause by Actavis or expiration of this Agreement according to its terms; or (iii) obsolescence of any Raw Material, Alpharma shall bear the cost of any unused Raw Materials,

provided that Actavis purchased such Raw Materials in quantities consistent with Alpharma's most recent Firm Commitment.

2.9 Storage Requirements. Actavis shall store and transfer all Raw Materials, the API and Products (i) in accordance with the Specifications and (ii) in a clean, dry area, free from insects and rodents, in a manner reasonably designed to prevent entry of foreign materials. Storage and handling of the foregoing shall be in accordance in all material respects with all Applicable Laws and the quality control programs and standards set forth in the Specifications. The API and other Raw Materials utilized by Actavis in connection with the Manufacturing of the Product shall be used by Actavis in accordance with its standard applicable inventory management procedures and shall not be used by Actavis beyond the shelf life required under Applicable Laws or as designated in the Specifications.

2.10 Nonconforming Materials. Actavis shall not use any packaging or other Product materials (including Raw Materials) that do not comply with the Specifications or Applicable Laws. Actavis shall promptly contact Alpharma, c/o Head of Quality Assurance or such other persons or departments as Alpharma may instruct, in the event that Actavis anticipates making any changes to any such material or in the event Actavis considers any such material to be nonconforming or unacceptable. If Actavis uses any nonconforming Product material without prior written approval by Alpharma, Actavis shall be responsible, subject to the limitations set forth in this Agreement, for losses, costs and expenses suffered or incurred by Alpharma as a result of such use and any expense incurred by Actavis and/or Alpharma in the correction thereof.

2.11 Regulatory Issues Regarding the Facility. Alpharma shall be responsible for filing any supplements to the NDA with FDA with regard to the Facility or to add a Facility (provided, however, that in the event of a filing for a new Facility, Actavis shall be responsible for all costs and expenses relating thereto). Actavis will take all steps reasonably necessary to insure that the Facility will be materially compliant with FDA regulations and Applicable Laws and that it shall remain materially compliant with FDA regulations and Applicable Laws throughout the Term.

2.12 Other Related Services. In the event Alpharma requests services other than those services that Actavis is expressly agreeing to perform pursuant to the terms of this Agreement, Actavis shall provide a written quote of the fee for such additional services and Alpharma shall advise Actavis whether it wishes to have such additional services performed by Actavis.

## ARTICLE 3
## MANUFACTURE/SUPPLY

3.1 Purchase of Product. During the period starting with the Launch Date and ending on the later of (i) the Second Anniversary of the Launch Date or (ii) the date after which Alpharma has purchased a "Minimum Amount" of 900,000 bottles of 100 count Product (the "Minimum Purchase Period"), Alpharma shall purchase one hundred percent (100%) of its and its Affiliates' or designees aggregate commercial requirements of Product. Thereafter, Alpharma shall purchase

not less than fifty percent (50%) of its and its Affiliates' or designees' aggregate commercial requirements of Product for the balance of the calendar year after which the Minimum Purchase Period has terminated and in each succeeding calendar year during the Term in accordance with the terms and conditions of this Agreement (the "Purchase Requirement"). Unless this Agreement is otherwise terminated in accordance with Article 14, the Parties agree that for the calendar year 2008, Alpharma will submit binding purchase orders for a minimum of 150,000 bottles of 100 count Product from Actavis, subject to Actavis obtaining sufficient DEA Quota for Morphine Sulfate to Manufacture such Product ("Minimum 2008 Purchase"). Any Product manufactured by Actavis for validation of Product shall be counted towards meeting the Minimum 2008 Purchase requirement, and likewise any Product that is counted towards meeting the Minimum 2008 Purchase shall be counted towards meeting the Minimum Amount. Except as otherwise provided in this Agreement, in the event that Alpharma does not submit binding purchase orders for the Minimum 2008 Purchase, Alpharma shall be obligated to pay Actavis the Shortfall Amount (defined below) on the difference between the amount of Product actually purchased in 2008 and the Minimum 2008 Purchase amount (the "Shortfall Differential"). The "Shortfall Amount" will be an amount equal to $40.00 per unit for each unit of the Shortfall Differential. Such Shortfall Amount will be payable as follows:

(i) By December 1, 2008 if the Shortfall Differential is known and no further P.O.'s will be placed by Alpharma; or (ii) no later than February 15, 2009 if shipments of Product are made in December, 2008.

3.2 Forecasts.

3.2.1 Initial Scale Up. Alpharma shall provide Actavis with a non-binding forecast for its Initial Batch of Product no less than six month's prior to Alpharma's anticipated Launch Date. Three months before the Launch Date Alpharma shall provide Actavis with a binding Purchase Order for Launch quantities. The Parties agree to work together in good faith to reach a reasonable accommodation to coordinate the delivery, timing and the expected volumes of both the Product and KADIAN®, which is being manufactured by Actavis at the Facility pursuant to the Toll Manufacturing Agreement made as of December 19, 2005 between the Parties (the "Toll Agreement"). Actavis shall not be liable to Alpharma for shortfalls in the delivery of either KADIAN® or the Product based upon its compliance with such accommodation or due to the required allocation of Morphine Sulfate as contemplated in Section 2.4, provided that Actavis has used reasonable commercial efforts to obtain DEA Quota for Morphine Sulfate.

3.2.2 Commercial Quantities. Commencing One Hundred and Eighty (180) days prior to the actual Launch Date, Alpharma shall provide Actavis with a non-binding rolling forecast of Products for the twelve (12) month period following the month in which such forecast is submitted. The forecasts will be updated quarterly no less than 60 days prior to the commencement of each Calendar Quarter ("Rolling Forecasts"), which update shall cover the twelve (12) month period following the month in which each such Forecast is provided. The Parties agree to discuss the forecasts and the status of the business for the Product quarterly. Such updated forecast shall include a firm and binding forecast, specifying the quantity (by individual SKU) of Product Alpharma wishes to be available for delivery during the upcoming

quarter, together with any instructions for special packaging (the "Quarterly Delivery Forecast"). Alpharma's firm and binding Quarterly Delivery Forecast for the upcoming quarter shall represent the minimum quantity that Alpharma agrees to purchase during that quarter. At least 30 days prior to the beginning of a calendar quarter, Alpharma may, at its option, increase the Quarterly Delivery Forecast for said quarter by placing a written purchase order for an increased amount; provided, however, that while Actavis shall use its reasonable efforts to fulfill any such increased order, it shall not be obligated to supply an increased order to the extent it exceeds an additional twenty-five percent (25%) of the original Quarterly Delivery Forecast.

3.2.3 Purpose of Forecasts. The Parties agree that other than with respect to the Quarterly Delivery Forecast, all such forecasts are for planning purposes only and shall not constitute binding commitments by Alpharma to purchase Products.

3.3 Purchase Orders. Alpharma shall submit formal purchase orders for Product ("Purchase Orders") conforming to the Quarterly Delivery Forecast specifying: (i) the number of units of Product to be purchased, (ii) the Price (in accordance with the Prices set forth herein in effect from time to time (as agreed to by the Parties hereto)), and (iii) the expected delivery date. In no event shall the expected delivery date stated on a Purchase Order be fewer than ninety (90) days after the date of the Purchase Order and such delivery schedule will not require that more than 40% of the Quarterly Delivery Forecast be delivered in any single month. Notwithstanding anything to the contrary contained herein, all sales of Product to Alpharma shall be subject to the terms and conditions of this Agreement. Within sixty (60) days after the end of each calendar year after the Minimum Purchase Period, Alpharma will certify in writing to Actavis, that it's purchase of Product during the preceding calendar year represents no less than 50% (+/- 5%) of its commercial requirement of Product for the applicable calendar year. With regard any such annual certification, to the extent that Alpharma has failed to purchase fifty percent (50%), plus or minus five percent ( +/- 5%) of its commercial need of Product from Actavis in such year, Alpharma shall pay Actavis the Shortfall Amount for the Product shortfall for the applicable year.

3.4 Supply. Actavis shall not sell, market or otherwise distribute Product to any other person or entity (other than Alpharma and/or its designated agents, purchasers or Affiliates). Actavis shall supply one hundred percent (100%) of the amounts of Product indicated on each Purchase Order subject to the terms of Sections 3.2 and 3.3 and subject to availability limitations due to applicable API quota. However, if the Purchase Order is greater than 125% of the most recent Quarterly Delivery Forecast amount, Actavis shall be only obligated to fulfill the Purchase Order up to the 125% amount. If a Purchase Order falls below eighty percent (80%) of the most recent Quarterly Delivery Forecast or exceeds one hundred twenty-five percent (125%) of the most recent forecast (the Forecast Parameters"), the Parties shall negotiate in good faith how to address such change in volume and whether reasonable accommodations can or should be made. Unless Actavis has rejected a Purchase Order within five (5) calendar days of its receipt, the entire Purchase Order, including the amount over 125% or under 80%, will become a "Firm Commitment"; provided, however, that Actavis shall have no right to reject a properly submitted Purchase Order if such amount of Product ordered is within the Forecast Parameters.

3.5 Order Changes. Alpharma may notify Actavis of a change to the Purchase Order to either increase orders already placed or to change the date of shipment. Upon receipt of such request, Actavis shall confirm to Alpharma within five (5) working days whether it can accept, wholly or in part, the additional orders or change of shipment date. In case of partial acceptance, Actavis shall specify the accepted quantities and/or date of shipment. Notwithstanding anything contained herein to the contrary, after the Minimum Purchase Period wherein all Product ordered by Alpharma has been supplied by Actavis, Alpharma shall be entitled to fill any additional amounts not Manufactured by Actavis from alternative supplier/s chosen by Alpharma.

3.6 Order Cancellation. If Alpharma should wish to postpone or cancel an order, Alpharma shall inform Actavis thereof at least four (4) weeks before the confirmed date of shipment. Alpharma shall compensate Actavis for its costs of manufacturing any Manufactured Batch cancelled by Alpharma for reasons unrelated to an act or omission of Actavis, provided however, that Actavis shall provide appropriate documentation to evidence any such costs.

3.7 F.O.B. Product shall be shipped Free on Board, or F.O.B. Destination (Incoterms 2000) to Alpharma's premises (or to such other designated locale) as Alpharma may direct in its firm Purchase Order (the "Destination"). Actavis shall be responsible for loading the Product onto the transport trucks and shall be responsible for all risk of loss associated with shipment of Product until delivery is tendered to Alpharma at Destination. Title to and risk of loss shall pass to Alpharma upon such delivery to, and the unloading of Product at, the Destination. Such shipment shall also include a Certificate of Analysis ("C of A"), in accordance with the terms of the Quality Agreement, incorporated herein and attached hereto as Exhibit C. Alpharma shall pay all third party transportation costs and expenses relating to shipping the Product to the required Destination and Actavis shall pay for enough insurance to cover the value of each shipment if it is lost or damaged in transit. Actavis shall choose a commercially reasonable carrier for each shipment of Product, unless Alpharma or its Affiliates, at their expense, have specified a particular carrier in its Purchase Order.

3.8 Delivery. The Parties hereto recognize that on-time deliveries are an important consideration to Alpharma in managing its operations and accordingly time is of the essence in the delivery of conforming Product pursuant to this Agreement. Therefore, Actavis will deliver conforming Product no later than the delivery date specified in the Purchase Order(s) submitted by Alpharma. If delivery of conforming Product is not completed within thirty (30) days of Actavis' receipt of written notice of delinquency from Alpharma, and such delay is due to Actavis' acts or omissions, Alpharma reserves the right, in addition to its other rights and remedies, to cancel the Purchase Order, to reject such Product in whole or in part on reasonable notice to Actavis and/or, after the Minimum Purchase Period wherein all Product ordered by Alpharma has been supplied by Actavis, to purchase substitute Product from alternative supplier(s) and charge Actavis with the actual direct additional cost incurred in making such purchase. In the event that any action is taken by Alpharma pursuant to this Section, the Product that would have otherwise been purchased from Actavis by Alpharma will be applied toward meeting the Minimum Amount. Any provisions herein for delivery of Product by instalments shall not be construed as making the obligations of Actavis severable.

3.9 Inability to Meet Purchase Order(s). In the event that Actavis shall be unable to meet a Purchase Order(s) or any part thereof after acceptance by Actavis, Actavis shall provide Alpharma written notice as soon as possible; such notification by Actavis does not relieve it of its obligations under this Agreement or create any new obligations of Alpharma. In such event, any amount of Product that is not delivered pursuant to such Purchase Order(s) shall be applied against the Purchase Requirement.

3 10 Alternative Supply. Actavis shall provide reasonable technical assistance (including technical personnel), at Actavis' expense (unless Actavis' failure is caused by Force Majeure) to Alpharma to arrange for an alternate supplier(s) in the event: (i) Actavis shall be, or anticipates it shall be, unable at any time to deliver Product as set forth in an accepted Purchase Order for a period in excess of two (2) months; or (ii) the Product fails to meet Specifications or Applicable Laws for one or more months due to the act or omission of Actavis, and Alpharma has promptly notified Actavis of such failure and Actavis has been unable to cure such issue within thirty (30) days of receiving the notice. In the event, however that any of the supply issues contemplated by this paragraph are caused by a Force Majeure or through the acts or omissions of a party not under the direct control of Actavis (including Alpharma), and Alpharma still wishes to use an alternate supplier, Actavis shall not be required to pay any of the expenses incurred in qualifying the alternate supplier and Alpharma shall remain liable to Actavis for any accepted Purchase Orders and the documented cost of any Raw Material purchased by Actavis to meet Alpharma's most recent Firm Commitment demand. Payment made by Alpharma pursuant to the preceding sentence for Product shall be considered Product purchased as part of the Minimum Amount.

In addition to any other rights and remedies of Alpharma under this Agreement with respect to Actavis' failure to Manufacture and supply Product in accordance with the terms of this Agreement (other than as a result of a Force Majeure, Alpharma's negligence or Alpharma's breach of this Agreement), in the event Alpharma shall incur any material losses in obtaining alternative supply arrangements as a result of such failure, Alpharma shall promptly notify Actavis of such material losses pursuant to this Section. Such material losses shall be reimbursed by Actavis to Alpharma; provided, however, that such reimbursed amount shall be limited to any increase in price required to be paid by Alpharma to an alternative supplier over the then applicable pricing for Product hereunder. Alpharma shall use reasonable commercial efforts to minimize any such losses.

3.12 Inspection of Manufacturing. Alpharma may have representatives at the Facility to observe the Manufacturing of the Product provided that Alpharma provides Actavis at least five (5) days' advance written notice of the attendance of such Alpharma representatives. Alpharma shall indemnify and hold harmless Actavis for third party claims arising from any action or activity of such representatives while on Actavis' premises, except to the extent any such claim arises from the negligence or wilful misconduct of, or breach of this Agreement by, Actavis.

## ARTICLE 4
## PRICES; PAYMENT

4.1 Pricing. The prices to be paid by Alpharma to Actavis for the Product (the "Prices") as well as terms of payment are stated on Exhibit B, as may be amended from time to time.

4.2 Price Changes.

(a) The initial price for the Product shall not be revised during the Minimum Purchase Period and thereafter may only be revised once in any subsequent twelve (12) calendar month period. Any price increase shall be limited to an amount equal to the increase in the US Producer's Price Index during the then latest completed calendar year for which information is available. The Parties agree to negotiate in good faith any other changes in price due to costs or otherwise, based on related costs incurred by Actavis, provided however, that the Parties agree that any capital costs and/or equipment maintenance costs incurred by Actavis shall not be reflected in any price increase for the Product.

(b) Notwithstanding the foregoing, in the event of a reasonably verifiable material change in the cost of excipients or packaging components, Actavis shall promptly provide Alpharma with written notice of such cost change ("Price Change Notice"). If such cost increase or decrease represents an increase or decrease of no less than 20% of the previous costs, Actavis may enact a corresponding Price change (provided, in the event of a decrease(s) in the cost of excipient or packaging components, Actavis shall enact a corresponding Price change). Any such excipient, or component cost change shall be prorated to account for the true effect of the change in cost of such excipient, or component on the cost of the Manufacture of the Product. The Price Change shall become effective with the next accepted Purchase Order filled by Actavis after Alpharma's receipt of the Price Change Notice.

4.3 Payment Terms. With regard to any Product, Alpharma shall make payment of all invoiced Prices to Actavis within forty-five (45) days of Alpharma's acceptance of delivery. All other invoices received by Alpharma from Actavis shall be payable net forty-five (45) days from Alpharma's receipt of such invoice.

4.4 Taxes Duty. All taxes and duties assessed on the Product, prior to or upon sale to Alpharma (other than property tax assessed against Actavis) are the responsibilities of Alpharma, and Alpharma shall reimburse Actavis for any such taxes or duties paid by Actavis; such taxes and/or duties shall be identified on the invoice as a separate line item(s).

## ARTICLE 5
## PRODUCT CONFORMITY TO SPECIFICATIONS

5.1 Notification of Defective Product. Alpharma shall notify Actavis within thirty (30) days after receiving the Product at the Destination if Alpharma has determined that such shipment contains a quantitative defect such that Actavis has delivered a quantity of Product that

is less than the quantity stated in any invoice or bill of lading. Actavis shall, at its own cost and expense, use commercially reasonable efforts to supply Alpharma with any missing quantities of Product promptly after receipt of such Notice and ship it to Alpharma in an expedited manner.

5.2 Defects. Alpharma shall provide notice of defect of any Product to Actavis within forty-five (45) days of Alpharma's inspection of such Product in such shipment. Alpharma shall provide Actavis a sample of such Defective Product if requested. Except for latent defects and defects not readily apparent on inspection by Alpharma, a Product that is not rejected within such above specified time period shall be deemed accepted by Alpharma.

5.3 Resolution of Defective Product. If Actavis agrees that the Batch is Defective Product, Actavis shall, at Alpharma's option, replace the Defective Product or repay the full amount of any payments, including shipping costs and cost of API (including shipping costs thereof), made by Alpharma for such Product. If Actavis does not agree with Alpharma's determination that such Product is Defective Product, then after reasonable efforts to resolve the disagreement, either Party may submit a sample of such Product to a mutually agreed upon independent third party to determine whether the Product meets the Specifications (such retest protocol to be mutually agreed upon by the Parties hereto). The independent party's results shall be final and binding and if such results indicate that the Product was a Defective Product, Actavis shall, at Alpharma's option, replace the Defective Product or repay the full amount of any payments and the cost of API (including shipping costs thereof) made by Alpharma for such Product and reimburse Alpharma for shipping costs paid by Alpharma for the Defective Product. Unless otherwise agreed to by the Parties in writing, the costs associated with such testing and review shall be borne by the non-prevailing Party. Such independent third party shall enter into a confidentiality agreement acceptable to both the Parties hereto.

Notwithstanding the above, Actavis will promptly inform Alpharma in writing of any noted incidents occurring or abnormal results found at any time during the Manufacturing or testing of the Product, the Raw Materials or the API and refrain from any activity that would adversely affect the quality of the Product.

Actavis shall be responsible for all costs associated with the destruction of any Defective Product, which shall be done in accordance with instructions by Alpharma, and shall maintain appropriate and required records concerning any such disposal. It is understood, however that any Defect caused by or found in the API shall be Alpharma's responsibility for which Actavis shall bear no liability, provided that such defect in the API could not have reasonably been identified during Actavis' release testing of the API ("Latent API Defect"). In the event Product is Defective due to a Latent API Defect, Actavis shall not reimburse Alpharma for such Defective Batch. Any Defective Batch caused by Latent API Defects will count toward the Minimum Amount but will not be counted against Actavis for Yield Losses.

5.4 Supply of Material for Defective Product. In the event Actavis is requested by Alpharma to replace Product pursuant to Section 5.3, above, Actavis shall be solely liable for the costs of all Raw Materials and API necessary for such reprocessing, including, without limitation, all transportation/shipment costs of such Raw Materials and API and any increase in the cost(s) thereof. In the event that Alpharma does not request that Defective Product be replaced, Actavis

shall be responsible for the cost of API used in the Manufacture of Defective Products and shall reimburse Alpharma for such cost.

5.5 Alpharma Defective Product. Other than as set forth in paragraph 5.4 above, Product that meets Specifications but which is otherwise held by a Regulatory Authority to be contaminated, misbranded, adulterated or otherwise unfit for sale in interstate commerce through no fault of Actavis, shall be deemed "Alpharma Defective Product." Alpharma shall pay Actavis for any such Alpharma Defective Product in accordance with the purchase terms set forth herein and shall indemnify and hold Actavis harmless from any liabilities associated with such Product regardless of its ultimate disposition.

## ARTICLE 6
## DELIVERY

6.1 Delivery. Actavis shall segregate and store all Product until shipment on the dates reasonably required to meet the delivery dates specified by Alpharma pursuant to its Firm Commitments issued in connection with Alpharma's Purchase Orders. Actavis shall tender the Product for delivery to the Destination specified by Alpharma. Alpharma shall be responsible for all costs associated with the Product after delivery by Actavis to the specified Destination in accordance with the terms of this Agreement.

## ARTICLE 7
## CHANGES TO SPECIFICATIONS

7.1 Requested Changes. All Specifications and any changes thereto agreed to by the Parties from time to time shall be in writing, dated and signed by the Parties to be enforceable. No change in the Specifications, or Facility that will directly impact the Manufacture of Product, shall be implemented by Actavis (whether requested or required by Alpharma or any Regulatory Authority or an Applicable Law (a "Required Change")), until the Parties have agreed in writing to such change, the implementation date of such change, and any increase or decrease in costs, expenses or fees associated with such change.

Actavis shall respond promptly to any request made by Alpharma for a change in the Specifications, and both Parties shall use commercially reasonable, good faith efforts to agree to the terms of such change in a timely manner. As soon as possible after a request is made for any change in Specifications, Actavis shall notify Alpharma of the costs associated with such change and shall provide such supporting documentation as Alpharma may reasonably require. Except as otherwise set forth in the Agreement, Alpharma shall pay all costs associated with such agreed upon changes. If there is a conflict between the terms of this Agreement and the terms of the Specifications, the Specifications shall control. If Actavis refuses to make such change, (i) Alpharma may as soon as reasonably practicable transfer the Manufacturing of the Product to its own or any third party manufacturer's facilities, in which case Actavis shall immediately cooperate with and provide all reasonably necessary technical assistance to Alpharma, at

Alpharma's expense, in effecting the transfer of the Manufacturing of the Product, (ii) Actavis shall, if Alpharma so requests, continue to Manufacture the Product until such new facility is able to commence Manufacturing; and (iii) Actavis shall, if Alpharma so requests, Manufacture the Product in reasonable, mutually agreed volumes in excess of normal demand in order to ensure that Alpharma has sufficient inventory of Product during the transfer period. At the completion of any such transfer, this Agreement shall be terminated, and except for unpaid invoices for Product delivered to Alpharma, without further liability of Alpharma to Actavis.

7.2 Changes due to Conduct. In the event that any revision to the Specifications is required by any applicable Regulatory Authority as a result of Actavis' negligence or willful misconduct or breach of this Agreement (including the Specifications), Actavis shall bear any increase in the cost of Manufacturing the Product, together with any additional one-time costs and capital expenditures incurred to implement any such revision (or Alpharma shall receive the benefits of the decrease in the cost of manufacturing the Product, as applicable). Actavis undertakes and warrants that it will implement such alterations in time to allow Alpharma to sell the Product on the date that the altered Specifications are to take effect pursuant to such Regulatory Authority.

7.3 Changes Required by Regulation. In the event that any revision to the Specifications is required (or Alpharma reasonably believes that a revision is required) by any change in Applicable Law or by any applicable Regulatory Authority (other than as a result of Actavis' negligence, willful misconduct or breach of this Agreement and/or Specifications), Alpharma shall promptly notify Actavis. In the event that Actavis is able to alter such Specifications, Actavis (i) shall cooperate with Alpharma in making any such revision and shall do so at Alpharma's cost (and with Alpharma approval of all the costs thereof, submitted with supporting documentation) and (ii) undertakes and warrants that it will implement such alterations in time to allow Alpharma to sell the Product on the date that the altered Specifications are to take effect. In the event that Actavis reasonably believes that implementing such revision(s) is commercially impractical and consequently refuses to make such revisions, Actavis shall promptly notify Alpharma of such belief and Actavis agrees that (i) Alpharma may as soon as reasonably practicable transfer the Manufacturing of the Product to its own or any third party manufacturer's facilities, in which case Actavis shall immediately cooperate with and provide all reasonably necessary technical assistance to Alpharma, at Alpharma's expense, in effecting the transfer of the Manufacturing of the Product, (ii) Actavis shall, if Alpharma so requests, continue to Manufacture the Product until such Applicable Law becomes effective and (iii) until such Applicable Law becomes effective, Actavis shall, if Alpharma so requests, Manufacture the Product in reasonable, mutually agreed volumes in excess of normal demand in order to ensure that Alpharma has sufficient inventory of Product during the transfer period. At the completion of any such transfer, this Agreement shall be terminated, and except for unpaid invoices for Product delivered to Alpharma, without further liability of Alpharma to Actavis.

## ARTICLE 8
## RECORDS; REGULATORY MATTERS

8.1 Batch Records and Data. Within a reasonable period of time following the completion of Manufacturing of the first Batch of each Product, and on the anniversary of the Execution Date thereafter, Actavis shall provide Alpharma with properly completed copies of Batch records prepared in accordance with the Specifications; provided, however, that if testing reveals an out-of-Specification result, Actavis shall provide such Batch records within thirty (30) days following resolution of the out-of- Specification result. In addition, for all shipments of Product, Actavis shall provide Alpharma with an accurate C of A and Alpharma shall accept such C of A given in good faith, regardless of whether or not Alpharma accepts the Product.

8.2 Recordkeeping. Actavis shall maintain true and accurate books, records, test and laboratory data, reports and all other information relating to Manufacturing under this Agreement, including all information required to be maintained by all Applicable Laws in accordance with its standard documentation retention protocols which shall be subject to Alpharma's right to audit pursuant to Section 8.8. Actavis shall also maintain detailed records on Product material usage (including API usage) and finished Product production, including code dates and shipping information relating to Products, in order that Products can be easily traced in case of a recall, and subject to Alpharma audit. Such Product records shall be sufficient such that Actavis shall be capable of responding to Product inquiries by Alpharma within 24 hours of notification, including providing the code date and the location of the Products in question. All such recordkeeping shall constitute Confidential Information of Alpharma.

Such information shall be maintained in forms, notebooks and records in accordance with Actavis' then current record retention policies but for a period of at least two (2) years from the relevant finished Product expiration date or longer if required under Applicable Laws.

Within ten (10) business days after the end of each month, Actavis shall provide to Alpharma the information with respect to the API that is listed on Schedule 8.2.

8.3 Regulatory Compliance. Other than with respect to the DEA Quota referred to in Section 2.4 hereof, Alpharma shall be solely responsible for maintaining the NDA to include the Facility, all permits and licenses required by any Regulatory Authority with respect to the Product, the NDA and the Specifications, including any product licenses, applications and amendments in connection therewith. Alpharma shall also be responsible for the payment of all PDUFA and Establishment fees with regard the Product Manufactured at the Facility. Actavis will be responsible to maintain all permits and licenses required by any Regulatory Authority with respect to the Facility, its employees and its equipment. During the Term, Actavis will assist Alpharma with all regulatory matters relating to Manufacturing under this Agreement, at Alpharma's request and at Alpharma's expense. Each Party intends and commits to cooperate to satisfy all Applicable Laws within the scope of its respective responsibilities under this Agreement.

8.4 Regulatory Correspondence. Subject to the terms of the Quality Agreement attached hereto as Exhibit C, Actavis shall promptly notify Alpharma of any relevant correspondence, inspections, and the result of any relevant inspection(s) with the FDA or any Regulatory Authority that discuss a regulatory deficiency or problem directly impacting the Manufacture of the Product. For all such correspondence, Alpharma shall have the opportunity to comment on the draft correspondence before such correspondence is sent to the Regulatory Authorities. In such a case, Alpharma will use best efforts to provide comments within five (5) business days from its receipt of the draft. If such period lapses without Alpharma making comment, Actavis will provide Alpharma with a copy of the completed response submitted to the Regulatory Authority.

8.5 Governmental Inspections and Requests. Subject to the terms of the Quality Agreement attached hereto as Exhibit C, if an authorized agent of any Regulatory Authority visits the Facility concerning the Manufacturing of the Product, Actavis shall immediately advise Alpharma of such visit and immediately provide to Alpharma all related information, in no event later that three (3) business days thereafter. Actavis shall immediately furnish to Alpharma a copy of the report by such Regulatory Authority, and in no event later than 24 hours of Actavis' receipt of such report. Further, upon receipt of a Regulatory Authority request to inspect the Facility or audit Actavis' books and records with respect to Manufacturing under this Agreement, Actavis shall immediately notify Alpharma, and shall immediately provide Alpharma with a copy of any written document received from such Regulatory Authority, in no event later than 24 hours thereafter. In the event that such Regulatory Authority seizes Product, Actavis shall promptly send retained samples of such Product seized by such authority to Alpharma, in no event later than 24 hours thereafter.

8.6 Recall. Subject to the terms of the Quality Agreement attached hereto as Exhibit C, in the event Actavis believes a recall, field alert, Product withdrawal or field correction may be necessary with respect to any Product provided under this Agreement, Actavis shall immediately notify Alpharma in writing. Actavis will not act to initiate a recall, field alert, Product withdrawal or field correction without the express prior written approval of Alpharma, unless otherwise required by Applicable Laws (but in such case, shall immediately notify Alpharma). In the event Alpharma believes a recall, field alert, Product withdrawal or field correction may be necessary with respect to any Product provided under this Agreement, Alpharma shall immediately notify Actavis in writing and Actavis shall provide all necessary cooperation and assistance to Alpharma. The cost of any recall, field alert, Product withdrawal or field correction shall be borne by Alpharma unless such recall, field alert, Product withdrawal or field correction is caused by Actavis' breach of its representations, warranties, or obligations under this Agreement, Applicable Laws or its negligence or willful misconduct, then such costs shall be borne by Actavis. For purposes hereof, recall costs shall be limited to reasonable, actual and documented costs incurred by Alpharma or third party customers (including implementation, storage and destruction costs) directly in connection with such recall, withdrawal or correction, replacement and disposal of the Defective Product to be recalled, in accordance with Article 5.

8.7 Maintenance of Facility and Equipment. Actavis shall maintain all equipment, tooling and molds used in the Manufacturing of Products hereunder (the "Equipment") in good operating

condition and shall maintain the Facilities and such Equipment in accordance with, or shall exceed, all requirements set forth in the approved batch record from the NDA and any revisions made by Alpharma thereto, Specifications and Applicable Laws. Actavis shall be responsible to replace any worn or obsolete Equipment at its own cost and expense. In the event that Actavis fails or anticipates it will fail to meet any of the foregoing requirements, or in the event that Actavis receives any notice from a Regulatory Authority with respect thereto, Actavis shall promptly notify Alpharma, provide copies of any such notice to Alpharma and, if such notice relates specifically to the Products, provide a copy of Actavis' response for Alpharma's review. Such notification to Alpharma does not relieve Actavis of its obligations under this Agreement or create new obligations of Alpharma.

8.8 Inspection and Audits. Alpharma shall have access to the Facility for the purpose of conducting inspections, performing quality control audits or witnessing the Manufacturing, storage or transportation of Products or materials related to or used in any Manufacturing of Products, and Alpharma shall have access to the results of any Product tests performed by Actavis or at Actavis' direction. Alpharma shall also be permitted to audit that portion of Actavis' books and records pertaining to the Manufacturing of Products (and the use of the API in the Manufacture) under this Agreement to the extent reasonably necessary to verify Actavis' compliance with its Manufacturing obligations under this Agreement and to verify the pricing of Product. Actavis shall use its commercially reasonable best efforts to ensure that Alpharma has similar access to the facilities, data and records of Actavis' suppliers and agents. Such inspections do not relieve Actavis of any of its obligations under this Agreement or create new obligations on the part of Alpharma. Inspections and audits by Alpharma personnel/agents hereunder shall be conducted to the extent reasonably required by Alpharma and upon reasonable notice, during normal business houses and in compliance with the confidentiality provisions set out in Article 10 hereof and Actavis' rules and regulations relating to the Facility's security, health and safety. In the event that any violations of Applicable Law or Specifications or the terms of this Agreement are discovered pursuant to any such inspection and/or audit, within 30 days of Actavis' receipt of notice of such violation(s) from Alpharma, Actavis shall provide to Alpharma the action plan to be implemented by Actavis to address and correct any such violation. Such notice to Actavis in no way limits Alpharma's other rights or remedies that it may have under this Agreement.

8.9 Health and Safety Procedures. Actavis shall be solely responsible for implementing and maintaining health and safety procedures for the Manufacturing, packaging, and handling at the Facility of the Raw Materials, the API, packaging components, Product and any byproducts resulting there from. Such procedure(s) shall comply with all Applicable Laws. Alpharma shall have no responsibility for developing, implementing or overseeing Actavis' health and safety program(s).

8.10 Process Modifications. Actavis shall not make any modification to any of its manufacturing operations relating to the Product or to Raw Material sources that would require a modification to any Regulatory Document without the prior written consent of Alpharma. Once a Regulatory Document has been filed with a Regulatory Authority, Actavis agrees to take no

action that would invalidate or otherwise jeopardize the information included in such Regulatory Document.

8.11 Quality Agreement. The parties have executed a Quality Agreement, attached to this Agreement as Exhibit C. The Quality Agreement shall remain in effect for the duration of this Agreement and for at least 24 months after the termination/expiration of this Agreement. In the event of a conflict between the terms of this Agreement and the Quality Agreement, this Agreement shall control.

## ARTICLE 9
## REPRESENTATIONS AND WARRANTIES

9.1 Actavis. Actavis hereby represents, warrants, and covenants to Alpharma that:

9.1 1 At the time of each delivery of the Product as provided in Article 3 and 6, such Product and its corresponding Raw Materials will conform to and will have been Manufactured and stored in material conformance with the Specifications, Applicable Laws and this Agreement, and the Product shall be free from defects in materials and manufacture;

9.1.2 The Product shall not, at the time of delivery, be adulterated within the meaning of Section 501 or misbranded within the meaning of Section 502 of the Food, Drug and Cosmetic Act, as amended;

9.1.3 As of the Effective Date and at all times during the Term, Actavis and the Facilities and all equipment utilized in the Manufacture of the Product is and will be in material compliance with all Applicable Laws, including all applicable workplace safety regulations under OSHA, cGMPs, and Environmental Laws;

9.1.4 At all times during the Term, (i) Actavis shall obtain Alpharma's written approval, which shall not be unduly withheld, for the use of any third party contract laboratory intended on being used for the testing and release of API, excipients and/or finished Product; provided such third party has entered into a confidentiality agreement with Actavis (satisfactory to Alpharma) and (ii) the work to be performed by Actavis under this Agreement (or by any third party employed by Actavis) will not violate or infringe upon any trademark, trade secrets, trade name, copyright, patent, invention or other rights held by any person or entity.

9.1.5 At all times during the Term, Actavis shall continue to hold all licenses, permits and similar authorizations of Regulatory Authorities necessary or required to operate the Facility and/or its equipment in connection with the Manufacturing of the Product and/or necessary or required to conduct its operations and business;

9.1.6 Neither Actavis nor any of its employees has ever been: (i) debarred, or (ii) convicted of a crime for which a person can be disbarred under Section 306 (a) or (b) of the Generic Drug Enforcement Act of 1992, as amended from time to time. Actavis agrees to

promptly notify Alpharma should any Regulatory Authority threaten any action that could result in a breach of this Section 9.1.6.

9.1.7 The Manufacture, handling and storage of the Product shall be in accordance with the NDA.

9.1.8 Unless otherwise agreed by the Parties in writing, Actavis has. (i) reviewed and approved all Specifications, (ii) if applicable, reviewed and approved all in-process and finished Product test results to ensure conformity of such results with the Specifications, regardless of which Party is responsible for finished Product release.

9.1.9 The C of A which will accompany each shipment of Product shall be accurate and made in good faith such that Alpharma shall be able to rely on each C of A.

9.2 Alpharma. Alpharma hereby represents, warrants, and covenants to Actavis that:

9.2.1 It has all necessary authority and all right, title and interest in and to any Intellectual Property related to the Product that has been provided by Alpharma to Actavis under this Agreement;

9.2.2 It, to the best of its knowledge, does not infringe the patent rights of any third party with respect to the manufacture, use and sale of the Product within the United States.

9.2.3 All artwork and the content thereof provided by Alpharma to Actavis shall comply with all Applicable Laws;

9.2.4 All Product delivered to Alpharma by Actavis will be held, used and/or disposed of by Alpharma in accordance with all Applicable Laws;

9.2.5 At all times during the Term, Alpharma shall continue to hold all licenses, permits and similar authorizations of Regulatory Authorities necessary or required with respect to the Product, the NDA and the Specifications, including any product licenses, applications and amendments in connection therewith, in each case above, as such relates to this Agreement. Alpharma shall maintain the NDA in good standing with the FDA throughout the Term;

9.2.6 Alpharma will comply with all Applicable Laws applicable to Alpharma's marketing, pricing, sale, distribution and reimbursement of Product and its performance of its obligations under this Agreement and its use of any materials or Product provided by Actavis under this Agreement; and

9.2.7 Alpharma will prepare all submissions to Regulatory Authorities in accordance with Applicable Laws that relate solely to the Product (other than the DEA Quota set forth in Section 2.4).

9.3 Mutual. Each Party hereby represents, warrants, and covenants to the other Party that:

9.3.1 Existence and Power. Such Party (i) is duly organized, validly existing and in good standing under the laws of the state in which it is organized, (ii) has the power and authority and the legal right to own and operate its property and assets, and to carry on its business as it is now being conducted, and (iii) is in compliance with all requirements of Applicable Laws, except to the extent that any noncompliance would not materially adversely affect such Party's ability to perform its obligations under the Agreement;

9.3.2 Authorization and Enforcement of Obligations. Such Party (i) has the power and authority and the legal right to enter into this Agreement and to perform its obligations hereunder and (ii) has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

9.3.3 Execution and Delivery. This Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against such Party in accordance with its terms;

9.3.4 No Consents. All necessary consents, approvals and authorizations of all Regulatory Authorities and other persons required to be obtained by such Party in connection with the Agreement have been obtained; and

9.3.5 No Conflict. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (i) do not conflict with or violate any requirement of Applicable Laws; and (ii) do not materially conflict with, or constitute a material default or require any consent under, any contractual obligation of such Party.

9.4 LIMITATIONS. THE REPRESENTATIONS AND WARRANTIES SET FORTH IN THIS ARTICLE (OR ELSEWHERE IN THIS AGREEMENT) ARE THE SOLE AND EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY EACH PARTY TO THE OTHER AND NEITHER PARTY MAKES ANY OTHER REPRESENTATIONS, WARRANTIES OR GUARANTEES OF ANY KIND WHATSOEVER, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE.

## ARTICLE 10
## CONFIDENTIAL INFORMATION

10.1 Mutual Obligation. Alpharma and Actavis agree that for the Term of this Agreement and thereafter, they will not (i) use the other Party's Confidential Information (as defined below) other than for the limited purpose of performing its obligations under this Agreement, and/or (ii) disclose the other Party's Confidential Information to any third party without the prior written consent of the other Party except as required by law, regulation or court or administrative order; provided, however, that prior to making any such legally required disclosure, the Party making such disclosure shall give the other Party as much prior notice of the requirement for and

contents of such disclosure as is practicable under the circumstances. Notwithstanding the foregoing, each Party may disclose the other Party's Confidential Information to any of its Affiliates that (i) need to know such Confidential Information for the purpose of performing under this Agreement, (ii) are advised of the contents of this Article, and (iii) agree to be bound by the terms of this Article; provided, however, that such Affiliate is not a competitor of the disclosing Party.

10.2 Definition. As used in this Agreement, the term "Confidential Information" includes all such information furnished by Alpharma or Actavis, or any of their respective representatives or Affiliates, to the other or its representatives or Affiliates, whether furnished before, on or after the date of this Agreement and furnished in any form, including but not limited to written, verbal, visual, electronic or in any other media or manner. Confidential Information includes all proprietary technologies, Intellectual Property, analyses, compilations, business or technical information, product strategies and other materials prepared by either Party, or any of their respective representatives/Affiliates, containing or based in whole or in part on any such information furnished by the other Party or its representatives/Affiliates. Confidential Information also includes the existence of this Agreement and its terms. Alpharma's Confidential Information shall include all regulatory Documents.

10.3 Exclusions. Notwithstanding Section 10.2, Confidential Information does not include information that (i) is or becomes generally available to the public or within the industry to which such information relates other than as a result of a breach of this Agreement, or (ii) is already known by the receiving Party at the time of disclosure as evidenced by the receiving Party's written records, or (iii) becomes available to the receiving Party on a non-confidential basis from a source that is entitled to disclose it on a non-confidential basis, or (iv) was or is independently developed or discovered by or for the receiving Party without reference to the Confidential Information, as evidenced by the receiving Party's written records.

10.4 No Implied License. The receiving Party will obtain no right of any kind or license under any patent application or patent by reason of this Agreement. All Confidential Information will remain the sole property of the Party disclosing such information or data.

10.5 Return of Confidential Information. Upon termination of this Agreement, the receiving Party shall, upon request, promptly return within thirty (30) days all such Confidential Information, including any copies thereof, and cease its use or, at the request of the disclosing Party, shall promptly destroy the same and certify such destruction to the disclosing Party; except for a single copy thereof, which may be retained for the sole legal purpose of complying with the scope of the obligations incurred under this Agreement.

10.6 Survival. This Article and the confidentiality and nonuse obligations contained herein will survive the termination or expiration of this Agreement.

## ARTICLE 11
## INTELLECTUAL PROPERTY

11.1 Ownership of Intellectual Property. Alpharma shall own all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, *sui generis* database types, designs, concepts, improvements, technical information manuals, instructions and all other Intellectual Property and industrial property rights including but not limited to know-how and goodwill associated with the Product) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designations, designs, know-how, ideas and information made or conceived of or reduced to practice, in whole or part, by Actavis in connection with the Manufacturing of the Product (collectively, the "Work Product") and Actavis will promptly provide all Work Product to Alpharma. All Work Product shall be deemed work made for hire. Any work product or intellectual property developed by Actavis that was in its possession prior to the Effective Date shall not be deemed Work Product or Intellectual Property under this Agreement. Alpharma agrees to grant Actavis a non-exclusive license to any Work Product solely invented by Actavis so long as it does not relate to or cover opioids or opioid derivatives or antagonists thereof, including but not limited to morphine, oxycodone, hydrocodone, oxymorphone, hydromorphone and naltrexone or salts, solvates or prodrugs thereof.. Alpharma shall own all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, *sui generis* database types, designs, concepts, improvements, technical information manuals, instructions and all other Intellectual Property and industrial property rights including but not limited to know-how and goodwill associated with the Product) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designations, designs, know-how, ideas and information conceived of or reduced to practice solely by Alpharma in connection with the Manufacturing of the Product and such inventions shall be excluded from Work Product.

11.2 Registration of Work Product. Actavis agrees to assist Alpharma in any reasonable manner to obtain and enforce for Alpharma's benefit the Work Product in any and all countries, and Actavis hereby agrees to execute, when requested, any Work Product applications and assignments to Alpharma and any other documents deemed necessary by Alpharma to further the prosecution and issuance and/or registration of the Work Product.

11.3 Limited License of Actavis. Alpharma hereby grants Actavis a royalty-free, non-exclusive, non-transferable, limited license to use the Work Product and any other Intellectual Property Alpharma has authorized it to use, in each case as is necessary in connection with the Manufacturing of the Product pursuant to the terms of this Agreement.

11.4 Notice of Material. If Actavis becomes aware of (i) the fraudulent imitation of any Product or the infringement or potential infringement or violation of Alpharma Intellectual Property or other Alpharma materials (collectively, the "Alpharma Material"); or (ii) any claim that the Manufacturing, use or sale of any Product infringes or violates any trademark, the patent or know-how of any third party, Actavis shall immediately notify Alpharma and shall assist Alpharma or its authorized representatives with respect thereto (at Alpharma's cost). Actavis shall take no steps nor initiate any action to suppress any infringement or violation of the

Alpharma Material without Alpharma's prior written consent. Actavis shall be guided in its actions with respect thereto by the instructions issued by Alpharma. Participation in an action by Actavis at Alpharma's request shall be at Alpharma's sole expense unless the infringement/violation is found to be the fault of Actavis in which case Actavis shall bear the associated expenses. During the Term of this Agreement, Actavis agrees that it will not take any action, nor assist any third party (Affiliate or otherwise) in taking any action, to invalidate or otherwise restrict or limit the claims of any patents/patent applications relating to the Manufacturing of the Product.

11.5 Generic Equivalents; Right of First Negotiation/Refusal. During the Term of this Agreement and until the earlier of (i) the formation of the market for the first generic equivalent to the Product as mutually agreed upon by the Parties hereto or (ii) the invalidation of the Alpharma patents covering the Product, Actavis shall refrain from filing for approval from the FDA pursuant to Section 505(b)(2) or otherwise, or pursuing FDA approval of an ANDA for a generic equivalent of the Product. In consideration of the foregoing, during the Term of this Agreement commencing on the day that Alpharma or any of its Affiliates receives a notice from an ANDA holder that such ANDA holder is seeking approval to market a generic version of the Product before one or more of the Orange Book listed patents covering the Product expires, Actavis shall have the exclusive right to negotiate an amendment and expansion of the license described in Section11.3 above to allow Actavis to market a generic equivalent of the Products under the Actavis name, in connection with the formation of a generic market for the Products. Alpharma shall notify Actavis within ten 10 days of its receipt of such notice and thereafter, Actavis shall provide Alpharma with written notice of its desire to expand the license set forth in Section 11.3 (the "Negotiation Notice") within thirty (30) days of its receipt of Alpharma's notice . In connection with the Section 11.3 license expansion, the Parties will negotiate in good faith the terms and conditions of a Marketing Agreement covering the marketing of the authorized generic product and the timing of the Actavis generic product launch. In the event the Parties cannot reach an agreement on the expansion of the license contemplated hereby within one hundred eighty (180) days after the date of the Negotiation Notice, or in the event Actavis declines to exercise its option to negotiate, Alpharma shall be free to negotiate with third party(ies) that have an interest in manufacturing and marketing an authorized generic equivalent of the Product. In the event Alpharma reaches a tentative agreement for the manufacturing and marketing of an authorized generic equivalent of the Product with a third party, prior to consummating such agreement, Alpharma shall provide Actavis with written notice of its intent to enter into an authorized generic agreement and a reasonably detailed summary of the proposed terms of such agreement, subject to any confidentiality obligations that Alpharma owes to any such third party. Actavis shall have fifteen (15) business days from its receipt of such notice in which to match the terms of such proposal, and the Parties shall enter into a definitive agreement within thirty (30) days thereafter. If Actavis declines to match the terms of the third party proposal or fails to conclude a definitive agreement within such thirty (30) day period, subject to extension upon the mutual agreement of the Parties, Alpharma shall be free to consummate an agreement on substantially the same terms and conditions as those presented to Actavis for review. Alpharma's consummation of a third party deal shall not release Actavis from its covenant not to file an ANDA or other application for a generic equivalent of the Product. If Alpharma fails to consummate such a deal with the third party, however, or the terms and conditions of such proposal materially change, Actavis

will once again be entitled to review and accept the revised proposal or any subsequent proposals. Actavis' right of first refusal and negotiation hereunder shall lapse upon the formation of the market of generic equivalents for the Product. This Section 11.5 shall survive the expiration or termination of this Agreement.

## ARTICLE 12
## INDEMNIFICATION

12.1 Indemnification by Actavis. Actavis shall indemnify and hold harmless Alpharma, its Affiliates, and their respective directors, officers, employees and agents ("Alpharma Indemnitees") from and against any and all suits, claims, losses, demands, liabilities, damages, costs and expenses (including reasonable attorneys' fees and reasonable investigative costs) in connection with any suit, demand or action by any third party ("Losses") arising out of or resulting from (i) any breach of its representations, warranties or obligations set forth in this Agreement or the Quality Agreement, (ii) any negligence or willful misconduct by Actavis, (iii) damage to property or injury or death occurring to any person arising out of possession, use or consumption by any person of the Product to the extent that such damage, injury or death was caused by the failure of such Product to meet Specifications, including the contamination or adulteration of the API or Product while in control of Actavis; (iv) injury to person or property or death occurring to any Actavis employees, subcontractors, agents or any individual on Actavis' premises; (iv) claim, action or proceeding brought by any Regulatory Authority arising out of or resulting from any Manufacturing of Product by Actavis which is not in accordance with this Agreement; and/or (v) any actual or alleged infringement or violation of any patent, trade secret, copyright, trademark, invention or other proprietary rights provided by, or that is the responsibility of, Actavis hereunder, except to the extent that any of the foregoing arises out of or results from any Alpharma Indemnitee's obligations set forth in Section 12.2 below.

12.2 Indemnification by Alpharma. Alpharma shall indemnify and hold harmless Actavis, its Affiliates, and their respective directors, officers, employees and agents ("Actavis Indemnitees") from and against all Losses arising out of or resulting from (i) any breach of its representations, warranties or obligations set forth in this Agreement; (ii) for any claims relating to the inherent risks of the Product, the Alpharma Intellectual Property provided by Alpharma to Actavis in the Manufacturing of the Product, or the marketing or labeling of the Product (provided such labeling of the Product is performed by Actavis in accordance with the Specifications and using such labels as provided by Alpharma) or the pricing and reimbursement of the Product ; (iii) any negligence or willful misconduct by Alpharma; and/or (iv) any actual infringement of any patent, trade secret, copyright or trademark except to the extent that any of the foregoing arises out of or results from any Actavis Indemnitee's obligations set forth in Section 12.1 above.

12.3 Indemnification Procedures. All indemnification obligations in this Agreement are conditioned upon the Party seeking indemnification (the "Indemnified Party"): (i) promptly notifying the indemnifying Party (the "Indemnifying Party") of any claim or liability of which the Indemnified Party becomes aware (including a copy of any related complaint, summons, notice or other instrument); provided, however, that failure to provide such notice within a reasonable

period of time shall not relieve the Indemnifying Party of any of its obligations hereunder except to the extent the Indemnifying Party is prejudiced by such failure; (ii) cooperating with the Indemnifying Party in the defense of any such claim or liability; and (iii) not compromising or settling any claim or liability without prior written consent of the Indemnifying Party.

The Indemnifying Party shall have the right to undertake the defense of any such claim asserted by a third party with counsel reasonably satisfactory to the Indemnified Party and the Indemnified Party shall cooperate in such defense and make available all records, material and witnesses reasonably requested by the Indemnifying Party in connection therewith, at the Indemnifying Party's expense. If the Indemnifying Party shall have assumed the defense of the claim with counsel reasonably satisfactory to the Indemnified Party, the Indemnifying Party shall not be liable to the Indemnified Party for any legal or other expenses (other than for reasonable costs of investigation) subsequently incurred by the Indemnified Party in connection with the defense thereof. The Indemnifying Party shall not be liable for any claim settled without its consent, which consent shall not be unreasonably withheld or delayed. The Indemnifying Party shall obtain the written consent of the Indemnified Party prior to ceasing to defend, settling or otherwise disposing of any claim. In no event shall Actavis institute, settle or otherwise resolve any claim or potential claim, action or proceeding relating to the Product or any trademarks or other intellectual property rights of Alpharma (whether owned by or otherwise licensed to Alpharma) without the prior written consent of Alpharma.

## ARTICLE 13
## INSURANCE

13.1 Actavis Insurance. Actavis shall, at its own cost and expense, obtain and maintain in full force and effect the following insurance during the term of this Agreement:

(i) Commercial General Liability insurance with per-occurrence and general aggregate limits of not less than $5,000,000;

(ii) Product and Completed Operations Liability Insurance with per-occurrence and general aggregate limits of not less than $5,000,000;

(iii) Excess Liability Insurance with a per-occurrence limit of not less than $10,000,000;

(iv) Workers' Compensation and Employer's Liability Insurance with statutory limits for Workers' Compensation and Employer's Liability insurance limits of not less than $1,000,000 per accident; and

(v) All Risk Property Insurance, including transit coverage, in an amount equal to full replacement value covering Alpharma's property while it is under Actavis' care, custody and control, i.e. at Actavis' facilities or in transit to, from or between Actavis' facilities.

In the event that any of the required policies of insurance are written on a claim made basis, then such policies shall be maintained during the entire term of this Agreement and for a period of not less than five (5) years following the termination or expiration of this Agreement. Actavis shall waive subrogation rights against Alpharma for workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Actavis carries workers' compensation insurance releasing their subrogation rights against Alpharma. Alpharma shall be named as an additional insured under the Commercial General Liability and Product and Completed Operations Liability insurance policies as respects the manufacturing services outlined in this Agreement. Actavis shall furnish certificates of insurance for all of the above noted policies and required additional insured status to Alpharma and upon renewal of any such policies as soon as practicable after the Effective Date of the Agreement and within thirty (30) days after renewal of such policies. Actavis shall notify Alpharma, in writing, of any proposed material changes to such policies, which would affect this Agreement. Each insurance policy that is required under this Agreement shall be obtained from an insurance carrier with an A.M. Best rating of at least A- VII.

13.2 Alpharma Insurance. Alpharma shall, at its own cost and expense, obtain and maintain in full force and effect the following insurance during the Term of this Agreement:

(i) Commercial General Liability Insurance with per-occurrence and general aggregate limits of not less than $1,000,000;

(ii) Product and Completed Operations Liability Insurance with per-occurrence and general aggregate limits of not less than $5,000,000;

(iii) Excess Liability Insurance with a per-occurrence limit of not less than $10,000,000; and

(iv) Statutory Workers' Compensation and Employer's Liability Insurance with an amount not less than $500,000 including excess liability coverage.

In the event that any of the required policies of insurance are written on a claim made basis, then such policies shall be maintained during the entire term of this Agreement and for a period of not less than three (3) years following the termination or expiration of this Agreement. Alpharma shall waive subrogation rights against Actavis for workers' compensation benefits and shall obtain a waiver from any insurance carriers with which Alpharma carries workers' compensation insurance releasing their subrogation rights against Actavis. Actavis shall be named as an additional insured under the Product and Completed Operations Liability insurance policies as respects the Products and completed operations outlined in this Agreement. Alpharma shall, upon written request, furnish certificates of insurance for all of the above noted policies and required additional insured status to Actavis and upon renewal of any such policies. Alpharma shall notify Actavis, in writing, of any proposed material changes to such policies, which would affect this Agreement.

## ARTICLE 14
## TERM AND TERMINATION

14.1 Term. This Agreement shall commence on the Effective Date and shall continue for a period of the later of (i) five (5) years after the Launch Date or (ii) the end of the Calendar Quarter in which Alpharma achieves Firm Commitments for 2.5 million 100 count bottles provided such orders are filled in accordance with the terms of this Agreement, unless earlier terminated under Sections 14.2 through 14.5 below or such other applicable provision of this Agreement (the "Term", which shall include any Renewal Terms as described below). Upon expiration of the Term, this Agreement may be renewable for additional two (2) year periods (each such period, a "Renewal Term") upon mutual written agreement of the parties as to any Renewal Term. Such mutual agreement shall be concluded no later than nine (9) months prior to the expiration of the Term or any Renewal Term, as the case may be, unless such time period is extended upon the mutual written agreement of the Parties. In the event that no such agreement is made within such time frame, the Term or Renewal Term, as the case may be, shall expire.

14.2 Termination by Either Party.

14.2.1 Material Breach. Either Party may terminate this Agreement effective upon sixty (60) days prior written notice to the other Party, if the other Party commits a material breach of this Agreement and fails to cure such breach by the end of such sixty (60) day period;

14.2.2 Bankruptcy. Either Party may terminate this Agreement effective upon written notice to the other Party, if (i) the other Party becomes insolvent or admits in writing its inability to pay its debts as they become due, (ii) files a petition for bankruptcy, makes an assignment for the benefit of its creditors or (iii) involuntary bankruptcy or reorganization proceedings are commenced against the other party or any of its properties or if a receiver or trustee is appointed for the other party or any of its properties and such proceedings are not discharged within 30 days.

14.3 Force Majeure. Except as to payments required under this Agreement, if any default or delay occurs which prevents or materially impairs a Party's performance and such default or delay both (i) is due to a cause beyond the Party's reasonable control, including but not limited to an act of God, flood, fire, explosion, earthquake, casualty, accident, terrorism, war, revolution, civil commotion, blockade, terrorism or embargo, injunction, law, proclamation, order, regulation, governmental demand, or API quota limitations set by the DEA (provided that Actavis has used all commercially reasonable efforts to obtain DEA Quota for Morphine Sulfate to meet Product needs forecasted by Alpharma), and (ii) could not have been prevented by the non-performing Party's reasonable precautions or commercially accepted processes, the affected Party shall promptly notify the other Party in writing of such cause and shall exercise diligent efforts to resume performance under this Agreement as soon as possible. In the event that Actavis cannot complete an order within ninety (90) days due to any such cause, Alpharma may terminate this Agreement without liability to Actavis. In the event that Alpharma cannot fulfill its obligations under this Agreement for more than ninety (90) days due to a Force Majeure, Actavis may terminate this Agreement without liability to Alpharma and Alpharma will reimburse

Actavis for certain capital expenditures in accordance with Section 14.6. Except as set forth in the immediately preceding two sentences, any default or delay caused by an event of Force Majeure shall toll the Term of this Agreement which shall be extended by the length thereof.

Upon the occurrence of a Force Majeure event, the Parties agree to discuss the matter within 48 hours (followed up immediately by a written notice) and if, and the extent to which, performance by the affected Party may be resumed.

14.4 Termination by Alpharma. Alpharma may terminate this Agreement without liability to Actavis in the event (i) a Failure To Supply has occurred provided that Actavis was unable to cure such Failure To Supply within 30 days of receiving written notice of such Failure To Supply from Alpharma , (ii) the Product does not receive approval from the FDA, (iii) Alpharma makes a determination not to Launch the Product, (iv) Alpharma determines in its commercially reasonable discretion that the continued Manufacture/sale of the Product at the then current process and volumes is commercially unfeasible and Alpharma gives Actavis at least twenty-four (24) months' advance written notice of such decision and a reasonable chance to reach a commercially feasible accommodation; (v) at any time after thirty-six (36) months after the Effective Date if Alpharma consummates an acquisition or other corporate transaction the consummation of which creates a commercial conflict with Actavis or the sale of the Product; or (vi) Alpharma consummates an acquisition or other corporate transaction the consummation of which creates a regulatory conflict with Actavis or the sale of the Product.

14.5 Termination by Actavis. Actavis may terminate this Agreement without liability to Alpharma in the event that (i) the Launch Date fails to occur within three (3) years from the date of execution of this Agreement; (ii) Actavis determines in its commercially reasonable discretion that the continued Manufacture of the Product at the then current process and volumes is commercially unfeasible and Actavis give Alpharma at least twenty-four (24) months' advance written notice of such decision and a reasonable chance to reach a commercially feasible accommodation; (iii) at any time after thirty-six (36) months after the Effective Date if Actavis consummates an acquisition or other corporate transaction the consummation of which creates a commercial conflict with Alpharma or the manufacture of the Product; or (iv) Actavis consummates an acquisition or other corporate transaction the consummation of which creates a regulatory conflict with Alpharma or the manufacture of the Product, provided that the Parties shall work together in good faith to ensure the uninterrupted and continued supply of the Product.

14.6 Effect of Termination. Expiration or termination of this Agreement shall be without prejudice to any rights or obligations that accrued to the benefit of either Party prior to such expiration or termination. Except as otherwise provided in this Agreement, in the event that either Party terminates this Agreement, Actavis shall assist Alpharma in effecting a smooth transition to an alternate contractor of the Product at Alpharma's sole cost and expense.

In the event of termination by Alpharma pursuant to Section 14.2.1; Section 14.2.2, Section 14.4(i) or Section 17 of this Agreement, or by Actavis pursuant to Sections 14.5(ii), 14.5(iii), 14.5(iv) or 15.5(iii), (i) Actavis shall cooperate with, and supply reasonable technical assistance (including technical personnel, at its expense) to Alpharma and/or such new supplier with respect

to the transferring of the Manufacturing of the Product to Alpharma and/or such new supplier; (ii) Actavis shall be responsible for the costs of the API and other materials ordered by it in accordance with the forecast requirements, and (iii)any Product quarantined at the time of expiration or termination of this Agreement shall be disposed of or destroyed at Actavis' expense in accordance with Alpharma's commercially reasonable instruction, in addition to any other rights or remedies available to Alpharma. Subsequent to the expiration or termination of this Agreement, Actavis shall continue to be responsible for Defective Products, in accordance with the terms of this Agreement.

In the event of termination by Actavis during the initial Term (but not during any Renewal Term) pursuant to Section 14.2.1 or Section 14.5(i) or by Alpharma pursuant to Section 14.4(ii) or Sections 14.4(iii), 14.4(iv), 14.4(v) or 14.4(vi), Alpharma shall pay to Actavis as liquidated damages related to its capital expenditures incurred in purchasing and qualifying equipment for the Product Manufacturing an amount equal to $5.0 million.

14.7 Survival. The rights and obligations of the Parties shall continue under Articles 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, and 16 notwithstanding expiration or termination of this Agreement.

## ARTICLE 15
## CONSEQUENTIAL DAMAGES

NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, SPECIAL OR CONSEQUENTIAL DAMAGES ARISING OUT OF PERFORMANCE UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, LOSS OF REVENUES, PROFITS OR DATA, WHETHER IN CONTRACT OR TORT, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

## ARTICLE 16
## NOTICE

All notices and other communications hereunder ("Notices") shall be in writing and shall be deemed given: (A) when delivered personally; (B) when delivered by facsimile transmission (receipt verified); (C) when received or refused, if mailed by registered or certified mail (return receipt requested), postage prepaid; or (D) when delivered if sent by express courier service, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof):

To Actavis:

Actavis Inc.
60 Columbia Rd, Bldg. B
Morristown NJ 07960
Attn: Doug Boothe
Facsimile: (973) 993-4303

| | |
|---|---|
| With a copy to: | Actavis Inc.<br>60 Columbia Rd., Bldg. B<br>Morristown NJ 07960<br>Attn: Chief Legal Officer<br>Facsimile: (973) 993-4306 |
| To Alpharma: | Alpharma Pharmaceuticals LLC<br>1 New England Avenue<br>Piscataway, NJ 08854<br>Attn. Senior Director, Technical Operations<br>Facsimile: 908-659-3019 |
| With a copy to: | Alpharma Pharmaceuticals LLC<br>1 New England Avenue<br>Piscataway, NJ 08854<br>Attn: V.P. Law<br>Facsimile: 732-465-3640 |

## ARTICLE 17
## MISCELLANEOUS

17.1 Entire Agreement; Amendments. This Agreement, the attachments (including the Quality Agreement), and any amendments hereto or thereto constitute the entire understanding between the Parties with respect to the specific subject matter hereof and supercede any other understanding of the Parties, whether written or oral regarding the subject matter hereof. No modification of this Agreement shall be effected by the acknowledgement or acceptance by either Party hereto of any type of order confirmation, sale document, invoice or other similar document containing terms or conditions at variance with, or in addition to, those set forth in this Agreement. The Exhibits attached to this Agreement are incorporated herein and made a part hereof. No term of this Agreement may be amended except upon written agreement of both Parties, unless otherwise provided in this Agreement.

17.2 Captions. The captions in this Agreement are for convenience only and are not to be interpreted or construed as a substantive part of this Agreement.

17.3 Further Assurances. The Parties agree to execute, acknowledge and deliver such further instruments and to take all such other incidental acts as may be reasonably necessary or appropriate to carry out the purpose and intent of this Agreement.

17.4 Successors and Assigns. This Agreement will be binding upon and inure to the benefit of the Parties, their successors and permitted assigns. Neither Party may assign this Agreement, in whole or in part, without the prior written consent of the other Party, except that either Party may, without the other Party's consent, assign this Agreement to an Affiliate or to a successor to substantially all of the business or assets of the assigning company; provided, however, that if at any time during the Term of this Agreement, Actavis is acquired by or becomes affiliated with a

competitor of Alpharma, then Alpharma may terminate this Agreement at any time upon not less than three months written notice.

17.5 No Waiver. Failure by either Party to insist upon strict compliance with any term of this Agreement in any one or more instances will not be deemed to be a waiver of its rights to insist upon such strict compliance with respect to any subsequent failure.

17.6 Severability. If any clause or provision of this Agreement is declared invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed and the remaining provisions of the Agreement shall continue in full force and effect. The parties shall use their best efforts to agree upon a valid and enforceable provision as a substitute for the severed provision, taking into account the intent of this Agreement.

17.7 Independent Parties. The relationship of the parties under this Agreement is that of independent contractors. Neither party shall be deemed to be the agent of the other, nor shall the parties be deemed to be partners or joint venturers, and neither is authorized to take any action binding upon the other. Actavis expressly acknowledges for itself, its employees, agents and subcontractors, that none of them are employees of Alpharma and that none of them are entitled to participate in any benefit plans of Alpharma or its affiliates. Actavis further acknowledges that none of its employees, agents or subcontractors are eligible to participate in any benefit plans of Alpharma or its affiliates, even if it is later determined that the status of any of them was that of an employee during the period of this engagement of Actavis by Alpharma.

17.8 Sophisticated Parties. Each Party to this Agreement is a sophisticated party negotiating in good faith with the advice of legal counsel. Each Party is hereby advised to seek the advice of legal counsel prior to agreeing to this Agreement.

17.9 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Delaware, United States, excluding its conflicts of law provisions.

17.10 Alternative Dispute Resolution. If any dispute arises between the Parties ("Dispute"), such Dispute shall be presented to the respective presidents or senior executives of Alpharma and Actavis for their consideration and resolution. If such Parties cannot reach a resolution of the Dispute within ten (10) days, then the Parties shall have the option, upon mutual agreement to have such Dispute resolved by binding alternative dispute resolution in accordance with the then existing commercial arbitration rules of CPR Institute for Dispute Resolution, 366 Madison Avenue, New York, NY 10017. Nothing in this Agreement shall hinder either Party from seeking injunctive or similar equitable actions against the other Party in a court of competent jurisdiction in case of a breach of this Agreement when appropriate.

During the period in which a Dispute is being resolved, except for the matter in Dispute, the Parties hereto shall in all respects continue their implementation of, and adherence to, this Agreement.

17.11 Prevailing Party. In any dispute resolution proceeding between the Parties in connection with this Agreement, the prevailing Party will be entitled to its reasonable attorney's fees and costs in such proceeding.

17.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. Any photocopy, facsimile or electronic reproduction of the executed Agreement shall constitute an original.

17.13 Publicity. Neither Party will make any press release or other public disclosure regarding this Agreement or the transactions contemplated hereby without the other Party's express prior written consent, except as required under Applicable Law or by any governmental agency, in which case the Party required to make the press release or public disclosure shall use best efforts to obtain the approval of the other Party as to the form, nature and extent of the press release or public disclosure prior to issuing the press release or making the public disclosure.

IN WITNESS WHEREOF, the Parties have caused their duly authorized representative to execute this Agreement effective as of the date first written above.

**ALPHARMA PHARMACEUTICALS LLC**

By: _____
Name: ANTHONY DECICO
Its: SR DIR, TECH OPS

**ACTAVIS INC.**

By: _____
Name: _____
Its: _____

## EXHIBIT A

## CURRENT PRODUCT SPECIFICATIONS TO BE UPDATED WITH PRODUCT SPECIFICATIONS FROM FDA APPROVED NDA

Product shall be produced in accordance with Specifications set forth in the FDA approved NDA.

## EXHIBIT B

## COMMERCIAL TRANSFER PRICES FOR THE PRODUCT

Morphine Sulfate/Naltrexone HCL Capsules

**Actavis Elizabeth LLC**
**Kadian NT Pricing**

| Item # | Item Desc. | Base |
|---|---|---|
| **2009** | | |
| 3070 | 20mg | 27.23023 |
| 3071 | 30 mg | 42.39076 |
| 3072 | 50 mg | 49.35322 |
| 3073 | 60 mg | 56.43991 |
| 3079 | 80 mg | 70.60770 |
| 3074 | 100 mg | 71.57800 |
| Volume | | 450,000 |

Transfer price excludes the cost of API as Alpharma will pay vendor directly.

The Price for the Product set forth herein includes an amount attributable to Actavis' capital expenditures in connection with the Manufacture of the Product. Upon the purchase by Alpharma of 2.5 million 100 count bottles of Product (or the satisfaction of the capital recovery, as provided in the last paragraph below), the Price shall be reduced by $7.25 per 100 count bottle to reflect the recovery by Actavis of such capital costs.

This reduction is calculated on the assumption that the capital cost recovery will occur over a 5 year period of time. As outlined in Section 14.1 the term of the agreement is as follows:

"This Agreement shall commence on the Effective Date and shall continue for a period of the later of (i) five (5) years after the Launch Date or (ii) the end of the Calendar Quarter in which Alpharma achieves Firm Commitments for 2.5 million 100 count bottles provided such orders are filled in accordance with the terms of this Agreement, unless earlier terminated under Sections 14.2 through 14.5 below or such other applicable provision of this Agreement (the "Term", which shall include any Renewal Terms as described below)."

The Parties further agree that if Alpharma has not purchased 2.5 Million 100 count bottles by the end of the 7th year after the Launch Date that a payment will be made by Alpharma to Actavis to satisfy the capital recovery. The amount of this payment will be calculated as $7.25 multiplied by the difference between 2.5 Million and the actual number of 100 count bottles purchased during the first 7 years.

## EXHIBIT C

## QUALITY AGREEMENT

The terms of the current Quality Agreement between the Parties related to the manufacture of KADIAN® shall apply to the Manufacture of the Product until either amended to specifically include the Product, or a separate but substantially similar quality agreement is entered into by the Parties with respect to the Product.

# SCHEDULE 2.1

## Kadian NT Scale up and Pre-validation Project Costs

| | |
|---|---|
| **Project Initiation Costs and Timing** | |
| Project Initiation Cost- includes the establishment of project team and files, along with Health and Safety assessment of API's | 15,000 |
| **Duration** | |
| Manufacturing of the following.<br><br>Up to 2 Placebo Batch run on GPCG-200, up to 4 model compound batches on the GPCG-200, up to two prevalidation batches on the GPCG-200. | Up to 1 week per batch of manufacturing with appropriate evaluation time in between (timing to be determined) |
| **Estimated Costs:** | |
| Materials | To be billed to Alpharma upon receipt |
| Equipment: | |
| Filter Bags | 15,000 |
| Sieves | 3,000 |
| Encapsulation Parts | 15,000 |
| Manufacturing Scale up activities: | |
| Up to 2 placebo batch, 4 model compound batches | 930,000 |
| Up to 2 prevalidation batches manufactured on the GPCG-200 and Pellet encapsulating equipment | 420,000 |
| Analytical | |
| Cleaning Validation Method Transfer | 18,000 |
| Raw material compendial testing for GMP batches | 38,500 |
| API compendial testing for GMP batches | 3,000 |
| Stability will performed @ $25,000 per sku | To be determined by Alpharma |
| Amount credited to payment for license to KADIAN® patents for generic Avinza | (750,000) |
| Total | 707,500 |
| Notes<br>Any dedicated parts required on manufacturing equipment train shall be supplied by Actavis | |

| |
|---|
| Any laboratory supplies required specific to the Product shall be supplied by Actavis |

## SCHEDULE 8.2

### API Reporting Requirements

Actavis will maintain detailed inventory records for the Morphine Sulfate and Naltrexone supplied by Alpharma. The records will detail the amount of each material on hand at any time and its form e.g. unprocessed, in process, and finished product.

Actavis will supply detailed monthly reports of these materials on hand and its form. Actavis will account for all the material received and will be liable for any losses in processing above the Yield Loss, in accordance with the terms of the Agreement.

Actavis and Alpharma will meet monthly to review the inventory on hand, usage, and to establish the purchase requirements for Morphine Sulfate and Naltrexone to support production of the Product over the next nine months.

Actavis will perform an annual physical inventory at their cost and promptly report the findings to Alpharma. Alpharma will the have the option to monitor the physical inventory of the API, during normal business hours and upon reasonable advance notice.

28910

**FIRST AMENDMENT TO**
**DEVELOPMENT AND MANUFACTURING SERVICES AGREEMENT**

This First Amendment to that certain Development and Manufacturing Services Agreement (this "**Amendment**"), is hereby entered into as of this 21st day of September, 2009, by and between Alpharma Pharmaceuticals LLC, a limited liability company organized and existing under the laws of Delaware, ("**Alpharma**"), and Actavis Elizabeth LLC, a limited liability company organized and existing under the laws of Delaware ("**Actavis**"). Alpharma and Actavis, each a "**Party**", together constitute the "**Parties**".

WHEREAS, Alpharma and Actavis are parties to that certain Development and Manufacturing Services Agreement, dated as of February 1, 2008 (the "**Manufacturing Agreement**");

WHEREAS, Alpharma Inc., the parent of Alpharma, is party to an Agreement and Plan of Merger, dated November 23, 2008, by and between King Pharmaceuticals, Inc., a Tennessee corporation ("**King**"), Albert Acquisition Corp., and Alpharma Inc., pursuant to which King acquired Alpharma Inc. on December 29, 2008;

WHEREAS, Actavis, a wholly-owned subsidiary of Actavis Inc., and King are parties to that certain Asset Purchase Agreement dated as of December 17, 2008 (the "**Asset Purchase Agreement**"), pursuant to which, among other things, Actavis and King agreed to negotiate in good faith to amend the Manufacturing Agreement to address issues impacted by the Asset Purchase Agreement;

WHEREAS, the Parties now wish to make amendments to the Manufacturing Agreement, as set forth herein, to address issues impacted by the Asset Purchase Agreement;

WHEREAS, the Parties entered into negotiations agreeing to rescind the Letter Agreement, dated as of December 19, 2008, by and between Alpharma and Actavis (the "**Letter Agreement**") which dealt with the Minimum 2008 Purchase Amount (as such term is defined in the Manufacturing Agreement) and the Shortfall Differential (as such term is defined in the Letter Agreement), among other things;

WHEREAS, on February 6, 2009, the Parties signed a binding term sheet (the "**Term Sheet**") that (i) rescinded the terms of the Letter Agreement, (ii) set forth newly agreed upon terms regarding an amendment to the Manufacturing Agreement, and (iii) agreed to use commercially reasonable efforts to enter into an amendment to the Manufacturing Agreement by February 13, 2009, which date has been extended by agreement of the Parties, so that the Parties can undertake to amend the Manufacturing Agreement to address issues therein impacted by the Asset Purchase Agreement and the transaction contemplated thereby; and

WHEREAS, the Parties wish to further amend the Manufacturing Agreement to address the handling of additional storage, validation testing and stability testing issues that have arisen in the manufacturing of the Product.

NOW THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties mutually hereby agree as follows:

1. Definitions. Unless otherwise defined herein, all capitalized terms used in this Amendment shall have the meanings ascribed to them in the Manufacturing Agreement.

2. Termination of the Letter Agreement. The Parties hereby terminate the Letter Agreement entered into by and among the Parties on December 19, 2008 and agree to rescind all of the terms, conditions and obligations set forth therein effective February 6, 2009.

3. Amendments to Manufacturing Agreement.

**New Paragraph 2.2.1 shall be inserted as follows:**

"Effective June 1, 2009, for a fee of $10,000 per month, Actavis will store all validation Product until the completion of all necessary testing pending final labeling and FDA approval of the Product unless other arrangements for storage of Product have been made by King ."

**Section 2.3 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"Stability Services.

2.3.1 King will pay Actavis for all required validation stability testing upon initiation of a stability program. The stability testing cost will be $5,000 for each station for CRT and Accelerated (40C/75%RH) conditions. By way of example, if 7 CRT and 4 Accelerated stations are required, the cost will be $55,000 per batch (11 stations x $5000). If intermediate (30C/65%RH) testing is required, in addition to the foregoing, King will pay $5000 per station for any incremental stations above and beyond the Accelerated stations already undertaken.

2.3.2 King will pay Actavis $5,000 per station, at the completion of testing, for each stability test undertaken on Product after Commercial Launch as required by the stability protocol or as requested by King."

2.3.3 King will pay Actavis $5000 per station for any intermediate Product stability testing required to support validation.

**Section 2.4 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

> "Supply of API. Actavis shall be solely responsible for and shall use commercially reasonable efforts in applying to and obtaining from the applicable Regulatory Authorities all required approvals and other regulatory documents necessary to authorize the purchase by Alpharma of API (including, without limitation, the DEA Quota for the Morphine Sulfate API) in sufficient quantities to meet Alpharma's actual purchases of Product manufactured by Actavis in the Facility in accordance with the terms of this Agreement. Alpharma shall cooperate with Actavis with respect to all such applications including providing accurate forecasts of API requirements to meet its stated demand. Alpharma shall have the right to review all filings before submission to the DEA or such other Regulatory Authority and to participate in any discussions with the DEA or such other Regulatory Authority to the extent any such filing or discussion involves the API to be used in connection with the Product, and Actavis shall consider in good faith any comments made by Alpharma with respect to any such filing. It is acknowledged by Alpharma that Actavis currently manufactures other products containing Morphine Sulfate on its own behalf and on behalf of third parties, and that nothing in this Agreement is intended to require Actavis to take action that would impair its ability to obtain an adequate quota of Morphine Sulfate for Actavis' other manufacturing needs. In the event that the DEA Quota for Morphine Sulfate granted to Actavis in any period is less than the DEA Quota that is applied for by Actavis based on the forecasts supplied by both Alpharma for the Product and Actavis' own forecasts on its own behalf and on behalf of third parties, the DEA Quota for such period that is actually obtained by Actavis shall be allocated to the Manufacture of Product in the same proportion as Alpharma's forecast quantity for Morphine Sulfate for such period bears to the aggregate quantity of Morphine Sulfate contained in the original application to the DEA for Morphine Sulfate for such period. For the avoidance of doubt, if the Alpharma forecast for Morphine Sulfate for the Product equals 50% of the overall application to the DEA for Morphine Sulfate, 50% of the DEA Quota that is granted to Actavis shall be allocated to the Manufacture of Product for the period covered by the application. Alpharma agrees to purchase 100% of the Product manufactured with the Morphine Sulfate allocated by Actavis in accordance with the provisions of this Section 2.4, where Actavis obtains less than the DEA Quota applied for. Actavis shall not be liable to Alpharma, for shortfalls in the delivery of the Product based upon its allocation of Morphine Sulfate as contemplated in and in accordance with the terms of this Section 2.4, provided that Actavis has used reasonable commercial efforts to obtain the full DEA Quota for Morphine Sulfate.

**Section 3.1 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"Purchase Period. Subject to the terms and conditions hereof, including Section 3.10, during the period (the "Minimum Purchase Period") starting with the Launch Date and ending on the later of (i) the Second Anniversary of the Launch Date and (ii) the date on which Alpharma has purchased a total of nine hundred thousand (900,000) 100 count bottles of Product (the "Minimum Purchase"), Alpharma shall purchase one hundred percent (100%) of its and its Affiliates' or designees aggregate commercial requirements of Product in accordance with the terms and conditions of this Agreement. Thereafter, Alpharma shall purchase from Actavis, not less than fifty percent (50%) of its and its Affiliates' or designees' aggregate commercial requirements of Product for the balance of the calendar year after which the Minimum Purchase Period has terminated and in each succeeding calendar year during the Term in accordance with the terms and conditions of this Agreement (the "Purchase Requirement")."

**The following new Section 3.1.2 is hereby added to the Manufacturing Agreement:**

"2008 Commitments. As of February 6, 2009, Alpharma has wired Six Million Dollars ($6,000,000 USD) to Actavis as full and complete payment for the following Actavis commitments: (i) 15,000 units of 100 count bottles of Product that Actavis was unable to Manufacture during the 2008 calendar year as requested by Alpharma due to an API shortage; (ii) Batch 042K8V, which is not saleable due to a deviation during the Manufacturing process; and (iii) Batches 043K8V, 657M8V, 658M8V, 679M8V, 421M8V, 041K8V and 356L8, to be processed through the encapsulation step and of which Alpharma shall take title upon Actavis' receipt of the payment set forth above and which, if designated for packaging by Alpharma, shall be delivered to Alpharma in accordance with the terms of the Manufacturing Agreement as hereby amended."

**The following new Section 3.1.3 is hereby added to the Manufacturing Agreement:**

"Packaging Validation Batches. (a) As of July 31, 2009, King has provided notice to Actavis identifying validation Batches of encapsulated Product for destruction. Other than the Product packaged to fulfill the validation stability requirements as set forth below, the following validation Batches of encapsulated Product shall be destroyed: Batches 043K8V, 657M8V, 658M8V, 679M8V, 421M8V, 041K8V and 356L8. Furthermore, other than the Product packaged to fulfill the validation stability requirements as set forth below, and batch 235D9V which King has identified to be Finished (as defined below), the following finished bulk Product batches manufactured to support validation shall also be destroyed: 191A9V, 192A9V, 193A9V, 194A9V, 462B9V, 496B9V, 510B9V, , 511B9V, 512B9V, 513B9V, and 514B9V. No Product shall be destroyed until completion of the

packaging of the validation stability Product occurs as described below. The parties agree that the finished, fully labeled and packaged ("Finished") Product breakdown to support validation stability will be no less than the following:

| Product Information | | | Packing to support validation requirements | | |
|---|---|---|---|---|---|
| SKU | Transfer Price per Bottle | Theor. Batch Size (Bottles) | Minimum Validation Support Batches | Batch Size Pkg'd for Valid. Support (Bottles) | Total Transfer Price |
| **Embeda 20mg** | $27.23 | 7,500 | 3 | 300 | $8,169 |
| **Embeda 30mg** | $42.39 | 7,500 | 1 | 100 | $4,239 |
| **Embeda 50mg** | $49.35 | 3,750 | 1 | 100 | $4,935 |
| **Embeda 60mg** | $56.44 | 4,000 | 1 | 100 | $5,644 |
| **Embeda 80mg** | $70.61 | 2,250 | 1 | 100 | $7,061 |
| **Embeda 100mg** | $71.58 | 4,500 | 5 | 500 | $35,790 |
| **Totals** | | | | **1,200** | **$65,808** |

Alpharma shall pay the Commercial Transfer Price set forth on Exhibit B for all such validation stability Product that is Finished and put on stability and batch 235D9V which is Finished for commercial use, as designated in this Section 3.1.3 pursuant to and in accordance with the terms of the Manufacturing Agreement as hereby amended, including but not limited to Article 5 (Product Conformity to Specifications)."

## The following new Section 3.1.4 is hereby added to the Manufacturing Agreement:

"Finished Product. (a) Alpharma provided notice to Actavis on July 31, 2009 designating which of the remaining Product described in Section 3.1.2(iii) Alpharma desired to advance to Finished 100 count bottle stage or to be destroyed (for clarification, such remaining Product does not include the validation Batches of the Product to be packaged to fulfill the stability validation requirements as set forth in Section 3.1.3(a)). Any such Product designated for destruction shall be destroyed by either Actavis or Alpharma at Alpharma's election and expense.

(b) Furthermore, in regards to the Product designated pursuant to Section 3.1.4(a) by Alpharma to advance to the Finished Product stage, Alpharma shall pay the Commercial Transfer Price set forth on Exhibit B for all Product that is Finished and delivered pursuant to and in accordance with the terms of this Agreement, including but not limited to Article 5 (Product Conformity to Specifications). All Product designated for Finished Product delivery that does not complete the Finished Product stage due to an issue other than conformity to specifications shall be destroyed by either Actavis or Alpharma at Alpharma's election and expense."

**The following new Section 3.1.5 is hereby added to the Manufacturing Agreement:**

"Minimum Purchase Credits. As a result of purchases made pursuant to Sections 3.1.2, 3.1.3 and 3.1.4, a total of 44,500 (forty-four thousand five hundred) 100 count bottles of Product shall be counted towards meeting the Minimum Purchase amount as set forth in Section 3.1."

**Section 3.2.1 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"Initial Scale Up. Alpharma shall provide Actavis with a non-binding forecast for its Initial Batch of Product no less than six (6) months prior to Alpharma's anticipated Launch Date. Three (3) months before the Launch Date Alpharma shall provide Actavis with a binding Purchase Order for Launch quantities. Actavis shall use its commercially reasonable efforts to fill all such Purchase Orders of Product. Actavis shall not be liable to Alpharma for shortfalls in the delivery of the Product based upon its allocation of Morphine Sulfate as contemplated in and in accordance with the terms of Section 2.4, provided that Actavis has used reasonable commercial efforts to obtain the full DEA Quota for Morphine Sulfate."

**The last sentence of Section 3.3 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"With regard to any such annual certification, to the extent that Alpharma has failed to purchase at least fifty percent (50%), plus or minus five percent (+/-5%) of the aggregate commercial need of itself, its Affiliates and its designees of Product from Actavis in such year, Alpharma shall pay Actavis $40 per Unit of Product for each Unit of Product that the actual amount purchased by Alpharma, its Affiliates and its designees in such year is less than the amount otherwise contemplated by this paragraph; provided that the quantity of Product applied against the Purchase Requirement for such year in accordance with Section 3.9 shall be deemed to have been purchased by Alpharma in such year for all purposes of this Section 3.3. For

further clarification, the parties agree that should Actavis be unable to supply Product in a given year requiring such annual certification as a result of an allocation of Morphine Sulfate as contemplated by Section 2.4, Alpharma shall add such Units of Product that it is unable to purchase to Alpharma's next subsequent Quarterly Delivery Forecast and such number of Units of Product shall remain a purchase obligation of Alpharma to be consummated during the subsequent year and therefore Alpharma shall not pay the $40 difference as set forth above for such Units of Product in the year Actavis is unable to supply."

**Section 3.4 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"Supply. Actavis shall not sell, market or otherwise distribute Product to any other person or entity (other than Alpharma and/or its designated agents, purchasers, or Affiliates). Actavis shall supply one hundred percent (100%) of the amounts of Product indicated on each Purchase Order subject to the terms of Sections 3.2 and 3.3, and subject to the allocation of Morphine Sulfate in accordance with the terms of Section 2.4. However, if the Purchase Order is greater than 125% of the most recent Quarterly Delivery Forecast amount, Actavis shall be only obligated to fulfill the Purchase Order up to the 125% amount, subject to the forgoing limitations. If a Purchase Order falls below eighty percent (80%) of the most recent Quarterly Delivery Forecast or exceeds one hundred twenty-five percent (125%) of the most recent forecast (the "Forecast Parameters"), the Parties shall negotiate in good faith how to address such change in volume and whether reasonable accommodations can or should be made. Unless Actavis has rejected a Purchase Order within ten (10) calendar days of its receipt, the entire Purchase Order, including the amount over 125% or under 80%, will become a "Firm Commitment"; provided, however, that Actavis shall have no right to reject a properly submitted Purchase Order if such amount of Product ordered is within the Forecast Parameters."

**The first two sentences in Section 3.7 of the Manufacturing Agreement are hereby amended and restated to read in its entirety as follows:**

"Product shall be shipped F.O.B. the destination (as such term is defined in the Delaware U.C.C.) to Alpharma's premises (or to such other designated locale) as Alpharma may direct in its firm Purchase Order (the "Destination"). Actavis shall be responsible for loading the Product onto the transport trucks."

**Section 9.1.6 of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"Neither Actavis nor any of its employees has ever been: (i) debarred, or (ii) convicted of a crime for which a person can be debarred under Section 306 (a) or (b)

of the Generic Drug Enforcement Act of 1992, as amended from time to time. Actavis will not use in any capacity in connection with its obligations under this Agreement any Affiliate or employee that is so debarred or excluded or who is the subject of a conviction described in the Federal Food Drug and Cosmetic Act (FFDCA) and it shall promptly notify Alpharma if, during the term of this Agreement, Actavis or any Affiliate or employee that has performed services under this Agreement is convicted of any crime that would subject Actavis or Alpharma to such debarment or exclusion. Actavis agrees to promptly notify Alpharma should any Regulatory Authority threaten any action that could result in a breach of this Section 9.1.6."

**The fourth paragraph of Exhibit B of the Manufacturing Agreement is hereby amended and restated to read in its entirety as follows:**

"The Parties further agree that if Alpharma has not purchased two million five hundred thousand (2,500,000) 100 count bottles (the "Capital Quota") by the end of the Capital Period (as defined below), the Capital Payment (as defined below) will be made by Alpharma to Actavis to satisfy the capital recovery; provided that the quantity of Product applied against the Purchase Requirement for any year in accordance with Section 3.9 shall be deemed to have been purchased by Alpharma in such year for purposes of satisfying the Capital Quota. The Capital Payment will be calculated as $7.25 multiplied by the difference between the Capital Quota and the actual number of 100 count bottles purchased (or deemed purchased) during the Capital Period. For purposes of this Exhibit B, "Capital Period" shall mean the period commencing on the Effective Date and ending on the seventh (7th) anniversary of the Launch Date."

4. Other Provisions. Except as set forth in this Amendment, the provisions of the Manufacturing Agreement shall remain unchanged and shall continue in full force and effect. However, in the event of a conflict between the terms of the Manufacturing Agreement and this Amendment, the terms of this Amendment shall prevail.

5. Entire Agreement. This Amendment sets forth the sole and entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior discussions and agreements between the Parties with respect to the subject matter hereof, including the Letter Agreement and the Term Sheet.

6. Governing Law. This Amendment shall be governed by and construed under the laws of the State of Delaware, excluding its conflict of law provisions.

7. Counterpart Execution: Facsimile Signature. This Amendment may be executed in counterparts with the same effect as if both Parties had signed the same document. All counterparts shall be construed together and shall constitute one (1) agreement. A facsimile or pdf. signature to this Amendment shall be effective as an original signature.

(The remainder of this page is left blank intentionally.)

IN WITNESS WHEREOF, the Parties have entered into this Amendment on the date set forth above.

ACTAVIS ELIZABETH LLC

By _____

Title _____

ALPHARMA PHARMACEUTICALS LLC

By _____

Title CFO

28940

**Term Sheet for Proposed Amendment to the Embeda™ Development and Manufacturing Services Agreement between Actavis Elizabeth LLC ("Actavis") and Alpharma Pharmaceuticals LLC ("Alpharma"), a wholly owned subsidiary of King Pharmaceuticals, Inc. ("King") (the "Agreement")**

| | |
|---|---|
| PARTIES | Actavis Elizabeth LLC and Alpharma Pharmaceuticals LLC |
| PRODUCT | Embeda™ |
| PURPOSE | To rescind the terms as set forth in the December 19, 2008 Letter Agreement related to the Minimum 2008 Purchase and the Shortfall Amount and document the newly agreed upon terms in a definitive agreement. |
| MINIMUM 2008 PURCHASE | Zero |
| SHORTFALL AMOUNT | As set forth in the Payment Schedule below. |
| PAYMENT SCHEDULE | (a) As a result of the execution of this Term Sheet Alpharma shall pay Actavis on February 6, 2009 Six Million Dollars ($6,000,000). Payment is in consideration for the 15,000 units of 100 count bottles that the parties were unable to manufacture in 2008 due to a shortage in API, the deviated batch 042K8V, and the following batches of Product that Alpharma will take title to upon receipt of such payment: 043K8V, 657M8V, 658M8V, 679M8V, 421M8V, 041K8V and 356L8. Furthermore, Actavis shall also process batches 043K8V, 657M8V, 658M8V, 679M8V, 421M8V, 041K8V and 356L8 through the encapsulation step.<br><br>(b) In accordance with approved protocols referencing stability requirements, Actavis will appropriately package twenty percent (20%) of such required validation Product designated in Paragraph (a) above to the finished good, fully labeled and packaged bottle stage. Alpharma shall pay the Commercial Transfer Price for all such required validation Product that is finished and delivered pursuant to the terms of the Agreement, including but not limited to Section 5 (Product Conformity to Specifications); provided, however, the Commercial Transfer Price for the aforementioned finished validation Product noted above shall not exceed Five Hundred and Fifty-Eight Thousand Dollars ($558,000). Should any of this Product reach a 14 month short date and not be commercially viable, Actavis shall provide replacement Product at a fifty percent (50%) discount of the Commercial Transfer Price and such short dated Product shall be destroyed and destruction may be by Alpharma or by Actavis (with reimbursement by |

| | |
|---|---|
| | Alpharma) at Alpharma's discretion.<br><br>(c) Within ninety (90) days of execution of the Amendment Alpharma shall provide written notification to Actavis as to which of the remaining aforementioned Product (for clarification this does not include the Product fulfilling the validation requirements as set forth in Paragraph (b)) Alpharma desires to advance to finished good, fully labeled and packaged bottle stage or to have destroyed. Destruction may be by Alpharma or by Actavis (with reimbursement by Alpharma) at Alpharma's discretion.<br><br>(d) In regard to the Product strengths included in the batches set forth above in Paragraph (a) that Alpharma has designated to advance to the finished good stage pursuant to Paragraph (c), Alpharma shall pay the Commercial Transfer Price as detailed on Exhibit B of the Agreement for all finished Product delivered pursuant to the terms of the Agreement, including but not limited to Section 5 (Product Conformity to Specifications). Alpharma shall pay the destruction costs of all Product designated for finished Product delivery that does not complete the finished good stage. |
| STABILITY TESTING | With regard to all stability testing for the Product Actavis shall be entitled to invoice Alpharma $15,000 for each final or intermediate Product placed on stability. |
| CONFIDENTIALITY | The parties shall maintain in confidence the existence and contents of this Term Sheet except where disclosure is required by law or regulation. |
| GOVERNING LAW | The laws of the State of Delaware, USA |
| GENERAL TERMS | This Amendment shall supersede all prior negotiations, discussions, agreements and understandings related to the matters set forth herein. |
| DEFINITIVE AGREEMENT | The Parties will use commercially reasonable efforts to sign an Amendment to the Development and Manufacturing Services Agreement by February 13, 2009. |
| NATURE OF THE TERM SHEET | This term sheet is binding. |

IN WITNESS WHEREOF, the Parties to this Term Sheet have caused it to be duly executed by their authorized representatives as of February 6, 2009.

Acknowledged and Agreed:

**ACTAVIS ELIZABETH LLC**

By: _____

Name: John W. LaRocca

Title: Vice President, Chief Legal Officer

Acknowledged and Agreed:

**ALPHARMA PHARMACEUTICALS, LLC**

By: _____

Name: Brian A. Markison

Title: President and CEO