Demetriou Chris
Form 3
May 11, 2018

FORM 3

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Demetriou Chris

(Last) (First) (Middle)

1735 MARKET STREET,Â 32ND FLOOR

(Street)

PHILADELPHIA,Â PAÂ 19103

(City) (State) (Zip)

2. Date of Event Requiring Statement (Month/Day/Year)
05/04/2018

3. Issuer Name **and** Ticker or Trading Symbol
ABERDEEN GLOBAL PREMIER PROPERTIES FUND [AWP]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer __X__ Other
(give title below) (specify below)
Officer of Sub-Adviser

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			

(I)
(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Demetriou Chris 1735 MARKET STREET 32ND FLOOR PHILADELPHIA,Â PAÂ 19103	Â	Â	Â	Officer of Sub-Adviser

Signatures

Robert Hepp as Attorney-in-Fact for Christopher Demetriou	05/11/2018
**Signature of Reporting Person	Date

Explanation of Responses:

No securities are beneficially owned

* If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. reporting period. In addition, in March and April 2016, the FASB issued new guidance intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. Both amendments permit the use of either a retrospective or cumulative effect transition method and are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early application permitted. We have limited sales history for our branded product that may not allow for reliable estimates of expected returns of the product at the time of shipment to wholesalers. We are assessing other market data and the impact of this new standard on our financial statements and we have not yet selected a transition method.

From time to time, additional new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

ITEM 7A. Qualitative and Quantitative Disclosures About Market Risk

Market risk

We are exposed to market risk related to changes in interest rates as it impacts our interest income. As of December 31, 2016, we had cash and cash equivalents of $24.4 million and short-term

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investments of $15.4 million. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates as our cash equivalents are invested in interest-bearing money market funds. The goals of our investment policy are liquidity and capital preservation to fund our operations. Due to the short-term duration and low risk profile of our cash equivalents portfolio, a 10% change in interest rates would not have a material effect on interest income we recognize or the fair market value of our investments. Accordingly, we would not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

Interest risk

The interest rates on our notes payable are fixed. Therefore, we are not exposed to market risk from changes in interest rates as it relates to these interest-bearing obligations.

JOBS ACT

In April 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was enacted in the United States. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

ITEM 8. Financial Statements and Supplementary Data

The financial statements required to be filed pursuant to this Item 8 are appended to this report. An index of those financial statements is found in Item 15.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting and Attestation Report of the Registered Public Accounting Firm

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's principal executive and principal financial officer and effected by the company's board of preparation of financial statements for external purposes in accordance with GAAP and directors, management and other personnel, to provide reasonable assurance regarding the

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reliability of financial reporting and the includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of our company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our company's assets that could have a material effect on the financial statements.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements prepared for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our principal executive and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2016, based on criteria for effective internal control over financial reporting established in Internal Control Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2016, based on those criteria.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***Other Information***

None.

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PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance***

Except as set forth below, information required by this item will be included under the captions *Elections of Directors, Information Regarding the Board of Directors and Corporate Governance, Executive Compensation and Other Information,* and *Section 16(a) Beneficial Ownership Reporting Compliance* contained in our definitive Proxy Statement to be filed with the Commission within 120 days after the conclusion of our year ended December 31, 2015 (the "Proxy Statement") pursuant to General Instructions G(3) of Form 10-K and is incorporated herein by reference.

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our code of business conduct and ethics is available on our website, which is located at www.neostx.com. We intend to disclose any amendments to the code, or any waivers of its requirements, on our website, or in a current report on Form 8-K as may be required by law or applicable NASDAQ rules.

ITEM 11. ***Executive Compensation***

We maintain an employee compensation program and benefit plans in which our executive officers are participants. Copies of these plans and programs are set forth or incorporated by reference as Exhibits to this report. The information required by this item will be included in our Proxy Statement under the caption *Executive Compensation and Other* and is incorporated herein by reference.

ITEM 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information required by this item will be included under the captions *Security Ownership of Certain Beneficial Owners and Management* and *Executive Compensation* contained in our Proxy Statement and is incorporated herein by reference.

ITEM 13. ***Certain Relationships and Related Party Transactions, and Director Independence***

Information required by this item will be included under the captions *Certain Relationships and Related Transactions* and *Information Regarding the Board of Directors* contained in our Proxy Statement and is incorporated herein by reference.

ITEM 14. ***Principal Accounting Fees and Services***

Information required by this item will be included under the captions *Selection of Independent Registered Public Accounting Firm* contained in our Proxy Statement and is incorporated herein by reference.

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PART IV

ITEM 15. ***Exhibits and Financial Statement Schedules***

(a)

Documents filed as part of this report:

(1)

Financial Statements. The following financial statements of Neos Therapeutics, Inc., together with the report thereon of RSM US LLP, required to be filed pursuant to Part II, Item 8 of this Annual Report on Form 10-K, are included on pages **F-2** through **F-41**, as follows:

(2)

Financial Statement Schedule.

Schedule II Valuation and Qualifying Accounts

(3)

The exhibits required by Items 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits and are incorporated herein.

ITEM 16. ***Form of 10-K Summary***

None.

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Neos Therapeutics, Inc.

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Neos Therapeutics, Inc.

We have audited the accompanying consolidated balance sheets of Neos Therapeutics, Inc. and Subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule of Neos Therapeutics, Inc. and Subsidiaries listed in Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neos Therapeutics, Inc. and Subsidiaries as of December 31, 2016, and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ RSM US LLP

New York, New York
March 15, 2017

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Neos Therapeutics, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	December 31, 2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 24,352	$ 90,763
Short-term investments	15,430	
Accounts receivable, net of allowances for chargebacks and cash discounts of $950 and $1,039, respectively	6,135	3,903
Inventories	5,767	2,520
Deferred contract sales organization fees	720	
Other current assets	2,865	1,058
Total current assets	55,269	98,244
Property and equipment, net	7,076	5,124
Intangible assets, net	15,579	16,672
Other assets	2,218	2,470
Total assets	$ 80,142	$ 122,510
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	$ 7,798	$ 4,824
Accrued expenses	5,264	3,141
Deferred revenue	3,662	
Current portion of long-term debt	4,921	7,973
Total current liabilities	21,645	15,938
Long-Term Liabilities:		
Long-term debt, net of current portion	58,599	26,271
Earnout liability	232	214
Deferred gain on leaseback	40	547
Deferred rent	1,174	1,166
Total long-term liabilities	60,045	28,198
Stockholders' Equity (Deficit):		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, no shares issued or outstanding at December 31, 2016 and December 31, 2015		
Common stock, $0.001 par value, 100,000,000 authorized at December 31, 2016 and December 31, 2015; 16,079,902 and 16,060,996 issued and outstanding, respectively, at December 31, 2016; 16,025,155 and 16,015,958 issued and outstanding, respectively, at December 31, 2015	16	16
Treasury stock, at cost, 18,906 shares at December 31, 2016; 9,197 shares at December 31, 2015	(232)	(171)
Additional paid-in capital	198,787	195,314
Accumulated deficit	(200,118)	(116,785)
Accumulated other comprehensive loss	(1)	
Total stockholders' equity (deficit)	(1,548)	78,374

Explanation of Responses:

Total liabilities and stockholders' equity (deficit)	$ 80,142	$ 122,510

See notes to consolidated financial statements.

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Neos Therapeutics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Year Ended December 31, 2016	2015	2014
Revenues:			
Product	$ 9,154	$ 3,792	$ 316
Manufacturing			113
Profit sharing			169
Development			160
	9,154	3,792	758
Cost of Goods Sold	11,437	5,929	3,391
Gross loss	(2,283)	(2,137)	(2,633)
Research and development	12,207	11,691	10,574
Selling and marketing expenses	49,291	5,672	229
General and administrative expenses	12,625	7,078	5,036
Loss from operations	(76,406)	(26,578)	(18,472)
Interest expense	(6,937)	(3,721)	(2,520)
Loss on debt extinguishment	(1,187)		(445)
Other income, net	1,215	831	837
Change in fair value of earnout and warrant liabilities	(18)	(1,313)	(249)
Net loss	(83,333)	(30,781)	(20,849)
Preferred stock accretion to redemption value		(1,169)	(1,118)
Preferred stock dividends		(1,221)	(2,185)
Net loss attributable to common stock	$ (83,333)	$ (33,171)	$ (24,152)
Weighted average common shares outstanding used to compute net loss per share, basic and diluted	16,052,390	7,581,881	876,318
Net loss per share of common stock, basic and diluted:	$ (5.19)	$ (4.38)	$ (27.56)

See notes to consolidated financial statements.

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Neos Therapeutics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands)	Year Ended December 31, 2016	2015	2014
Net loss	$ (83,333)	$ (30,781)	$ (20,849)
Other comprehensive loss:			
Net unrealized gain on short-term investments	2		
Reclassification of gains included in net loss	(3)		
Total other comprehensive loss	$ (1)	$	$
Comprehensive loss	$ (83,334)	$ (30,781)	$ (20,849)

See notes to consolidated financial statements.

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Neos Therapeutics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(In thousands, except shares)	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)
Balance, December 31, 2013		$	925,451	$ 1	(55,905)	$	$ 4,617	$ (59,462)	$	$ (54,844)
Proceeds from exercise of options and warrants			13,408				4			4
Share-based compensation expense							210			210
Series B Preferred Stock accretion to redemption value								(352)		(352)
Series B-1 Preferred Stock accretion to redemption value								(679)		(679)
Series B-1 accrued dividend								(2,185)		(2,185)
Series C Preferred Stock accretion to redemption value								(87)		(87)
Net loss								(20,849)		(20,849)
Balance, December 31, 2014		$	938,859	$ 1	(55,905)	$	$ 4,831	$ (83,614)	$	$ (78,782)
Proceeds from exercise of options and warrants			325,292				75			75
Share-based compensation expense							1,181			1,181
Cancellation of treasury stock			(55,905)		55,905					
Purchase of treasury stock					(9,197)	(171)				(171)
Series B Preferred Stock accretion to redemption value								(192)		(192)
Series B-1 Preferred Stock accretion to redemption value								(370)		(370)
Series B-1 accrued dividend								(1,221)		(1,221)
Series C Preferred Stock accretion to redemption value								(607)		(607)
Conversion of Redeemable Preferred Stock			9,217,983	9			110,767			110,776
Cashless exercise of Series C warrants issued with Series C financing			78,926				2,842			2,842
Reclassification of Series C warrants issued with senior debt							611			611
Net proceeds from issuance of common stock in IPO			5,520,000	6			75,007			75,013
Net loss								(30,781)		(30,781)
Balance, December 31, 2015		$	16,025,155	$ 16	(9,197)	$ (171)	$ 195,314	$ (116,785)	$	$ 78,374
Proceeds from exercise of options and warrants			54,747				13			13
Share-based compensation expense							3,460			3,460
Purchase of treasury stock					(9,709)	(61)				(61)
Net unrealized loss on investments									(1)	(1)
Net loss								(83,333)		(83,333)
Balance, December 31, 2016		$	16,079,902	$ 16	(18,906)	$ (232)	$ 198,787	$ (200,118)	$ (1)	$ (1,548)

See notes to consolidated financial statements.

Explanation of Responses: 14

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Neos Therapeutics, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
(In thousands)	**2016**	**2015**	**2014**
Cash Flows From Operating Activities:			
Net loss	$ (83,333)	$ (30,781)	$ (20,849)
Adjustments to reconcile net loss to net cash used in operating activities:			
Share-based compensation expense	3,460	1,181	210
Depreciation and amortization of property and equipment	1,598	1,724	1,645
Amortization of intangible assets	1,593	1,495	1,037
Changes in fair value of warrant and earnout liabilities	18	1,313	249
Amortization of patents	69	23	31
Amortization of senior debt fees	406	576	182
Amortization of short-term investment purchase discounts	(156)		
Deferred interest on debt	4,738	548	511
Loss on debt extinguishment	942		445
Gain on sale of equipment	(922)	(831)	(824)
Change in deferred rent	8	(23)	41
Realized gain on sale of short-term investments	(3)		
Provision for bad debts			(264)
Changes in operating assets and liabilities:			
Accounts receivable	(2,232)	(3,536)	417
Inventories	(3,247)	(489)	(1,612)
Deferred contract sales organization fees	(720)		
Other current assets	(1,807)	(794)	(167)
Other assets	183	(266)	(231)
Accounts payable	2,974	3,567	284
Accrued expenses	2,123	426	1,505
Deferred revenue	3,662		
Net cash used in operating activities	(70,646)	(25,867)	(17,390)
Cash Flows From Investing Activities:			
Purchases of short-term investments	(66,088)		
Sales and maturities of short-term investments	50,816	3,000	4,497
Capital expenditures	(3,550)	(1,023)	(339)
Intangible asset acquisition	(500)		(6,283)
Net cash provided by (used in) investing activities	(19,322)	1,977	(2,125)
Cash Flows From Financing Activities:			
Proceeds from Deerfield debt note, net of fees	58,419		
Proceeds from senior debt note		10,000	15,000
Prepayment of senior debt and fee	(26,063)		
Proceeds from sale of equipment	415		795
Net proceeds from issuance of stock	13	18,122	17,350
Net proceeds from initial public offering, net of underwriting discounts, commissions and offering costs		75,013	
Payments made on borrowings	(9,166)	(1,654)	(11,671)
Payments made to purchase treasury stock	(61)	(171)	
Deferred financing costs			(563)
Net cash provided by financing activities	23,557	101,310	20,911
Increase (decrease) in cash and cash equivalents	(66,411)	77,420	1,396
Cash and Cash Equivalents:			
Beginning	90,763	13,343	11,947
Ending	$ 24,352	$ 90,763	$ 13,343

Explanation of Responses:

Noncash Investing and Financing Activities:			
Earnout liability incurred in connection with intangible asset acquisition	$	$	$ 589
Issuance of stock warrants	$	$ 2,131	$ 1,707
Exercise of Series C warrants for Series C Preferred Stock	$	$ 2,322	$
Cashless exercise of Series C warrants from Series C financing in IPO closing	$	$ 2,842	$
Conversion of Redeemable Preferred Stocks into Common Stock	$	$ 110,776	$
Reclassification of Series C warrants issued with senior debt upon IPO closing	$	$ 611	$
Preferred stock accretion	$	$ 1,169	$ 1,118
Preferred stock dividend	$	$ 1,221	$ 2,185
Supplemental Cash Flow Information:			
Interest paid	$ 2,857	$ 2,524	$ 1,793

See notes to consolidated financial statements.

Explanation of Responses:

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and nature of operations

Neos Therapeutics, Inc., a Delaware corporation, and its subsidiaries (the "Company") is a fully integrated pharmaceutical company. The Company has developed a broad, proprietary modified-release drug delivery technology that enables the manufacture of single and multiple ingredient extended-release pharmaceuticals in patient- and caregiver-friendly orally disintegrating tablet and liquid suspension dosage forms. The Company has a pipeline of extended-release pharmaceuticals including one approved product and two proprietary product candidates in late stage development for the treatment of attention deficit hyperactivity disorder ("ADHD"). Adzenys XR-ODT was approved by the US Food and Drug Administration, or FDA, on January 27, 2016. In addition, the Company manufactures and markets a generic Tussionex (hydrocodone and chlorpheniramine) ("generic Tussionex") extended-release liquid suspension for the treatment of cough and upper respiratory symptoms of a cold. These products are developed and manufactured using the Company's proprietary and patented modified-release drug delivery technology. The Company's predecessor company was incorporated in Texas on November 30, 1994 as PharmaFab, Inc. and subsequently changed its name to Neostx, Inc. On June 15, 2009, the Company completed a reorganization pursuant to which substantially all of the capital stock of Neostx, Inc. was acquired by a newly formed Delaware corporation, named Neos Therapeutics, Inc. The remaining capital stock of Neostx, Inc. was acquired by the Company on June 29, 2015. Historically, the Company was primarily engaged in the development and contract manufacturing of unapproved or Drug Efficacy Study Indication ("DESI"), pharmaceuticals and, to a lesser extent, nutraceuticals for third parties. The unapproved or DESI pharmaceuticals contract business was discontinued in 2007 and the manufacturing of nutraceuticals for third parties was discontinued in March 2013.

On August 28, 2014, the Company completed an acquisition of all of the rights to the Tussionex Abbreviated New Drug Application ("Tussionex ANDA"), which included the rights to produce, develop, market and sell, as well as all the profits from such selling activities, the Company's generic Tussionex, which the Company previously owned the rights to manufacture, but which was marketed and sold by the generic drug division of Cornerstone Biopharma, Inc. ("Cornerstone"). These rights were acquired from the collaboration of the Company, Cornerstone and Coating Place, Inc. ("CPI"), a supplier of the resins for the product (see Note 9). Prior to the acquisition, the Company, Cornerstone and CPI shared profits generated by the sale and manufacture of the product under a development and manufacturing agreement with those companies.

On July 28, 2015, the Company closed its initial public offering ("IPO") whereby the Company sold 5,520,000 shares of common stock, at a public offering price of $15.00 per share, which includes 720,000 shares of common stock resulting from the underwriters' exercise of their over-allotment option at the IPO price on July 23, 2015. Proceeds from the Company's IPO, net of underwriting discounts and commissions and other offering costs, were $75.0 million.

In connection with the IPO, the Company's Board of Directors approved a 1-for-2.4 reverse stock split of the Company's common stock which also resulted in a proportional adjustment to the conversion ratios of the preferred stock and the preferred stock warrants. All references to common stock and per share amounts in these condensed financial statements and accompanying footnotes have been retroactively adjusted for all periods presented to give effect to this reverse stock split.

Between June 30, 2015 and July 27, 2015, the Company issued a total of 1,000,000 shares of its Series C redeemable convertible preferred stock ("Series C") to several existing investors upon the exercise of warrants to purchase Series C preferred stock ("Series C warrants") held by those investors at an exercise price of $5.00 per share, for an aggregate exercise price of $5.0 million. On the IPO

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1. Organization and nature of operations (Continued)

closing date, all outstanding shares of redeemable preferred stock converted into 9,217,983 shares of common stock and all remaining outstanding Series C warrants issued in conjunction with purchases of Series C were net exercised at the IPO price for 78,926 shares of common stock. Upon the closing of the Company's IPO, all of the shares of the Company's redeemable convertible preferred stock ("Preferred Shares") were retired and cancelled and shall not be reissued as shares of such series, and all rights and preferences of those Preferred Shares were cancelled including the right to receive undeclared accumulated dividends. These transactions produced a significant increase in the number of shares outstanding which will impact the year-over-year comparability of the Company's loss per share calculations. Additionally, in connection with the closing of the IPO, the Company amended and restated its certificate of incorporation to increase the number of authorized shares of common stock to 100,000,000 and to authorize 5,000,000 shares of undesignated preferred stock.

Note 2. Summary of significant accounting policies

Basis of Presentation: The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or GAAP, and with the rules and regulations of the Securities and Exchange Commission, or SEC.

Principles of consolidation: At each of December 31, 2016 and 2015, the consolidated financial statements include the accounts of the Company and its four wholly-owned subsidiaries. At December 31, 2014, Neos Therapeutics, Inc. owned, directly or indirectly, 100% of two of its subsidiaries and 99.9% of the third subsidiary, Neostx, Inc. ("NTX"). The remaining 0.1% ownership of NTX was held by a third party and all such remaining capital stock was acquired by the Company on June 29, 2015, and NTX was merged with and into the Company. The amounts attributable to the noncontrolling interest were not material to the consolidated financial statements. On September 16, 2015, the Company established two new wholly-owned subsidiaries, Neos Therapeutics Brands, LLC and Neos Therapeutics Commercial, LLC. All significant intercompany transactions have been eliminated.

Cash equivalents: The Company invests its available cash balances in bank deposits and money market funds. The Company considers highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. The Company maintains deposits in federally insured financial institutions in excess of federally insured limits. Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. The Company's primary objectives for investment of available cash are the preservation of capital and the maintenance of liquidity.

Short-term investments: Short-term investments consist of debt securities that have original maturities greater than three months but less than or equal to one year and are classified as available-for-sale securities. Such securities are carried at estimated fair value, with any unrealized holding gains or losses reported, net of any tax effects reported, as accumulated other comprehensive loss, which is a separate component of stockholders' equity. Realized gains and losses, and declines in value judged to be other-than-temporary, if any, are included in other income (expense) in the consolidated results of operations. A decline in the market value of any available-for-sale security below cost that is deemed to be other-than-temporary results in a reduction in fair value charged to earnings in that period, and a new cost basis for the security is established. Dividend and interest income are recognized in other income when earned. The cost of securities sold is calculated using the specific

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

identification method. The Company places all investments with government agencies, or corporate institutions whose debt is rated as investment grade. The Company classifies all available-for-sale marketable securities with maturities greater than one year from the balance sheet date, if any, as non-current assets.

Allowance for doubtful accounts: The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management determines the adequacy of the allowance based on reviews of individual accounts, historical losses, existing economic conditions and estimates based on management's judgments in specific matters. Accounts are written off as they are deemed uncollectible based on periodic review of the accounts. There is no allowance for doubtful accounts at December 31, 2016 or December 31, 2015, as management believes that all receivables are fully collectible.

Fair value of financial instruments: The carrying value of the Company's financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, other current assets, accounts payable, accrued expenses, and debt, approximates fair value due to the short-term nature of the instruments and/or the current interest rates payable in relation to current market conditions. The fair value of the Company's warrants and earnout liabilities is disclosed in Note 4.

Inventories: Inventories are stated at the lower of cost (first in, first out) or market and have been reduced by an allowance for excess and obsolete inventories. Cost elements include material, labor and manufacturing overhead. Inventories consist of raw materials, work in process, finished goods and deferred cost of goods sold. The cost of sales associated with the deferred product revenues are recorded as deferred costs of goods sold that are released from inventory into cost of goods sold as the deferred revenue is recognized into revenue.

Until objective and persuasive evidence exists that regulatory approval has been received and future economic benefit is probable, pre-launch inventories are expensed into research and development. Manufacturing costs for the production of Adzenys XR-ODT incurred after the January 27, 2016 FDA approval date are being capitalized into inventory.

Deferred contract sales organization fees: The Company records fees billed in accordance with its commercial sales organization contract for services not yet performed as deferred contract sales organization fees. Such fees are recorded as selling and marketing expenses when the services are provided.

Property and equipment: Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized using the straight-line method over the shorter of the respective lease term or the estimated useful lives of the assets.

Intangible assets: Intangible assets subject to amortization, which principally include proprietary modified-release drug delivery technology and the costs to acquire the rights to Tussionex ANDA, are recorded at cost and amortized over the estimated lives of the assets which primarily range from 10 to 20 years.

Impairment of long-lived assets: Long-lived assets such as property and equipment and intangibles subject to amortization are evaluated for impairment whenever events or changes in circumstances

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

indicate that the carrying value of an asset group may not be recoverable. Such assets are also evaluated for impairment in light of the Company's continuing losses. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. No impairment charges were recorded for the years ended December 31, 2016, 2015 or 2014.

Patent costs: The Company estimates that the patents it has filed have a future beneficial value. Therefore, costs associated with filing for its patents are capitalized. Once the patent is approved and commercial revenue realized, the costs associated with the patent are amortized over the useful life of the patent. If the patent is not approved, the costs will be expensed.

Revenue recognition: Revenue is generated from product sales, recorded on a net sales basis, and historically, manufacturing, development and profit sharing from a development and manufacturing agreement. Product revenue is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) price to the buyer is fixed and determinable; and (4) collectability is reasonably assured. Revenue from sales transactions where the buyer has the right to return the product is recognized at the time of sale only if (1) the price to the buyer is substantially fixed or determinable at the date of sale, (2) the buyer has paid for the product, or the buyer is obligated to pay for the product and the obligation is not contingent on resale of the product, (3) the buyer's obligation to pay would not be changed in the event of theft or physical destruction or damage of the product, (4) the buyer acquiring the product for resale has economic substance apart from that provided by the Company, (5) the Company does not have significant obligations for future performance to directly bring about resale of the product by the buyer, and (6) the amount of future returns can be reasonably estimated.

The Company sells its generic Tussionex to a limited number of pharmaceutical wholesalers. Pharmaceutical wholesalers buy drug products directly from manufacturers. Title to the product passes upon delivery to the wholesalers, when the risks and rewards of ownership are assumed by the wholesaler (freight on board destination). These wholesalers then resell the product to retail customers such as food, drug and mass merchandisers.

The Company has a limited sales history for Adzenys XR-ODT and has determined that at this time it cannot reliably estimate expected returns of the product at the time of shipment to wholesalers. Accordingly, the Company defers recognition of revenue on product shipments of Adzenys XR-ODT until the right of return no longer exists, which occurs at the earlier of the time Adzenys XR-ODT units are dispensed through patient prescriptions or expiration of the right of return. The Company calculates patient prescriptions of Adzenys XR-ODT dispensed using an analysis of third-party information.

The Company's manufacturing, profit sharing and development revenue ended in 2014 as the Company has terminated the Company's development and manufacturing agreement. As a result of the Company's acquisition of the rights to commercialize and derive future profits from the Tussionex ANDA, the Company will utilize its manufacturing capability to derive revenue directly from sales made by the Company, rather than through the Company's commercial partner.

Net product sales

Net product sales for the Company's products represent total gross product sales less gross to net sales adjustments. Gross to net sales adjustments include savings offers, prompt payment discounts,

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

wholesaler fees and estimated allowances for product returns, rebates and chargebacks to be incurred on the selling price of the respective product sales. Wholesale distribution fees based on definitive contractual agreements are incurred on the management of these products by wholesalers and are recorded within net sales for generic Tussionex and as deferred wholesale distribution fees in other current assets for Adzenys XR-ODT. The deferred wholesale distribution fees for Adzenys XR-ODT are later recorded within net product sales when revenue associated with those fees is recognized. The Company estimates and records gross to net sales adjustments for product returns, rebates and chargebacks based upon analysis of third-party information, including information obtained from the Company's third party logistics providers ("3PLs"), with respect to its inventory levels and sell-through to the wholesalers' customers, for savings offers from data available from third parties regarding savings offers processed for prescriptions written for the Company's products, and, for generic Tussionex, experience reported by the Company's previous commercialization partners. Due to estimates and assumptions inherent in determining the amount of returns, rebates and chargebacks, the actual amount of returns and claims for rebates and chargebacks may be different from the estimates, at which time reserves would be adjusted accordingly. Wholesale distribution fees and the allowance for prompt pay discounts are recorded at the time of shipment and such fees and allowances and all other accruals are recorded in the same period that the related revenue is recognized.

Savings offers

The Company offers savings programs for Adzenys XR-ODT to patients covered under commercial payor plans in which the cost of a prescription to such patients is discounted. The Company records the amount redeemed based on information from third-party providers and recognizes the discount as a reduction of revenue in the same period the related revenue is recognized.

Product returns

Wholesalers' contractual return rights are limited to defective product, product that was shipped in error, product ordered by customer in error, product returned due to overstock, product returned due to dating or product returned due to recall or other changes in regulatory guidelines. The return policy for expired product allows the wholesaler to return such product starting six months prior to expiry date to twelve months post expiry date.

Generic Tussionex product returns are estimated based upon data available from sales of the Company's product by its previous commercialization partner and from actual experience as reported by retailers. Historical trend of returns will be continually monitored and may result in future adjustments to such estimates. On August 26, 2014, the U.S. Drug Enforcement Agency reclassified the Company's generic Tussionex from a Schedule III controlled substance to a Schedule II controlled substance which had the effect of requiring unsold product at the wholesalers and the 3PL to either be relabeled or returned. This new ruling was effective October 6, 2014. As such, the Company established reserves for the estimated returns of such product outstanding at the wholesalers as of October 6, 2014. The Company had no inventory labeled as Schedule III at the 3PL as of the effective date.

Rebates

The Company's products are subject to commercial managed care and government-managed Medicare and Medicaid programs whereby discounts and rebates are provided to participating state governments. Estimated rebates payable under such programs are recorded as a reduction of revenue

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

at the time revenues are recorded. Calculations related to these rebate accruals are estimated based on information from third-party providers. Historical trend of such rebates will be continually monitored and may result in future adjustments to such estimates.

Wholesaler Chargebacks

The Company's products are subject to certain programs with wholesalers whereby pricing on products is discounted below wholesaler list price to participating entities. These entities purchase products through wholesalers at the discounted price, and the wholesalers charge the difference between their acquisition cost and the discounted price back to the Company. Chargebacks are accounted for by establishing an accrual in an amount equal to the Company's estimate of chargeback claims at the time of product sale based on information provided by third parties. Due to estimates and assumptions inherent in determining the amount of chargebacks, the actual amount of claims for chargebacks may be different from estimates, which may result in adjustments to such reserves.

Manufacturing

Manufacturing revenue is derived from product manufactured by the Company and sold by the Company's commercial partner under a development and manufacturing agreement. Manufacturing revenue is derived from a contractual supply price paid to the Company by the Company's commercial partners.

Profit sharing

Profit sharing revenue is recorded as the product is sold by the Company's commercial partner. The profit share is the Company's share of the net profits after taking into account net revenue, which is gross product sales by the Company's commercial partner, net of discounts, returns and allowances incurred by the Company's commercial partner, less collaboration expenses.

Development revenue

Development revenue from the development and manufacturing agreement has been recognized as the related services are completed. Development revenue in the form of milestone payments is recognized upon achievement of the related milestones and provided that collectability is reasonably assured and other revenue recognition criteria are met. Amounts received under cost reimbursement arrangements for production and research and development are recorded as offsets to the costs incurred and not recognized as revenue.

Distribution expenses: Costs invoiced to the Company by its third party logistics firm are classified as cost of goods sold in the consolidated statements of operations.

Shipping and handling costs: Amounts billed to customers for shipping and handling fees for the delivery of goods are classified as cost of goods sold in the consolidated statements of operations.

Advertising costs: Advertising costs are comprised of print and electronic media placements that are expensed as incurred. The Company recognized advertising costs of $7.4 million during the year ended December 31, 2016. There were no advertising costs incurred during the years ended December 31, 2015 and 2014.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

Research and development costs: Research and development costs are charged to operations when incurred, include salaries and benefits, facilities costs, overhead costs, raw materials, laboratory and clinical supplies, clinical trial costs, contract services, fees paid to regulatory authorities for review and approval of the Company's product candidates and other related costs, and are included in research and development in the consolidated statements of operations. During the third quarter of 2016, the Company reclassified its approved product and facility regulatory fees out of research and development expense and into cost of sales commensurate with the commercial launch of Adzenys XR-ODT. The Company has reclassified all such applicable regulatory fees for prior quarters and prior years out of research and development expense and into cost of goods sold in accordance with this approach.

Income taxes: Income taxes are accounted for using the liability method, under which deferred taxes are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax laws that will be in effect when the differences are expected to reverse.

Management evaluates the Company's tax positions in accordance with guidance on accounting for uncertainty in income taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not that the position will be sustained upon examination. As of December 31, 2016 and 2015, the Company has unrecognized tax benefits associated with uncertain tax positions in the consolidated financial statements. These uncertain tax positions were netted against net operating losses (NOL's) with no separate reserve for uncertain tax positions required.

Deferred tax assets should be reduced by a valuation allowance if current evidence indicates that it is considered more likely than not that these benefits will not be realized. In evaluating the objective evidence that historical results provide, we consider that three years of cumulative operating losses was significant negative evidence outweighing projections for future taxable income. Therefore, management has determined that it is more likely than not that the deferred tax assets will not be realized. Accordingly, the Company has recorded a valuation allowance to reduce deferred tax assets to zero.

Paragraph IV Litigation Costs: Legal costs incurred by the Company in the enforcement of the Company's intellectual property rights are charged to expense as incurred.

Warrants: The Company accounts for its warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as derivative liabilities are recorded on the Company's balance sheet at their fair value on the date of issuance and prior to completion of the Company's IPO were revalued at each subsequent balance sheet date, with fair value changes recognized as increases or reductions to other income (expense) in the statements of operations. The Company estimates the fair value of its derivative liabilities using third party valuation analysis that utilizes option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for expected volatility, expected life, yield, and risk-free interest rate. Prior to the closing of the IPO, the Company's Series C warrants were determined to be derivative liabilities and they were revalued at each subsequent balance sheet date. Upon closing the IPO, the warrants issued in conjunction with the Series C financing were exchanged in a cashless exercise for 947,185 shares of Series C which converted into 78,926 shares of the Company's common stock. The remaining Series C warrants issued with the senior debt to purchase 170,000 pre-split shares of Series C ("Hercules Warrants") were converted into warrants to purchase 70,833 shares of the Company's

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

common stock and the warrant liability was reclassified to Additional Paid in Capital within Stockholders' Equity (Deficit).

Share-based compensation: Share-based compensation awards, including grants of employee stock options and restricted stock and modifications to existing stock options, are recognized in the consolidated statement of operations based on their fair values. Compensation expense related to awards to employees is recognized on a straight-line basis, based on the grant date fair value, over the requisite service period of the award, which is generally the vesting term. The fair value of the Company's stock-based awards to employees and directors is estimated using the Black-Scholes option pricing model, which requires the input of subjective assumptions, including (1) the expected stock price volatility, (2) the expected term of the award, (3) the risk-free interest rate and (4) expected dividends. Due to the previous lack of a public market for the trading of its common stock and a lack of company-specific historical and implied volatility data, the Company has, prior to the IPO, historically utilized third party valuation analyses to determine the fair value. After the closing of the Company's IPO, the Company's board of directors has determined the fair value of each share of underlying common stock based on the closing price of the Company's common stock as reported by the NASDAQ Global Market on the date of grant. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Ultimately, the actual expense recognized over the vesting period will only be for those options that vest. Beginning in July 2016, the Company began recording stock compensation expense in the same income statement line as the cash compensation of the employee with the option in accordance with Staff Accounting Bulletin Topic 14 due to the increased number and amount of options and option compensation. The Company has reclassified all prior periods' amounts out of general and administrative expense to the appropriate income statement line in accordance with this approach.

Use of estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Concentration of credit risk: Accounts receivable subjects the Company to concentrations of credit risk. Thirteen customers accounted for all the revenue and deferred revenue in the year ended December 31, 2016 and accounts receivable at December 31, 2016 were due from eleven customers. Two customers accounted for 82% of the net revenue for the year ended December 31, 2016, and three customers accounted for 98% of the accounts receivable at December 31, 2016. Four and two customers accounted for substantially all revenue in the years ended December 31, 2015 and 2014, respectively. Accounts receivable at December 31, 2015 were due from three customers.

Segment information: Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment, which is the development, manufacturing and commercialization of pharmaceuticals.

Liquidity: During 2016, 2015 and 2014, the Company produced operating losses and used cash to fund operations. Management intends to achieve profitability through revenue growth from pharmaceutical products developed with its extended-release technologies. The Company does not anticipate it will be profitable until after the successful commercialization of its approved product, Adzenys XR-ODT, or one or more of its ADHD product candidates. Management believes that its existing cash and cash equivalents and short-term investments, taken together with the net proceeds which the Company received from its public offering of common stock completed in February 2017, will be sufficient to fund the Company's operations for at least the next 12 months after the filing of this Annual Report on Form 10-K.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

Application of revised accounting standards: In April 2012, the Jumpstart Our Business Startups Act (the "JOBS Act"), was enacted in the United States. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. In 2015, the Company irrevocably elected not to avail itself of this extended transition period and, as a result, will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

Recent accounting pronouncements:

In August 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU was designed to reduce the diversity in practice of how the eight specified items are presented and classified in the statement of cash flows, including debt prepayment or debt extinguishment costs. The amendments are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company believes the amendments will not have a significant effect on its ongoing financial reporting as the Company has classified its debt prepayment and debt extinguishment costs, in the Consolidated Statements of Cash Flows in accordance with the amendments.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation Stock Compensation Improvements to Employee Share-Based Payment Accounting (Topic 718)*. For public companies, areas of accounting for share-based payment that this ASU was designed to simplify include: the income tax consequences, the accounting policy for forfeitures, the classification of awards as either equity or liabilities and the classification on the statement of cash flows. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2016, including interim periods within those years. The adoption of this standard is not expected to have a material impact on the Company's business, financial position, results of operations or liquidity.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and 2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those years. The new standard must be adopted using a modified retrospective transition and requires application of the new guidance at the beginning of the earliest comparative period presented. The Company is evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory Simplifying the Measurement of Inventory (Topic 330).* The amendments in this ASU require an entity to measure inventory that is not measured using the last-in, first-out (LIFO) or retail inventory methods at the lower of cost and net

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2. Summary of significant accounting policies (Continued)

realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, including interim periods within those years. The Company does not believe that this ASU will have a significant effect on its ongoing financial reporting as valuing inventory at the lower of cost or net realizable value approximates the current policy of valuing inventory at the lower of cost or market.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. This ASU is for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The Company has performed the review required by this ASU and believes the Company presently has sufficient liquidity to continue to operate for the next twelve months from its filing date.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance replaces transaction-and industry-specific revenue recognition guidance under current U.S. GAAP with a principles-based approach for determining revenue recognition. The new guidance requires an entity to recognize the amount of revenue based on the value of transferred goods or services to customers. There are also additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The FASB delayed the effective date to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In addition, in March and April 2016, the FASB issued new guidance intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. Both amendments permit the use of either a retrospective or cumulative effect transition method and are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early application permitted. The Company has limited sales history for its branded product that may not allow for reliable estimates of expected returns of the product at the time of shipment to wholesalers. The Company is assessing other market data and the impact of this new standard on its financial statements and has not yet selected a transition method.

From time to time, additional new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company as of the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption.

Reclassifications: Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the current period's presentation.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3. Net loss per share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per share is computed by dividing the net loss by the weighted average number of common shares and common share equivalents outstanding for the period. Common stock equivalents are only included when their effect is dilutive. Potentially dilutive securities, which include redeemable convertible preferred stock, warrants, and outstanding stock options under the stock option plan, have been excluded from the computation of diluted net loss per share as they would be anti-dilutive. For all periods presented, there is no difference in the number of shares used to compute basic and diluted shares outstanding due to the Company's net loss position.

The following potentially dilutive securities were excluded from consideration in the computation of diluted net loss per share of common stock for the periods presented because including them would have been anti-dilutive:

	December 31,		
	2016	**2015**	**2014**
Series A Redeemable Convertible Preferred Stock (as converted)			487,494
Series B Redeemable Convertible Preferred Stock (as converted)			1,297,100
Series B-1 Redeemable Convertible Preferred Stock (as converted)			2,275,733
Series C Redeemable Convertible Preferred Stock (as converted)			3,647,274
Series C Redeemable Convertible Preferred Stock Warrants (as converted)	70,833	70,833	383,316
Common Stock Warrants		50,158	337,133
Stock options	2,107,344	1,352,283	511,775

Note 4. Fair value of financial instruments

Financial instruments are categorized into a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the categorization of the financial instrument is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair value of financial instruments (Continued)

Financial assets recorded at fair value on the Company's consolidated balance sheets are categorized as follows:

Level 1: Unadjusted quoted prices for identical assets in an active market.

Level 2: Quoted prices in markets that are not active or inputs that are observable either directly or indirectly for substantially the full-term of the asset. Level 2 inputs include the following:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in nonactive markets.
- Inputs other than quoted market prices that are observable.
- Inputs that are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset.

The following table presents the hierarchy for the Company's financial instruments measured at fair value on a recurring basis for the indicated dates:

	Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents	$ 17,917	$ 6,435	$	$ 24,352
Short-term investments		15,430		15,430
Earnout liability			232	232
	$ 17,917	$ 21,865	$ 232	$ 40,014

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Cash and cash equivalents	$ 90,763	$	$	$ 90,763
Earnout liability			214	214
	$ 90,763	$	$ 214	$ 90,977

The Company's Level 1 assets include cash and cash equivalents. Cash and cash equivalents include bank deposits, certificates of deposit and money market funds with a maturity of 90 days or less whose values are considered to approximate fair value at December 31, 2016 and 2015 due to the short-term nature of the instruments and/or the current interest rates payable in relation to current market conditions.

Beginning in February 2016, the Company's Level 2 assets include commercial paper and corporate bonds with maturities of less than 90 days less whose values are considered to approximate fair value at December 31, 2016 and 2015 due to the short-term nature of the instruments and/or the current

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair value of financial instruments (Continued)

interest rates payable in relation to current market conditions. Also included in the Company's Level 2 assets are short-term investments which are classified as available-for-sale securities and have a maturity greater than 90 days, but less than 1 year, with quoted prices in active markets. Level 2 securities primarily consisted of commercial paper and bonds issued by domestic and foreign corporations. The estimated fair values of these securities are determined by third parties using various calculations and valuation techniques that incorporate standard observable inputs and assumptions such as quoted prices for similar assets, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids/offers and other pertinent reference data.

The Company's cash and cash equivalents and short-term investments had quoted prices at December 31, 2016 as shown below:

	December 31, 2016		
	Amortized Cost	Unrealized Loss	Market Value
	(in thousands)		
Bank deposits and money market funds	$ 17,917	$	$ 17,917
Financial and corporate debt securities	21,866	(1)	21,865
	$ 39,783	$ (1)	$ 39,782

Level 3 liabilities include the fair values of the earnout liability.

Various methodologies were utilized to value the Level 3 liabilities including Black-Scholes-Merton, Probability-Weighted Expected Return ("PWERM"), Option Pricing and Monte Carlo. The methodologies and significant inputs used in the determination of the fair value of the earnout liability were as follows:

	Initial Valuation Earnout Liability	December 31, 2014 Earnout Liability	December 31, 2015 Earnout Liability	December 31, 2016 Earnout Liability
	(Dollars in thousands)			
Date of Valuation	**8/28/2014**	**12/31/2014**	**12/31/2015**	**12/31/2016**
Valuation Method	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo
Volatility (annual)	50%	50%	50%	50%
Risk-free rate (annual)	.03% - 3.56%	.15% - 3.21%	.56% - 3.31%	.74% - 3.42%
Time period from valuation until end of earnout	.1708 - 9.8417	.5 - 9.5	.5 - 9.5	.5 - 9.5
Earnout Target 1	$13,700	$13,700	$13,700	$13,700
Earnout Target 2	$18,200	$18,200	$18,200	$18,200
Discount rate	8.03% - 10.51%	7.96% - 11.03%	8.11% - 10.86%	12.02% - 14.70%
Fair value of liability at valuation date	$589	$756	$214	$232

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair value of financial instruments (Continued)

The methodologies and significant inputs used in the determination of the fair value of the Hercules Warrants through July 22. 2015 were as follows:

	Series C Warrants Issued With March 28, 2014 Senior Debt	Series C Warrants Issued With September 25, 2014 Senior Debt	Revalue Series C Warrants Issued with Senior Debt at December 31, 2014	Revalue Series C Warrants Issued with Senior Debt at July 22, 2015
	(Dollars in thousands, except $5 and $12 Exercise Prices)			
Date of Valuation	3/28/2014	9/25/2014	**12/31/2014**	**7/22/2015**
Valuation Method	Black-Scholes-Merton	PWERM and Black-Scholes-Merton	PWERM and Option Pricing	Black-Scholes-Merton Option-Pricing
Dividend yield (per share)	0	0	0	0
Exercise price	$5	$5	$5	$12
Volatility (annual)	60%	60%	60%	60%
Risk-free rate (annual)	0.34%	2.03%	.25% - 2.47%	1.78%
Contractual term (years)	1.76	5.76	1 - 5	5
Number of warrants	60,000	110,000	170,000	70,833
Fair value of liability at valuation date	$124	$248	$454	$611

As the Hercules Warrants converted into warrants for common stock effective on July 22, 2015 with the IPO, with a term of five years from the IPO date, it was determined that the Black-Scholes-Merton Option-Pricing model would provide a better indication of the fair value as it was designed to calculate the value of a put or call option over time.

The methodologies and significant inputs used in the determination of the fair value of the Series C warrants issued with the Series C through July 22, 2015 were as follows:

	Initial Valuation of December 31, 2014 Warrants Issued With Series C Redeemable Preferred Stock	Initial Valuation of January 2015 Warrants Issued With Series C Redeemable Preferred Stock	Initial Valuation of February 2015 Warrants Issued With Series C Redeemable Preferred Stock	Revalue All Warrants Issued With Series C Redeemable Preferred Stock at July 22, 2015
	(Dollars in thousands, except $5 and $12 Exercise Prices)			
Date of Valuation	**12/31/2014**	**1/31/2015**	**2/28/2015**	**7/22/2015**
Valuation Method	PWERM and Option Pricing	PWERM and Option Pricing	PWERM and Option Pricing	Intrinsic Value
Dividend yield (per share)	0	0	0	0
Exercise price	$5	$5	$5	$12
Volatility (annual)	60%	60%	60%	
Risk-free rate (annual)	.25% - 2.47%	.25% - 2.47%	.25% - 2.47%	
Contractual term (years)	1 - 5	1 - 5	1 - 5	
Number of warrants	749,967	590,906	606,312	1,347,185
Fair value of liability at valuation date	$1,335	$1,052	$1,079	$4,042

Significant changes to these assumptions in the preceding valuation tables would result in increases/decreases to the fair value of the earnout liability.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4. Fair value of financial instruments (Continued)

Changes in Level 3 liabilities measured at fair value for the periods indicated were as follows:

	Earnout Liability	Series C Warrants Issued With Senior Debt	Series C Warrants Issued With Series C Redeemable Preferred Stock Financing
		(in thousands)	
Balance at December 31, 2014	$ 756	$ 454	$ 1,335
Additions during the period			2,131
Changes in fair value	(542)	157	1,698
Warrants exercised			(2,322)
Cashless warrant exercise due to IPO			(2,842)
Conversion to common stock warrant		(611)	
Balance at December 31, 2015	$ 214	$	$
Change in fair value	18		
Balance at December 31, 2016	$ 232		

Upon closing the IPO, the warrants issued in conjunction with the Series C financing were exchanged in a cashless exercise for 947,185 shares of Series C which converted into 78,926 shares of the Company's common stock. The remaining Series C warrants issued with the senior debt to purchase 170,000 pre-split shares of Series C ("Hercules Warrants") were converted into warrants to purchase 70,833 shares of the Company's common stock and the warrant liability was reclassified to Additional Paid in Capital within Stockholders' Equity (Deficit).

The 2015 reductions in fair value of the earnout liability shown above resulted from new information regarding the projected impact of the DEA's reclassification of Tussionex from a Schedule III controlled substance to a Schedule II controlled substance and a review of the launch dates of the Company's approved product, Adzenys XR-ODT, and its two ADHD product candidates. The 2015 increases in the fair value of the Series C warrants were due to the increased weighting of the IPO scenario in the PWERM model.

Note 5. Inventories

Inventories at the indicated dates consist of the following:

	December 31,	
	2016	2015
	(in thousands)	
Raw materials	$ 1,672	$ 1,211
Work in progress	2,546	175
Finished goods	2,060	1,189
Deferred cost of goods sold	225	
Inventory at cost	6,503	2,575
Inventory reserve	(736)	(55)

	$ 5,767	$ 2,520

The deferred cost of goods sold relates to Adzenys XR-ODT and will be recognized when associated revenue is recognized.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6. Property and equipment

Property and equipment, net at the indicated dates consists of the following:

	December 31,	
	2016	2015
	(in thousands)	
Assets under capital lease	$ 1,793	$ 6,241
Leasehold improvements	3,757	3,497
Manufacturing, packaging and lab equipment	4,376	874
Office furniture and equipment	1,788	314
Assets under construction	2,066	244
	13,780	11,170
Accumulated depreciation and amortization (including $762 and $3,684 at December 31, 2016 and 2015, respectively, applicable to capital leases)	(6,704)	(6,046)
	$ 7,076	$ 5,124

Depreciation and amortization expense related to property and equipment was $1,598,000, $1,724,000 and $1,645,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Depreciation and amortization expense is recorded in cost of goods sold, research and development, or general and administrative expenses in the accompanying consolidated statements of operations. As noted in Note 7, the Company sold and leased back a substantial portion of its operating assets in a series of capital lease transactions.

On October 20, 2016, the Company utilized a third party auctioneer to conduct an auction of certain fully-depreciated equipment assets, resulting in net proceeds of approximately $415,000 which were paid during the fourth quarter of 2016 and were recorded as a gain on sale and included in other income (loss) in the Company's consolidated statement of operations.

Included in the total of assets under capital lease as of December 31, 2016 and December 31, 2015, are certain manufacturing, packaging and lab equipment that are temporarily idle as a result of the cessation of contract manufacturing. The cost of these assets was $811,000 and $1,699,000, and the accumulated depreciation of these assets was $811,000 and $1,396,000 at December 31, 2016 and December 31, 2015, respectively.

Note 7. Sale-leaseback transaction

The Company accounts for the sale and leaseback transactions discussed below as capital leases under the provisions of Accounting Standards Codification ("ASC") Topic 840-40, *Leases Sale Leaseback Transactions*. Accordingly, the leased assets are recorded in property and equipment and the capitalized lease obligations are included in long-term liabilities at the present value of the future lease payments in accordance with the terms of the lease (see Note 11 for further details). Lease payments are applied using the effective interest rate inherent in the leases. Depreciation of the property and equipment is included within depreciation and amortization in the consolidated statements of operations and consolidated statements of cash flows.

In 2012, the Company negotiated financing arrangements with a related party which provided for the sale-leaseback of up to $6.5 million of the Company's property and equipment with a bargain

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7. Sale-leaseback transaction (Continued)

purchase option at the end of the respective lease. These financing arrangements were executed in five separate tranches that occurred in February, July and November 2013, and March 2014.

In the aggregate, the Company sold groups of assets for $795,000 and $5.5 million, which resulted in a net gains of approximately $116,000 and $2.7 million, in the years ended December 31, 2014 and 2013, respectively, and executed capital leases for these assets with repurchase options at the end of each respective lease term. Gains on the transactions are recognized on a straight-line basis over each respective 42-month lease term. The two February 2013 leases for a total of $3.5 million of assets expired in July 2016 and the related $2.6 million gain was fully amortized at that time and the $385,000 lease buy-out option liability was fully satisfied. The July 2013 lease for a total of $1.0 million of assets expired in December 2016 and the related $0.1 million loss had been recorded at inception of the lease and the $100,000 lease buy-out option liability was fully satisfied. For the years ended December 31, 2016, 2015 and 2014 approximately $507,000, $831,000 and $824,000, respectively, of the net gain was recognized in other income on the consolidated statements of operations.

	Leases 1 & 2 February 2013	Lease 3 July 2013	Lease 4 November 2013	Lease 5 March 2014	Total
			(in thousands)		
Carrying value at December 31, 2014	$ 1,613	$ 792	$ 839	$ 710	$ 3,954
Assets retired in 2015	(28)		(2)		(30)
2015 Amortization	(969)	(143)	(141)	(114)	(1,367)
Carrying value at December 31, 2015	$ 616	$ 649	$ 696	$ 596	$ 2,557
2016 Amortization	(616)	(143)	(147)	(114)	(1,020)
Transfer to property and equipment at end of lease		(506)			(506)
Carrying value at December 31, 2016	$	$	$ 549	$ 482	$ 1,031

Note 8. Intangible assets

Intangible assets, net at the indicated dates consist of the following:

	December 31, 2016	2015
	(in thousands)	
Proprietary modified-release drug delivery technology	$ 15,600	$ 15,600
Tussionex ANDA	4,829	4,829
CPI profit sharing	2,043	2,043
Other	784	284
	23,256	22,756
Accumulated amortization	(7,677)	(6,084)
	$ 15,579	$ 16,672

As part of the June 15, 2009 reorganization of the Company as Neos Therapeutics, Inc., the Company performed a purchase price allocation analysis. The proprietary modified-release drug delivery technology was valued at $15.6 million based on projected cash flows expected to be generated

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8. Intangible assets (Continued)

from this technology. The $15.6 million is being amortized over 20 years. Amortization expense of $780,000 was recorded in each of the years ended December 31, 2016, 2015 and 2014.

On August 28, 2014, the Company completed an acquisition of the rights to Tussionex ANDA from Cornerstone and CPI which was accounted for as an asset acquisition. Prior to the acquisition, the Company, Cornerstone and CPI shared profits generated by the sale and manufacture of the product under a development and manufacturing agreement, and Cornerstone had commercialization rights to the product. The Company paid $4.2 million to Cornerstone to buy out their rights to commercialize and derive future profits from the product and entered into an agreement whereby Cornerstone transferred certain assets associated with the product to the Company. Legal fees of $90,000 associated with this buyout agreement have been capitalized as part of the purchase price. Additional estimated earnout costs due to Cornerstone of $589,000, recorded at fair value by the Company based upon a valuation provided by a third party valuation firm, were capitalized as part of the purchase price of this intangible asset. This earnout amount was revalued at December 31, 2016, 2015 and 2014, resulting in an $18,000 increase, a $542,000 decrease and a $167,000 increase in the estimated fair value of the earnout, respectively, which is recorded in other income (expense), net in the Company's consolidated statements of operations. The 2015 net decrease resulted primarily from new information regarding the projected impact of the DEA's reclassification of Tussionex from a Schedule III controlled substance to a Schedule II controlled substance. In addition, the Company paid $2.0 million to CPI to buy out their rights to future profits from the collaboration and entered into an agreement whereby CPI will continue to supply a component of the product. Legal fees of $43,000 associated with this buyout agreement have been capitalized as part of the purchase price of this intangible asset. These two intangible assets have an expected life of ten years and are being amortized on a straight-line basis beginning September 2014. Total amortization expense related to these intangible assets was $687,000, $687,000 and $229,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Aggregate amortization of intangible assets for each of the next five years and thereafter is as follows:

Year ending December 31:	December 31, 2016 (in thousands)
2017	$ 1,562
2018	1,562
2019	1,562
2020	1,562
2021	1,562
Thereafter	7,769
	$ 15,579

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9. Other assets

Other assets at the indicated dates consist of the following:

	December 31,	
	2016	2015
	(in thousands)	
Patents, net	$ 2,068	$ 2,273
Deposits	150	197
	$ 2,218	$ 2,470

Patents utilized in the manufacturing of the Company's generic Tussionex product which total $352,000 are being amortized over their expected useful life of 10 years. Patents utilized in the manufacturing of Adzenys XR-ODT which total $535,000 are being amortized over their expected useful life of approximately 16 years, beginning with the PDUFA approval of Adzenys XR-ODT on January 27, 2016. For the years ended December 31, 2016, 2015 and 2014, $69,000, $23,000 and $31,000 of patent amortization expense was recorded, respectively.

Note 10. Income taxes

The Company applies FASB ASC topic 740, "*Income Taxes"* or ASC 740 which addresses the determination of whether tax benefits claimed, or expected to be claimed on a tax return should be recorded in the financial statements. Under ASC 740, our Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. ASC 740 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures.

The Company is generally subject to tax examination for a period of three years after tax returns are filed. Therefore, the statute of limitations remains open for tax years 2013 and forward. However, when a company has net operating loss carryovers, those tax years remain open until three years after the net operating losses are utilized. Therefore, the tax years remain open back to 2004.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Income taxes (Continued)

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities. The significant components of deferred income tax assets and liabilities consist of the following:

	December 31,	
	2016	2015
	(in thousands)	
Deferred Tax Assets:		
Net operating loss	$ 65,532	$ 37,809
R&D tax credit	1,792	1,660
Share-based compensation	1,562	388
Other reserves	1,064	623
Paragraph IV litigation costs	662	714
Accrued expenses	441	317
Deferred lease liability	399	396
Capital lease liability	151	
Earnout liability	79	73
State deferreds	16	
Deferred gain on sale-leaseback	14	186
Property and equipment		581
Total deferred tax assets	71,712	42,747
Deferred Tax Liabilities:		
Intangible assets	(3,371)	(3,763)
Property and equipment	(124)	
Capital lease liability		(603)
State deferreds		(31)
Inventory reserve		(19)
Total deferred tax liabilities	(3,495)	(4,416)
Valuation allowance	(68,217)	(38,331)
Net deferred tax asset (liability)	$	$

At December 31, 2016, and 2015, the Company has federal net operating loss carry-forwards of $200,170,000 and $122,075,000 and research and development credits of $2,179,000 and $2,010,000, respectively, which begin to expire in 2024. The Company has state net operating loss carry-forwards of $1,835,000 and $278,000 for December 31, 2016 and 2015, respectively. Utilization of the net operating loss carry-forwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended and similar state provisions. The Company has performed an analysis to determine the impact of any ownership change(s) under Section 382 of the Internal Revenue Code. The amount of federal net operating loss that will expire unused due to the Section 382 limitation is $6,089,000. The amount of federal research and development credit that will expire unused is $350,000. The deferred tax assets for both carryforwards have been adjusted downward accordingly.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10. Income taxes (Continued)

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. The Company has no accrued interest related to its uncertain tax positions as they all relate to timing differences that would adjust the Company's net operating loss carryforward and do not require recognition. As a result of these timing differences, at December 31, 2016 and December 31, 2015, the Company had gross unrecognized tax benefits related to uncertain tax positions of $5,081,000 and $4,355,000, respectively. The Company has no other tax positions taken or expected to be taken that would significantly increase or decrease unrecognized tax benefits within 12 months of the reporting date. Changes in unrecognized benefits in any given year are recorded as a component of deferred tax expense. A tabular rollforward of the Company's gross unrecognized tax benefits is below:

	December 31,	
	2016	2015
	(in thousands)	
Beginning Balance	$ 4,355	$ 835
Increase/(Decrease) based on tax positions taken during a current period	726	3,520
Ending Balance	$ 5,081	$ 4,355

The Company has recorded a valuation allowance of $68,217,000 at December 31, 2016 and $38,331,000 at December 31, 2015 to fully reserve its net deferred tax assets. The Company has assessed the likelihood that the deferred tax assets will be realized and determined that it is more likely than not that all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Due to the uncertainty of realizing the deferred tax asset, the Company has placed a valuation allowance against the entire deferred tax asset. The Company may not ever be able to realize the benefit of some or all of the federal and state loss carryforwards, either due to ongoing operating losses or due to ownership changes, which limit the usefulness of the loss carryforwards. The change in the valuation allowance was an increase of $29,886,000 and $8,437,000 for the years ended December 31, 2016 and December 2015, respectively.

A reconciliation of the Company's Federal statutory tax rate of 34% to the Company's effective income tax rate is as follows:

	Year Ended December 31,	
	2016	2015
U.S. Statutory Tax Rate	34%	34%
Provision to Return and Other Adjustments	(1)%	(1)%
Change in Valuation Allowance	(36)%	(26)%
Deferred Tax Adjustments	1%	(7)%
State tax expense, net	2%	0%
Tax Expense / (Benefit)	0%	0%

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Long-term debt

Long-term debt at the indicated dates consists of the following:

	December 31,	
	2016	2015
	(in thousands)	
Deerfield senior secured credit facility, net of discount of $1,401	$ 63,075	$
Senior debt, net of discount of $1,167		24,895
10% subordinated note payable to a related party		6,994
Capital leases, maturing through August 2017	445	2,355
	63,520	34,244
Less current portion	(4,921)	(7,973)
Long-term debt	$ 58,599	$ 26,271

Deerfield Senior Secured Credit facility: On May 11, 2016, the Company entered into a $60 million senior secured credit facility ("Facility") with Deerfield Private Design Fund III, L.P. (66$^{2}/_{3}$% of loan) and Deerfield Special Situations Fund, L.P. (33$^{1}/_{3}$% of Loan) ("Deerfield"), as lenders. Principal on the new facility is due in three equal annual installments beginning in May 2019 and continuing through May 2021, with a final payment of principal, interest and all other obligations under the facility due May 11, 2022. Interest is due quarterly beginning in June 2016, at a rate of 12.95% per year. The Company has an option to defer payment of each of the first four interest payments until June 1, 2017. The Company exercised the option to defer the first three interest payments during the year ended December 31, 2016 and exercised the option to defer the fourth interest payment due March 1, 2017 on February 6, 2017, adding such amounts to the outstanding loan principal until they are paid on June 1, 2017. In connection with the Facility, the Company paid a $1,350,000 yield enhancement fee to Deerfield, approximately $173,000 of legal costs to the Company's attorneys and $58,000 of legal costs on behalf of Deerfield's attorneys, all of which were recorded as debt discount and amortized over the six-year term of the Facility, using the effective interest method. Borrowings under the Facility are collateralized by substantially all of the Company's assets, except the Company's assets under capital lease, and the Company will maintain cash on deposit of not less than $5 million. Approximately $33 million of the $60 million Facility proceeds was used to prepay the existing $24.3 million principal and $0.1 million of accrued interest related to the senior Loan and Security Agreement ("LSA"), the $1.1 million LSA end of term fee, an LSA prepayment charge of $243,000 and the $5.9 million of principal and $1.3 million of interest on the 10% related party amended and restated subordinated note (the "Note") that was issued by the Company to Essex Capital Corporation ("Essex"), which were otherwise payable in 2016 and 2017.

The Facility, also contains certain customary nonfinancial covenants, including limitations on the Company's ability to transfer assets, engage in a change of control, merge or acquire with or into another entity, incur additional indebtedness and distribute assets to shareholders. Upon an event of default, the lender may declare all outstanding obligations accrued under the Facility to be immediately due and payable, and exercise its security interests and other rights. As of December 31, 2016, the Company was in compliance with the covenants under the Facility.

Debt discount amortization for the Facility was calculated using the effective interest rate, charged to interest expense and totaled $181,000 for the year ended December 31, 2016.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Long-term debt (Continued)

Senior debt: On March 28, 2014, the Company entered into the LSA with Hercules Technology III, L.P. ("Hercules"), which was subsequently amended in August 2014, September 2014, December 2014 and June 2015. As amended, the LSA provided a total commitment of $25.0 million, available in four draws. Borrowings under the LSA were collateralized by substantially all of the Company's assets, except the Company's intellectual property and assets under capital lease. The first draw of $10.0 million, ("Tranche 1"), was issued during March 2014 and was used in its entirety to repay outstanding principal and the $697,000 of interest expense related to the Credit Agreement in March 2014. The early prepayment of the Credit Agreement resulted in a $445,000 loss (due to recording the $98,000 prepayment penalty and writing off the $154,000 unamortized exit fee and the $193,000 of unamortized loan cost) reflected in the loss on debt extinguishment for the year ended December 31, 2014. The second draw of $5.0 million, ("Tranche 2"), was issued during September 2014. The third draw ("Tranche 3") in the amount of $5.0 million was issued in March 2015. In June 2015, the fourth and final draw of $5.0 million, ("Tranche 4"), was issued prior to meeting the Tranche 4 milestones, which were met in July 2015.

Each draw was to be repaid in monthly installments, comprised of interest-only monthly payments until May 2016, when installments of interest and principal calculated over a thirty-month amortization period commenced. A balloon payment of the entire principal balance outstanding on October 1, 2017 and all accrued but unpaid interest thereunder was due and payable on October 1, 2017. The interest rate was 9% per annum for Tranche 1 and Tranche 4 and 10.5% per annum for Tranche 2 and Tranche 3. An end of term charge of $1.1 million was payable at the earliest to occur of (1) October 1, 2017, (2) the date the Company prepaid its outstanding Secured Obligations, as defined therein, or (3) the date the Secured Obligations became due and payable. As such, the end of term charge of $1.1 million was paid on May 11, 2016 when the Company prepaid its outstanding Secured Obligations, as defined therein.

In connection with the LSA, the Company issued the Hercules Warrants which consisted of 60,000 Series C warrants in March 2014 and 110,000 Series C warrants in September 2014 at the then current price of $5.00 per share. The Hercules Warrants became warrants with a term of five years for the purchase of 70,833 shares of common stock at a price of $12.00 per share upon the closing of the Company's IPO and were therefore reclassified from warrant liability to Additional Paid in Capital within Stockholders' Equity at July 22, 2015.

End of term charge amortization to interest expense totaled $121,000, $311,000 and $128,000 for the years ended December 31, 2016, 2015 and 2014, respectively. Debt discount amortization to interest expense for the senior debt totaled $104,000, $265,000 and $140,000 for the years ended December 31, 2016, 2015 and 2014, respectively. As of July 22, 2015, the fair values of the Hercules Warrants were remeasured and a 2015 cumulative change in fair value of approximately $157,000 was recorded in other income (expense), net in the Company's consolidated statements of operations for the year ended December 31, 2015.

The early prepayment of the LSA with some of the proceeds from the Facility resulted in a $1,187,000 loss on debt extinguishment which is separately shown in the consolidated statement of operations for the year ended December 31, 2016.

Credit Agreement: Previously, the Company had a credit agreement entered into on August 20, 2012 (the "Credit Agreement") with a financial institution. The Credit Agreement provided for a

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11. Long-term debt (Continued)

four-year $10.0 million term loan, with an annual interest rate of 9.5% payable monthly. The proceeds from the initial $10.0 million draw on the LSA were used to repay the outstanding $10.0 million Credit Agreement balance and $697,000 of interest expense related to the Credit Agreement in March 2014. The early prepayment of the Credit Agreement resulted in a $445,000 loss reflected in loss on debt extinguishment for the year ended December 31, 2014.

10% subordinated related party note: The Company had a Note in the aggregate principal amount of $5.9 million that was issued by the Company to Essex which was to mature in March 2017. Interest was to be accrued and added to the principal balance until such time as the Company achieved positive EBITDA for three consecutive months. On July 19, 2014, the interest rate on the Note was reduced to 6% for the period from July 19, 2014 through June 28, 2015 pursuant to an amendment to the Note entered into as consideration for the $128,000 payment made by the Company to Essex as part of the Settlement and Release of Claims Agreement with Essex and a third party (see Note 17). The Company recorded this amendment as a loan modification. On May 11, 2016, the Company prepaid the $5.9 million outstanding aggregate principal and $1.3 million in accrued and unpaid interest. At December 31, 2015 and December 31, 2014, the aggregate principal amount of the Note was $5.9 million, and $263,000, $548,000 and $511,000 in interest was expensed in the years ended December 31, 2016, 2015 and 2014, respectively.

Capital lease obligations to related party: As described in Notes 7 and 17, during the years ended December 31, 2014 and 2013, the Company entered into agreements with a related party for the sale-leaseback of existing and newly acquired assets with a total capitalized cost of $795,000 and $5.5 million, respectively, which are classified as capital leases. The approximate imputed interest rate on these leases is 14.5% and interest expense on these leases was $ 204,000, $467,000 and $662,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

Future minimum capital lease payments through the year ending December 31, 2017 are as follows:

Year ending (in thousands):		
Total minimum lease payments	$	473
Less amount representing interest		28
Future minimum lease payments	$	445

Future principal payments of long-term debt, including capital leases, are as follows:

Year ending:	**December 31, (in thousands)**	
2017	$	4,921
2018		
2019		15,000
2020		15,000
2021		15,000
Thereafter		15,000
Future principal payments	$	64,921
Less unamortized debt discount		(1,401)
Less current portion of long-term debt		(4,921)
Total long-term debt	$	58,599

Explanation of Responses:

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Common stock and redeemable convertible preferred stock

Reverse Stock Split

On July 10, 2015, the Company filed an amendment to its amended and restated certificate of incorporation, effecting a 1-for-2.4 reverse stock split of the Company's issued and outstanding shares of common stock as approved by the board of directors on July 9, 2015. All issued and outstanding common stock and per share amounts contained in the Company's financial statements have been retroactively adjusted to reflect this reverse stock split for all periods presented.

Authorized Shares

In connection with the closing of the Company's IPO on July 28, 2015, the Company amended and restated its certificate of incorporation to authorize 5,000,000 shares of preferred stock, par value $0.001 per share, and 100,000,000 shares of common stock, par value $0.001 per share.

Public Offerings and Related Transactions

On July 28, 2015, the Company closed its IPO whereby the Company sold 5,520,000 shares of common stock, at a public offering price of $15.00 per share, which includes 720,000 shares of common stock resulting from the underwriters' exercise of their over-allotment option at the IPO price on July 23, 2015. Proceeds from the Company's IPO, net of underwriting discounts and commissions and other offering costs, were $75.0 million. Upon the closing of the Company's IPO, all of the Company's Preferred Shares converted into shares of the Company's Common Stock, all such Preferred Shares were retired and cancelled and shall not be reissued as shares of such series, and all rights and preferences of those Preferred Shares were cancelled including the right to receive undeclared accumulated dividends. Each of the following occurred in connection with the closing of the Company's IPO on July 28, 2015:

- the conversion of all outstanding shares of convertible preferred stock into 9,217,983 shares of the Company's common stock;

- the conversion of the Hercules Warrants to purchase 170,000 shares of Series C into warrants to purchase 70,833 shares of the Company's common stock and the resultant reclassification of the warrant liability to Additional Paid in Capital within Stockholders' Equity (Deficit); and

- the net exercise of outstanding Series C warrants issued in conjunction with the Series C financing to purchase 947,185 shares of Series C for 78,926 shares of the Company's common stock.

The Company had classified its classes of redeemable convertible preferred stock as mezzanine equity based upon the terms and conditions which contain various redemption and conversion features.

In connection with the sale of shares of the Company's Series B-1 Redeemable Convertible Preferred Stock ("Series B-1"), the Series B-1 investors also received warrants to purchase 389,474 shares of common stock at an exercise price of $.0024 per share ("Series B-1 warrants"). There were no exercises of Series B-1 warrants in 2014. During the year ended December 31, 2015, the Company issued a total of 286,968 shares of its common stock upon the exercise of Series B-1 warrants held by several investors at an exercise price of $0.0024 per share. During the six months ended June 30, 2016, the Company issued a total of 43,861 shares of its common stock upon the exercise of Series B-1

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Common stock and redeemable convertible preferred stock (Continued)

warrants held by several investors at an exercise price of $0.0024 per share. The remaining Series B-1 warrants to purchase 6,297 shares of common stock expired on June 10, 2016.

Between December 2014 and February 2015, the Company closed on an additional Series C preferred stock financing raising a total of $20.6 million, including $7.5 million in December 2014 and $13.1 million during the year ended December 31, 2015. The Company issued 1,499,935 shares in December 2014 and 2,624,936 shares in 2015 through February 25, 2015 of Series C preferred stock. In addition, the Company issued a Series C warrant to purchase one additional share of Series C preferred stock at a purchase price of $5.00 per share for every two purchased shares of Series C preferred stock, provided the investor purchased its pro-rata share of the Series C preferred stock. In the event that the Company's Series C preferred stock converted into common stock or another class of the Company's stock ("Conversion Stock") during the warrant exercise period, then the warrants would become exercisable for the Conversion Stock and the exercise price of those warrants was to be ratably adjusted. The Company issued Series C warrants to purchase 749,967 shares of Series C preferred stock in December 2014 and 1,197,218 shares of Series C preferred stock during the year ended December 31, 2015 (see warrant liability section below). From June 30, 2015 through July 27, 2015, the Company issued a total of 1,000,000 shares of its Series C to several investors upon the exercise of warrants held by those investors at an exercise price of $5.00 per share, for an aggregate exercise price of $5 million.

On August 1, 2016 the Company filed a shelf registration statement on Form S-3 with the SEC, which covers the offering, issuance and sale by the Company of up to an aggregate of $125.0 million of its common stock, preferred stock, debt securities, warrants and/or units (the "Shelf"). The Company simultaneously entered into a Sales Agreement with Cowen and Company, LLC, as sales agent, to provide for the offering, issuance and sale by the Company of up to $40.0 million of its common stock from time to time in "at-the-market" offerings under the Shelf (the "ATM Facility"). The Shelf was declared effective by the SEC on August 12, 2016. During the year ended December 31, 2016, we did not make any sales under our ATM Facility.

Prior to the closing of the Company's IPO, the rights and preferences of the preferred stock were as follows:

Dividends: Dividends could not be paid on the common stock unless equivalent or larger dividends had been paid to holders of the Series C, Series B-1, Series B and Series A Redeemable Convertible Preferred Stock ("Series A") on an as-if converted basis and other financial tests, as defined, had been met. From and after the date of the issuance of the Series B-1 until the retirement and cancellation of Series B-1 in conjunction with the Company's IPO, dividends at the rate per annum of 8% of the Series B-1 original issuance price of $5.00 were accrued on such shares of Series B-1. Dividends accrued from day to day, whether or not declared, and were cumulative. The accruing dividends were to be payable in additional shares of Series B-1, valued at the Series B-1 original issuance price, unless the board of directors of the Company elected to pay all or any portion of the accruing dividends in cash. In accordance with the conversion provision of the Company's Third Amended and Restated Certificate of Incorporation, as amended, which was triggered upon the Company's IPO, all rights with respect to the Preferred Shares of the Company were terminated, including the right to receive undeclared dividends. The Series B-1 cumulative dividends were never declared by the Company's board of directors.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Common stock and redeemable convertible preferred stock (Continued)

Redemption: Prior to the retirement and cancellation of the Company's Preferred Shares as a result of the IPO, the holders of a majority of the outstanding shares of Series C, Series B-1 and Series B, voting together as a single class, could require the Company to redeem the Series C, Series B-1 and Series B at their original purchase price of $5.00 per share in three annual installments by giving a sixty-day notice at any time on or after March 31, 2017. On March 25, 2014, the Company amended the initial redemption date, extending it to November 1, 2017. On each redemption date, the Company was to redeem, on a pro rata basis in accordance with the number of shares of Series C, Series B-1 and Series B owned by each holder, that number of outstanding shares of Series C, Series B-1 and Series B. If the Company did not have sufficient funds legally available to redeem on any redemption date, the Company was to redeem a pro rata portion of each holder's Series C, Series B-1 and Series B out of funds legally available.

The Series C, Series B-1 and Series B were to be redeemable on November 1, 2017, their carrying value was being accreted to the minimum redemption value of $5.00 per share or $43,768,000, $27,309,000 and $15,565,000, respectively, over the period from issuance through November 1, 2017 using the effective interest method for issuances through December 31, 2014. Due to the additional issuances of Series C prior to the IPO, the Series C was accreted to the increased minimum redemption value of $5.00 per share, or $57,642,000, over the period from issuance through the IPO effective date using the effective interest method. The amount of accretion recorded in 2015 and 2014 for Series C amounted to $607,000 and $87,000, respectively. The amount of accretion recorded in 2015 and 2014 for Series B-1 was $370,000 and $679,000, respectively. The amount of accretion recorded in 2015 and 2014 for Series B amounted to $192,000 and $352,000, respectively.

In accordance with the conversion provision of the Company's Third Amended and Restated Certificate of Incorporation, as amended, which was triggered upon the Company's IPO, all rights with respect to the Preferred Shares of the Company were terminated, including redemption rights.

Warrant liability: In connection with the December 2014 $7.5 million additional Series C financing (see above) the Company issued warrants to purchase an aggregate 749,967 shares of the Series C. The proceeds from the December 2014 additional Series C financing with stock purchase warrants were allocated to the two elements based on the fair value of the Series C warrants at time of issuance. The remainder of the proceeds was allocated to the redeemable convertible preferred instrument portion of the transaction, resulting in a discount. The portion of the proceeds so allocated to the warrants is accounted for as a warrant liability and periodically adjusted to fair value through the consolidated statement of operations. The related preferred stock discount is amortized as preferred stock accretion to redemption value over the remaining term until the redemption date using the effective interest method. The fair value of the 749,967 Series C Warrants was $1,335,000, with the residual $6,108,000, net of legal fees of $57,000, allocated to the 1,499,935 shares of Series C as of December 31, 2014.

The proceeds from the 2015 additional Series C financing with stock purchase warrants were allocated to the two elements based on the fair value of the Series C warrants at time of issuance. The remainder of the proceeds was allocated to the redeemable convertible preferred instrument portion of the transaction, resulting in a discount. The portion of the proceeds so allocated to the warrants is accounted for as a warrant liability and periodically adjusted to fair value through the consolidated statement of operations. The related preferred stock discount is amortized as preferred stock accretion to redemption value over the remaining term until the redemption date using the effective interest

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12. Common stock and redeemable convertible preferred stock (Continued)

method. The fair value of the 1,197,218 Series C warrants was $2,131,000, with the residual $10,916,000, net of legal fees of $78,000, allocated to the 2,624,936 shares of Series C.

On the IPO effective date of July 22, 2015, the Series C warrant fair values were remeasured for a final time and an increase in fair value of approximately $1,698,000 has been recorded in other income (expense), net in the Company's consolidated statements of operations for year ended December 31, 2015. Upon the closing of the Company's IPO, all of the shares of the Company's redeemable convertible preferred stock ("Preferred Shares") were retired and cancelled and shall not be reissued as shares of such series, and all rights and preferences of those Preferred Shares were cancelled including the right to receive undeclared accumulated dividends. On the IPO closing date, all outstanding shares of redeemable preferred stock converted into 9,217,983 shares of common stock and all remaining outstanding Series C warrants issued in conjunction with purchases of Series C were net exercised at the IPO price for 78,926 shares of common stock.

Note 13. Stock options, restricted stock and performance stock options

In July 2015, the Company adopted the Neos Therapeutics, Inc. 2015 Stock Option and Incentive Plan ("2015 Plan") which became effective immediately prior to the closing of the IPO and initially had 767,330 shares of common stock reserved for issuance. On January 1, 2016 and each January 1 thereafter, the number of shares of common stock reserved and available for issuance under the 2015 Plan shall be cumulatively increased by five percent of the number of shares of stock issued and outstanding on the immediately preceding December 31 or such lesser number of shares determined by the administrator of the 2015 Plan (the "Evergreen Provisions"). Accordingly, on January 1, 2016, the Company added 800,797 shares to the option pool and on January 1, 2017, the Company added 803,049 shares to the option pool. The 2015 Plan superseded the Neos Therapeutics, Inc. 2009 Equity Plan ("2009 Plan"), originally adopted in November 2009 and which had 1,375,037 shares for reserved and available for issuance. Effective upon closing of the IPO, the board of directors determined not to grant any further awards under the 2009 Plan. The shares of common stock underlying any awards that are forfeited, canceled, reacquired by the Company prior to vesting, satisfied without the issuance of stock or otherwise terminated (other than by exercise) under the 2009 Plan will be added to the shares of common stock available under the 2015 Plan. This number is subject to adjustment in the event of a stock split, stock dividend or other change in the Company's capitalization. The 2015 Plan is administered by the Company's compensation committee. The Company's compensation committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants and to determine the specific terms and conditions of each award, subject to the provisions of the 2015 Plan. The Company's compensation committee may delegate authority to grant certain awards to the Company's chief executive officer. The exercise price per share for the stock covered by a stock option granted shall be determined by the administrator at the time of grant but shall not be less than 100 percent of the fair market value on the date of grant. Unexercised options under the 2015 Plan expire after the earlier of 10 years or termination of employment, except in the case of any unexercised vested options, which generally expire 90 days after termination of employment.

The 2009 Plan allowed the Company to grant options to purchase shares of the Company's common stock. Options were granted to officers, employees, nonemployee directors and consultants, and independent contractors of the Company. The Company also granted performance based awards to selected management. The performance options vested over a three-year period based on achieving

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Stock options, restricted stock and performance stock options (Continued)

certain operational milestones and the remaining options vest in equal increments over a four-year period. Unexercised options under the 2009 Plan expire after the earlier of 10 years or termination of employment, except in the case of any unexercised vested options, which generally expire 90 days after termination of employment. All terminated options are available for reissuance under the 2015 Plan. Since the inception of the 2015 Plan through December 31, 2016, 7,500 shares related to forfeited 2009 Plan options and 18,906 shares related to the surrender of restricted stock were transferred into the shares available under the 2015 Plan. As of December 31, 2016, 210,599 shares of common stock remain available for grant under the 2015 Plan.

The Company estimates the fair value of all stock option awards on the grant date by applying the Black-Scholes option pricing valuation model. The application of this valuation model involves assumptions that are highly subjective, judgmental and sensitive in the determination of compensation cost. Prior to the IPO, given the absence of an active market for the Company's common stock prior to its IPO, the Company's board of directors was required to estimate the fair value of its common stock at the time of each option grant primarily based upon valuations performed by a third party valuation firm.

The weighted-average key assumptions used in determining the fair value of options granted during the periods indicated are as follows:

	Year Ended December 31,		
	2016	2015	2014
Estimated dividend yield	0%	0%	0%
Expected stock price volatility	60%	60%	60%
Weighted-average risk-free interest rate	1.18%	1.60%	1.77%
Expected life of option in years	6.15	5	5
Weighted-average option fair value at grant	$ 5.800	$ 9.723	$ 2.884

The Company has reported share-based compensation expense for stock options granted to employees for the years ended December 31, 2016, 2015 and 2014, respectively, in its consolidated statements of operations as follows:

	Year Ended December 31,		
	2016	2015	2014
	(in thousands)		
Cost of goods sold	$ 311	$ 112	$ 6
Research and development	304	73	4
Selling and marketing	723	211	18
General and administrative	2,031	691	92
	$ 3,369	$ 1,087	$ 120

At December 31, 2016, there was $8.8 million of unrecognized compensation cost, adjusted for estimated forfeitures, related to unamortized stock options compensation which is expected to be recognized over 2.7 years. For the year ended December 31, 2016, the Company issued 10,886 shares of the Company's common stock upon the exercise of outstanding stock options and received proceeds of $13,000 and realized no tax benefit from the exercised stock options. For the year ended December 31,

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Stock options, restricted stock and performance stock options (Continued)

2015, the Company issued 38,307 shares of the Company's common stock upon the exercise of outstanding stock options and received proceeds of $74,000 and realized no tax benefit from the exercised of stock options

A summary of outstanding and exercisable options as of December 31, 2016 and 2015, and changes during the periods then ended is presented below:

	Number of Options	Weighted-Average Exercise Price	Intrinsic Value (in thousands)
Outstanding at January 1, 2014	326,062	$ 1.797	
Granted	237,486	5.684	
Exercised	(13,408)	0.324	
Expired, forfeited or cancelled	(38,365)	1.206	
Outstanding at December 31, 2014	511,775	$ 3.684	$ 2,883
Exercisable at December 31, 2014	150,109	$ 1.467	$ 1,179
Granted	883,537	18.789	
Exercised	(38,307)	1.928	
Expired, forfeited or cancelled	(4,722)	2.547	
Outstanding at December 31, 2015	1,352,283	$ 13.607	$ 964
Exercisable at December 31, 2015	229,000	$ 3.385	$ 2,504
Granted	859,257	10.385	
Exercised	(10,886)	1.231	
Expired, forfeited or cancelled	(93,310)	17.780	
Outstanding at December 31, 2016	2,107,344	$ 12.173	$ 1,128
Exercisable at December 31, 2016	595,424	$ 9.715	$ 881

The weighted-average remaining contractual life of options outstanding and exercisable on December 31, 2016 was 8.5 and 7.6 years, respectively. The option exercise price for all options granted in the year ended December 31, 2016 ranged from $8.84 to $10.96 per share.

Restricted stock: Under the 2009 Plan, the Company grants restricted stock awards to members of its management and selected members of the board of directors. Restricted stock awards are recorded as deferred compensation and amortized into compensation expense, on a straight-line basis over a defined vesting period ranging from 1 to 48 months.

In 2013, the Company issued 149,244 shares of restricted stock at a grant date fair value of $2.55 per share. Of these shares, 7,195 vested immediately and the remaining 142,049 of these shares vest over 48 months in four equal tranches on the anniversary of the issue date. The Company did not issue any shares of restricted stock for the years ended December 31, 2016, 2015 or 2014. During the years ended December 31, 2016, 2015 and 2014, $91,000, $94,000 and $90,000, respectively, of restricted stock compensation cost has been charged to general and administrative expenses. At December 31, 2016, there was $71,000 of unrecognized compensation cost related to restricted stock which will be recognized over 0.8 years. In 2014, the Company settled certain vested restricted stock awards which

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 13. Stock options, restricted stock and performance stock options (Continued)

were settled having a value of $266,000 in cash, and the Company realized a tax benefit of $90,000. On October 16, 2015, the Company settled certain vested restricted stock awards which were settled having a value of $658,000 in cash, and the company realized a tax benefit of $224,000. On October 16, 2015, 9,197 shares of restricted stock were surrendered by the holder to the Company to cover taxes associated with vesting of restricted stock. The fair value of such shares was determined to be $18.54 per share, the closing price of the Company's stock on such date. On October 17, 2016, the Company settled certain vested restricted stock awards having a value of $226,000 in cash and the Company realized a tax benefit of $79,000. On October 17, 2016, 9,709 shares of restricted stock were surrendered by the holder to the Company to cover taxes associated with vesting of restricted stock. The fair value of such shares was determined to be $6.37 per share, the closing price of the Company's stock on such date. The Company had 35,513 and 71,025 shares of unvested restricted stock with a weighted average fair value of $2.55 as of December 31, 2016 and 2015, respectively.

A summary of the status of the Company's nonvested restricted stock as of December 31, 2016 and December 31, 2015, and changes during the periods ended December 31, 2016 and December 31, 2015, is presented below:

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2014	142,049	$ 2.550
Granted		
Vested	(35,512)	2.550
Forfeited		
Nonvested at December 31, 2014	106,537	$ 2.550
Granted		
Vested	(35,512)	2.550
Forfeited		
Nonvested at December 31, 2015	71,025	$ 2.550
Granted		
Vested	(35,512)	2.550
Forfeited		
Nonvested at December 31, 2016	35,513	$ 2.550

Note 14. Treasury stock

The Company has the authority to repurchase common stock from former employees, officers, directors or other persons who performed services for the Company at the lower of the original purchase price or the then-current fair market value. On February 19, 2015, the Company's board of directors approved the cancellation of the Company's 55,905 shares of treasury stock which had been repurchased at the original purchase price of $0.002 in 2013. On October 17, 2016 and October 16, 2015, 9,709 shares and 9,197 shares, respectively, of restricted stock were surrendered by the holder to the Company to cover taxes associated with vesting of restricted stock and such shares were added back into

the treasury stock of the Company, increasing total treasury stock to 18,906 shares.

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Commitments and contingencies

Patent Infringement Litigation: On July 25, 2016, the Company received a paragraph IV certification from Actavis Laboratories FL, Inc. ("Actavis") advising the Company that Actavis has filed an Abbreviated New Drug Application ("ANDA") with the FDA for a generic version of Adzenys XR-ODT. The certification notice alleges that the four U.S. patents listed in the FDA's Orange Book for Adzenys XR-ODT, one with an expiration date in April 2026 and three with expiration dates in June 2032, will not be infringed by Actavis's proposed product, are invalid and/or are unenforceable. On September 1, 2016, the Company filed a patent infringement lawsuit in federal district court against Actavis. This case alleges that Actavis infringed the Company's Adzenys XR-ODT patents by submitting to the FDA an ANDA seeking to market a generic version of Adzenys XR-ODT prior to the expiration of the Company's patents. This lawsuit automatically stayed, or barred, the FDA from approving Actavis's ANDA for 30 months or until a district court decision that is adverse to the asserted patents is rendered, whichever is earlier. Neos intends to vigorously enforce its intellectual property rights relating to Adzenys XR-ODT. The Company cannot predict the timing or outcome of these proceedings.

Defined contribution plans: The Company maintains a defined contribution plan covering substantially all employees under the provisions of Section 401(k) of the Internal Revenue Code ("Code"). As the Company has elected a Safe-Harbor provision for the 401(k) Plan, participants are always fully vested in their employer contributions. Employees may contribute annually up to the lesser of 50% of their compensation or the applicable limit established by the Code. Through December 31, 2014, the Company was required to make a matching contribution to the 401(k) plan of 50%, to a limit of 6%, of the participant's annual compensation, which was paid in the first quarter of 2015.

Effective January 1, 2015, the Company amended its 401(k) plan to provide a Company matching contribution on 100% of a participant's contribution for the first 3% of their salary deferral and 50% of the next 2% of their salary deferral.

For the years ended December 31, 2016, 2015 and 2014, the Company recorded $371,000, $186,000 and $82,000, respectively, of expense for 401(k) contributions.

Operating leases: The Company leases its Grand Prairie, Texas office space and manufacturing facility under an operating lease which expires in 2024. In addition, the Company has a 60-month lease for office space in Blue Bell, Pennsylvania for its commercial operations which commenced on May 1, 2016. Total future minimum lease payments under these operating leases with noncancelable terms are as follows:

Year ending December 31,	(in thousands)	
2017	$	1,101
2018		1,105
2019		1,109
2020		1,161
2021		1,057
Thereafter		3,217
Future minimum lease payments	$	8,750

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15. Commitments and contingencies (Continued)

The Company accounts for rent expense on long-term operating leases on a straight-line basis over the life of the lease resulting in a deferred rent balance of $1,174,000 and $1,166,000 at December 31, 2016 and December 31, 2015, respectively. The Company is also liable for a share of operating expenses for both premises as defined in the lease agreements. The Company's share of these operating expenses for both locations was $230,000 for the year ended December 31, 2016. The Company's share of these operating expenses for the Grand Prairie facility was $237,000 and $251,000 for the years ended December 31, 2015 and 2014, respectively. Rent expense for these leases, excluding the share of operating expenses, was $1,011,000, $884,000 and $896,000 for the years ended December 31, 2016, 2015 and 2014, respectively.

Cash incentive bonus plan: In July 2015, the Company adopted the Senior Executive Cash Incentive Bonus Plan ("Bonus Plan"). The Bonus Plan provides for cash payments based upon the attainment of performance targets established by the Company's compensation committee. The payment targets will be related to financial and operational measures or objectives with respect to the Company, or corporate performance goals, as well as individual targets. The Company has recorded $464,000 and $552,000 of compensation expense for the years ended December 31, 2016 and 2015, respectively, under the Bonus Plan.

Note 16. License agreements

On July 23, 2014, the Company entered into a Settlement Agreement and an associated License Agreement with Shire LLC for a non-exclusive license to certain patents for certain activities with respect to the Company's new drug application No. 204326 for an extended-release orally disintegrating amphetamine polistirex tablet ("Neos NDA"). In accordance with the terms of the Agreement, following the receipt of the approval from the FDA for Adzenys XR-ODT, the Company paid a lump sum, non-refundable license fee of an amount less than $1.0 million on February 26, 2016. This license fee was capitalized as an intangible asset and is being amortized over the life of the longest associated patent. The Company is paying a single digit royalty on net sales of Adzenys XR-ODT during the life of the patents. The royalties are being recorded as cost of goods sold in the same period as the net sales upon which they are calculated.

Note 17. Related party transactions

At December 31, 2015 and December 31, 2014, the Company was obligated under a $5,935,000 long-term subordinated note ("Note") that was issued by the Company to Essex. See Note 11 for further details. On July 21, 2014, the Company, Essex and a third party entered into a Settlement Agreement and Release of Claims Agreement resolving certain issues and disputes whereby Essex paid $256,000 to the third party, the Company paid Essex $128,000 and Essex agreed to reduce the interest rate on the Note from 10% to 6% for the July 19, 2014 through June 28, 2015 period. The third party released both Essex and the Company from any and all claims. The Company repaid this Note and the related accrued interest on May 11, 2016 using proceeds from the new $60 million Facility (see Note 11).

As described in Note 7, in 2012, the Company negotiated financing arrangements with a related party that provided for the sale-leaseback of up to $6.5 million of the Company's property and equipment. In 2013, the Company executed four transactions totaling $5.5 million and in March 2014, the Company completed the final tranche of the sale-leaseback arrangement, raising an additional

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 17. Related party transactions (Continued)

$795,000. The two February 2013 leases for $3.5 million of assets expired in July 2016 and the related $2.6 million gain was fully amortized at that time and the $385,000 lease buy-out option liability was fully satisfied. The July 2013 leases for a total of $1.0 million of assets expired in December 2016 and the related $0.1million loss had been recorded at inception of the lease and the $100,000 lease buy-out option liability was fully satisfied.

During 2014, the Company contracted for approximately $112,000 in consulting and testing services with a company affiliated with the Company's Chairman of the board of directors. As the Company's Chairman is no longer affiliated with this consulting and testing services company, there are no such related party transactions in 2015 or 2016. The cost of the acquired services was negotiated at arm's length and priced at commercially available rates.

Note 18. Selected Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments, which are, in the opinion of management, necessary for a fair statement of the results of the interim periods. Operating results for these periods are not necessarily indicative of the operating results for a full year. Historical results are not necessarily indicative of results to be expected in future periods. Selected quarterly financial data for years ended December 31, 2016 and 2015, are as follows (in thousands, except share and per share amounts):

	Quarter Ended			
	March 31, 2015	**June 30, 2015**	**September 30, 2015**	**December 31, 2015**
Net sales	$ 428	$ 1,484	$ 221	$ 1,659
Gross loss	(744)	(254)	(956)	(183)
Net loss	$ (6,556)	$ (5,753)	$ (9,368)	$ (9,104)
Preferred stock accretion to redemption value	(484)	(586)	(99)	
Preferred stock dividends	(539)	(544)	(138)	
Net loss attributable to common stock	$ (7,579)	$ (6,883)	$ (9,605)	$ (9,104)
Weighted average common shares outstanding used to compute net loss per share, basic and diluted(1)(2)	885,237	887,397	12,403,182	15,933,315
Net loss per share of common stock, basic and fully diluted(3):	$ (8.56)	$ (7.76)	$ (0.77)	$ (0.57)

Explanation of Responses:

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 18. Selected Quarterly Financial Data (Unaudited) (Continued)

	Quarter Ended			
	March 31, 2016	**June 30, 2016**	**September 30, 2016**	**December 31, 2016**
Net sales(4)	$ 2,583	$ 1,485	$ 1,583	$ 3,503
Gross profit (loss)(4)	(173)	(858)	(735)	(517)
Net loss attributable to common stock	$ (12,614)	$ (26,539)	$ (25,806)	$ (18,374)
Weighted average common shares outstanding used to compute net loss per share, basic and diluted(1)(2)	16,025,318	16,050,138	16,070,705	16,062,685
Net loss per share of common stock, basic and fully diluted(3):	$ (0.79)	$ (1.65)	$ (1.61)	$ (1.14)

(1) In connection with the IPO, the Company's Board of Directors approved a 1-for-2.4 reverse stock split of the Company's common stock which also resulted in a proportional adjustment to the conversion ratios of the preferred stock and the preferred stock warrants. All references to common stock and per share amounts in these condensed financial statements and accompanying footnotes have been retroactively adjusted for all periods presented to give effect to this reverse stock split.

(2) Between June 30, 2015 and July 27, 2015, the Company issued a total of 1,000,000 shares of its Series C redeemable convertible preferred stock to several existing investors upon the exercise of warrants to purchase Series C preferred stock held by those investors at an exercise price of $5.00 per share, for an aggregate exercise price of $5.0 million. On the IPO closing date, all outstanding shares of redeemable preferred stock converted into 9,217,983 shares of common stock and all remaining outstanding Series C warrants issued in conjunction with purchases of Series C preferred stock were net exercised at the IPO price for 78,926 shares of common stock. Upon the closing of the Company's IPO, all of the shares of the Company's redeemable convertible preferred stock were retired and cancelled and shall not be reissued as shares of such series, and all rights and preferences of those Preferred Shares were cancelled including the right to receive undeclared accumulated dividends. On July 28, 2015, the Company closed its initial public offering whereby the Company sold 5,520,000 shares of common stock, at a public offering price of $15.00 per share, which includes 720,000 shares of common stock resulting from the underwriters' exercise of their over-allotment option at the IPO price on July 23, 2015. These transactions produced a significant increase in the number of shares outstanding which will impact the year-over-year comparability of the Company's loss per share calculations.

(3) Loss per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly loss per share may not necessarily equal the total for the year.

(4) The Company began selling Adzenys XR-ODT on May 16, 2016, and has determined that at this time it cannot reliably estimate expected returns of the product at the time of shipment to wholesalers. Accordingly, the Company defers recognition of revenue and

related cost of goods sold on product shipments of Adzenys XR-ODT until the right of return no longer exists, which occurs at the earlier of the time Adzenys XR-ODT units are dispensed through patient

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Neos Therapeutics, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 18. Selected Quarterly Financial Data (Unaudited) (Continued)

prescriptions or expiration of the right of return. Thus, the amounts included in Net Sales and Gross profit (loss) for Adzenys XR-ODT reflect only patient prescriptions dispensed to date. Also, the Net loss amounts in 2016 reflect the sales and marketing expenses associated with the commercialization of Adzenys XR-ODT.

Note 19. Subsequent events

On January 1, 2017, in accordance with the Evergreen Provisions of the 2015 Plan, the Company added 803,049 shares to the option pool, increasing the total number of shares reserved and available for issuance under the 2015 Plan to 1,013,648 shares.

On February 6, 2017, the Company exercised the option to defer the fourth interest payment due March 1, 2017 under the Facility, and will add, when otherwise due, such amount to the outstanding loan principal until it is paid on June 1, 2017.

On February 8, 2017, the Company closed an underwritten public offering of 5,000,000 shares of its common stock at a public offering price of $5.00 per share, before underwriting discounts and commissions. The Company's senior lender participated in the Company's public offering. In addition, on February 17, 2017, the underwriters elected to exercise their option in full to purchase up to an additional 750,000 shares of common stock at the $5.00 per share public offering price, less underwriting discounts and commissions. The net proceeds to the Company from this offering, after deducting underwriting discounts and commissions and other offering expenses payable by the Company were approximately $26.8 million. The shares of common stock were offered pursuant to a shelf registration statement on Form S-3, including a base prospectus, filed by the Company on August 1, 2016 and declared effective by the Securities and Exchange Commission, or the SEC, on August 12, 2016.

In February 2017, the Company closed on a 36-month capital lease line of up to $5 million with a related party to finance its capital expenditures. Each tranche will have a bargain purchase option at the end of the respective lease.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Grand Prairie, State of Texas, on the 15th day of March 2017.

NEOS THERAPEUTICS, INC.

By: /s/ VIPIN GARG

Vipin Garg
Chief Executive Officer

Power of Attorney

We, the undersigned directors and officers of Neos Therapeutics, Inc. (the "Company"), hereby severally constitute and appoint Vipin Garg and Richard Eisenstadt, and each of them singly, our true and lawful attorneys, with full power to them, and to each of them singly, to sign for us and in our names in the capacities indicated below, to file any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ VIPIN GARG Vipin Garg	Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2017
/s/ RICHARD EISENSTADT Richard Eisenstadt	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2017
/s/ ALAN HELLER Alan Heller	Director	March 15, 2017
/s/ GREG ROBITAILLE Greg Robitaille	Director	March 15, 2017
/s/ BETH HECHT Beth Hecht	Director	March 15, 2017
/s/ BRYANT FONG Bryant Fong	Director	March 15, 2017

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Signature	Title	Date
/s/ JOHN SCHMID John Schmid	Director	March 15, 2017
/s/ PAUL EDICK Paul Edick	Director	March 15, 2017

Explanation of Responses:

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SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

		Balance at beginning of period	Additons charged to costs and expenses	Due to (paid to) third party and deferred until sales recognized	Deductions and Payments	Balance at end of period
For the year ended December 31, 2016						
Allowance for chargebacks	**(1)**	$ 940	$ 10,504	$	$ (10,665)	$ 779
Allowance for cash discounts	**(1)**	99	772	(13)	(687)	171
Sales offers	**(2)**		3,746		(3,746)	
Reserve for wholesaler fees	**(2)**	361	2,838	144	(2,834)	509
Reserve for returns	**(2)**	429	491		(36)	884
Rebates	**(2)**	110	396	383	(468)	421
For the year ended December 31, 2015						
Allowance for chargebacks	**(1)**	190	5,359		(4,609)	940
Allowance for cash discounts	**(1)**	14	194		(109)	99
Sales offers	**(2)**					
Reserve for wholesaler fees	**(2)**	117	914		(670)	361
Reserve for returns	**(2)**	212	242		(25)	429
Rebates	**(2)**	9	103		(2)	110
For the year ended December 31, 2014						
Allowance for chargebacks	**(1)**		202		(12)	190
Allowance for cash discounts	**(1)**		18		(4)	14
Sales offers	**(2)**					
Reserve for wholesaler fees	**(2)**		122		(5)	117
Reserve for returns	**(2)**		212			212
Rebates	**(2)**		9			9

(1) Shown as a reduction of accounts receivable and gross sales or deferred sales as indicated in column heading.

(2) Shown as accrued expenses and a reduction of gross sales.

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Exhibit index

Exhibit index

Exhibit number	Description of exhibit
3.1	Fourth Amended and Restated Certificate of Incorporation of the Registrant, as amended and currently in effect (Filed as an Exhibit to the Registrant's quarterly report on Form 10-Q (001-37508), filed with the SEC on September 4, 2015, incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant, as amended and currently in effect (Filed as an Exhibit to the Registrant's quarterly report on Form 10-Q (001-37508), filed with the SEC on September 4, 2015, incorporated herein by reference).
4.1	Form of common stock certificate (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
4.2	Form of warrant to purchase common stock (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.1	Amended and Restated Investors' Rights Agreement, dated as of June 9, 2015 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.2	Amendment and Waiver, dated as of February 5, 2016, amending the Amended and Restated Investors' Rights Agreement of the Registrant (Filed as an Exhibit to the Registrant's annual report on Form 10-K (001-37508), filed with the SEC on March 18, 2016, incorporated herein by reference).
10.3+	Neos Therapeutics, Inc. 2009 Equity Plan (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.4+	Form of option agreements under 2009 Equity Plan (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.5+	Neos Therapeutics, Inc. 2015 Stock Option and Incentive Plan and forms of option agreements thereunder (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
10.6+	Senior Executive Cash Incentive Bonus Plan (Filed as an Exhibit to the Registrant's quarterly report on Form 10-Q (001-37508), filed with the SEC on November 13, 2015, incorporated herein by reference).
10.7+	Form of Indemnification Agreement between the Registrant and each of its executive officers and directors (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
10.8	Third Amended and Restated Subordinated Promissory Note, dated as of December 31, 2013, issued to Essex Capital Corporation, as amended (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).

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Exhibit number	Description of exhibit
10.9	Loan and Security Agreement, by and between the Registrant, Hercules Technology III, L.P. and Hercules Technology Growth Capital, Inc., in its capacity as administrative agent for itself and Hercules Technology III, L.P. dated as of March 28, 2014, as amended (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.10	Settlement Agreement, by and between the Registrant and Shire LLC, dated as of July 23, 2014 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.11	License Agreement, by and between the Registrant and Shire LLC, dated as of July 23, 2014 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.12	Commercial Lease Agreement, by and between Riverside Business Green, L.P., and Neos Therapeutics, LP, dated as of June 29, 1999, as amended (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.13	Supply Agreement, by and between the Registrant and Coating Place, Inc., dated as of August 28, 2014 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 26, 2015, incorporated herein by reference).
10.14	Asset Purchase Agreement, by and between the Registrant and Cornerstone BioPharma, Inc., dated as of August 28, 2014 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
10.15+	Amended and Restated Employment Agreement, by and between the Registrant and Vipin Garg, dated as of July 10, 2015 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
10.16+	Amended and Restated Employment Agreement, by and between the Registrant and Richard Eisenstadt, dated as of July 10, 2015 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
10.17+	Amended and Restated Employment Agreement, by and between the Registrant and Thomas McDonnell, dated as of July 10, 2015 (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on July 13, 2015, incorporated herein by reference).
21.1	Subsidiaries of the Registrant (Filed as an Exhibit to the Registrant's registration statement on Form S-1 (333-205106), filed with the SEC on June 19, 2015, incorporated herein by reference).
23.1*	Consent of RSM US LLP.
24.1*	Power of Attorney (included on signature page).
31.1*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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Exhibit number	Description of exhibit
32.1**	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Link Document.

*
Filed herewith.

**
The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Annual Report on Form 10-K and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Securities Act of 1934, as amended, except to the extent that the Registrant specifically incorporates it by reference.

Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been submitted separately to the SEC.

+
Indicates a management contract or compensatory plan.