DOVER MOTORSPORTS INC
Form 10-K
March 13, 2006
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United States

Securities and Exchange Commission

Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2005

Commission file number 1-11929

Dover Motorsports, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**51-0357525**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**

1131 North DuPont Highway, Dover, Delaware 19901

(Address of principal executive offices)

(302) 674-4600

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, $.10 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the

Act. Yes ¨ No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

The aggregate market value of common stock held by non-affiliates of the registrant was $88,958,568 as of June 30, 2005 (the last day of our most recently completed second quarter).

As of February 28, 2006, the number of shares of each class of the registrant s common stock outstanding is as follows:

Common Stock -	16,411,377 shares
Class A Common Stock -	19,918,225 shares

Documents Incorporated by Reference

Portions of the registrant s Proxy Statement in connection with the Annual Meeting of Stockholders to be held April 26, 2006 are incorporated by reference into Part III, Items 10 through 14 of this report.

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Part I

References in this document to the Company, we, us, and our mean Dover Motorsports, Inc. and its wholly owned subsidiaries.

Item 1. Business

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Its motorsports subsidiaries operate four motorsports tracks in three states and the Company promoted 15 major events during 2005 under the auspices of three of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing (NASCAR), the Indy Racing League (IRL) and the National Hot Rod Association (NHRA). The Company owns and operates Dover International Speedway in Dover, Delaware; Gateway International Raceway near St. Louis, Missouri; Memphis Motorsports Park in Memphis, Tennessee; and Nashville Superspeedway near Nashville, Tennessee.

In 2005, the Company promoted the following major events:

2 NASCAR NEXTEL Cup Series events;

6 NASCAR Busch Series, Grand National Division events;

4 NASCAR Craftsman Truck Series events;

1 IRL Indy Car Series event; and

2 NHRA national events.

The Company generates revenues primarily from the following sources:

ticket sales;

rights fees obtained for television and radio broadcasts of the Company s events and ancillary rights fees;

sponsorship payments;

luxury suite rentals;

hospitality tent rentals and catering;

concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; and

track rentals and other event-related revenues.

Dover Downs, Inc. was incorporated in 1967 and began motorsports and harness horse racing operations in 1969. As a result of several restructurings, Dover Downs, Inc. became a wholly owned subsidiary of the Company and transferred all of its motorsports operations to another wholly owned subsidiary, Dover International Speedway, Inc. Consequently, Dover Downs, Inc. became the operating entity for what previously comprised our gaming operations.

Effective March 31, 2002, the Company completed the tax-free spin-off of Dover Downs, Inc., its gaming business, by contributing 100% of the issued and outstanding common stock of Dover Downs, Inc. to Dover Downs Gaming & Entertainment, Inc. (Gaming), a newly formed wholly owned subsidiary of the Company. On the effective date of the spin-off, the Company distributed all of the capital stock of Gaming to the Company s stockholders on a pro-rata basis. The Company s continuing operations subsequent to the spin-off consist solely of its motorsports activities.

On June 10, 2005, the Company completed the sale of substantially all of the assets used by its wholly owned subsidiary Midwest Racing, Inc. formerly known as Grand Prix Association of Long Beach, Inc. (Midwest Racing) for $15,132,000, net of transaction costs, resulting in a pre-tax gain on the sale of $5,143,000. These assets were used to promote Midwest Racing s temporary circuit motorsports events and in its grandstand rental business. In accordance with Financial Accounting Standards Board (FASB) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the results of operations for all of Midwest Racing s temporary circuit motorsports events and its grandstand rental business are reported as a discontinued operation and accordingly, the accompanying consolidated financial statements have been reclassified to report separately the assets, liabilities and operating results of this discontinued operation.

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As a result of the sale, the Company no longer promotes temporary circuit motorsports events and is no longer in the grandstand rental business.

Dover International Speedway

The Company has promoted NASCAR-sanctioned racing events for 37 consecutive years at Dover International Speedway and currently promotes five major NASCAR-sanctioned events at the facility annually. Two races are in the NASCAR NEXTEL Cup Series professional stock car racing circuit, two races are in the NASCAR Busch Series racing circuit and one race is in the Craftsman Truck Series racing circuit.

Each of the NASCAR Busch Series events and the Craftsman Truck Series event at Dover International Speedway are conducted on the days before a NASCAR NEXTEL Cup Series event. Dover International Speedway is one of only eight speedways in North America that presents two NASCAR NEXTEL Cup Series events and two NASCAR Busch Series events each year. Additionally, the Company is one of only eight tracks to host three major NASCAR events at one facility on the same weekend. The June and September dates have historically allowed Dover International Speedway to hold the first and last NASCAR NEXTEL Cup Series events in the Maryland to Maine region each year. Our September event is the second of ten races in the Race for the NEXTEL Cup which determines the NASCAR NEXTEL Cup Series champion for the racing season.

Dover International Speedway is a high-banked, one-mile, concrete superspeedway with a seating capacity of approximately 140,000. Unlike some superspeedways, substantially all grandstand and skybox seats offer an unobstructed view of the entire track. The concrete racing surface makes Dover International Speedway the only concrete superspeedway (one mile or greater in length) that conducts NASCAR NEXTEL Cup Series events. The superspeedway facility also features the DuPont Monster Bridge which debuted at the June 2004 NASCAR event weekend. The climate controlled bridge spans across the width of the superspeedway at a height of 29 feet and houses 50-luxury seats, a refreshment bar and other amenities. The DuPont Monster Bridge is the only one of its kind in the motorsports industry and we have patented its design.

Gateway International Raceway

Gateway International Raceway (Gateway) promoted three major events in 2005 a NASCAR Busch Series event, a NASCAR Craftsman Truck Series event and an NHRA national event. The facility also hosts a number of regional and national touring events, as well as weekly events on its drag strip and road course.

The auto racing facility includes a 1.25-mile paved oval track with 55,000 permanent seats, a nationally renowned drag strip capable of seating approximately 30,000 people and a road course. The facility, which is equipped with lights for nighttime racing, is located just across the Mississippi River in Madison, Illinois, within view of the Gateway Arch in St. Louis.

Memphis Motorsports Park

Memphis Motorsports Park (Memphis) promoted three major events in 2005 a NASCAR Busch Series event, a NASCAR Craftsman Truck Series event and an NHRA national event. The facility also hosts a number of regional and national touring events, as well as weekly events on its drag strip.

The auto racing facility includes a 0.75-mile paved tri-oval track with approximately 16,000 permanent seats and a nationally renowned drag strip capable of seating approximately 25,000 people. The facility is located approximately 10 miles northeast of downtown Memphis, Tennessee.

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Nashville Superspeedway

In April 2001, we opened Nashville Superspeedway a motorsports complex approximately 30 miles from downtown Nashville in Wilson County, Tennessee. The 1.33-mile concrete superspeedway has 25,000 permanent grandstand seats with an infrastructure in place to expand to 150,000 seats as demand requires. Additionally, the first phase of construction included lights at the superspeedway to allow for nighttime racing and the foundation work for a dirt track, short track and drag strip, which may be completed in the future. Nashville Superspeedway promoted two NASCAR Busch Series events, a NASCAR Craftsman Truck Series event, an IRL event and other regional and national touring events during the 2005 season.

Competition

The Company s racing events compete with other racing events sanctioned by various racing bodies and with other sports and recreational events scheduled on the same dates. Racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences, among other things, differentiate the motorsports facilities.

Seasonality

The Company derives a substantial portion of its total revenues from admissions, television broadcast rights and other event-related revenue attributable to its major motorsports events held from April through October. As a result, the Company s business is highly seasonal.

Employees

As of December 31, 2005, the Company had approximately 125 full-time employees and 14 part-time employees. We engage temporary personnel to assist during our motorsports racing season, many of whom are volunteers. We believe that we enjoy a good relationship with our employees.

Available Information

We file annual, quarterly and current reports, information statements and other information with the United States Securities and Exchange Commission (the SEC). The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of that site is http://www.sec.gov.

Internet Address

We maintain a website where additional information concerning our business and various upcoming events can be found. The address of our Internet website is http://www.dovermotorsports.com. We provide a link on our website, under Investor Relations, to our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports.

Agreements with NASCAR

Dover International Speedway, Inc. has entered into two Sanction Agreements with NASCAR pursuant to which Speedway will organize and promote two NASCAR NEXTEL Cup Series competitions in 2006. Our business is substantially dependent on these two agreements.

Sanction agreements are entered into with NASCAR on an annual basis. Pursuant to the typical NASCAR sanction agreement, NASCAR grants its sanction to a promoter, such as Dover International Speedway, to organize, promote and hold a particular competition. The promoter sells tickets to the competition, sells or arranges for the

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sale of merchandise and concessions, and sells advertising, sponsorships and hospitality services. NASCAR conducts the competition, arranges for the drivers, and has sole control over the competition, including the right to require alterations to the promoter s facility and the right to approve or disapprove any advertising or sponsorship of the promoter. NASCAR also has exclusive rights to exploit live broadcast and certain broadcast and intellectual property rights related to the competition, and exclusive rights to sponsorship and promotional rights relative to the series to which a particular competition belongs. The promoter must pay the sanction fee and purse monies and receives a share of the live broadcast revenue contracted for by NASCAR. The promoter is responsible for the condition of the facility, for compliance with laws, for control of the public, for fire and medical equipment and personnel, for security, for insurance and for providing facilities and services required by NASCAR officials and the live broadcast personnel.

Concurrently with the execution by Dover International Speedway of the two NASCAR NEXTEL Cup Series Sanction Agreements, various other subsidiaries of the registrant entered into sanction agreements with NASCAR for the 2006 season. These and other sanction agreements are made in the ordinary course of our business. The following is a listing of sanction agreements that we have with NASCAR for 2006:

Subsidiary	Event Title	Event Date
Dover International Speedway, Inc.	NASCAR NEXTEL Cup Series	June 4, 2006
	NASCAR Busch Series	June 3, 2006
	NASCAR Craftsman Truck Series	June 2, 2006
	NASCAR NEXTEL Cup Series	September 24, 2006
	NASCAR Busch Series	September 23, 2006
Nashville Speedway, USA, Inc.	NASCAR Busch Series	April 15, 2006
	NASCAR Busch Series	June 10, 2006
	NASCAR Craftsman Truck Series	August 12, 2006
Memphis International Motorsports Corporation	NASCAR Busch Series	October 28, 2006
	NASCAR Craftsman Truck Series	July 15, 2006
Gateway International Motorsports Corporation	NASCAR Busch Series	July 29, 2006
	NASCAR Craftsman Truck Series	April 29, 2006

Sanction agreements are entered into with NASCAR on an annual basis. The economic terms of the two sanction agreements between NASCAR and Dover International Speedway relative to its 2006 NASCAR NEXTEL Cup Series competitions are as follows: Total purse and sanction fee to be paid by Dover International Speedway $6,278,635 for the June event and $5,577,943 for the September event. Estimated live broadcast revenue to be received by Dover International Speedway $13,419,421 for the June event and $11,114,125 for the September event. Live broadcast revenue figures are based on the assumption that all events on the 2006 NASCAR NEXTEL Cup Series schedule take place and that all promoters will be entitled to their respective percentage allocations as set by NASCAR.

Item 1A. Risk Factors

Disclosure regarding the most significant factors that may adversely affect our business, operations, industry or financial position or our future financial performance is set forth under the section entitled, Factors That May Affect Operating Results; Forward-Looking Statements, beginning on page 15.

Item 1B. Unresolved Staff Comments

We have not received any written comments that were issued more than 180 days before December 31, 2005, the end of the fiscal year covered by this report, from the SEC staff regarding our periodic or current reports under the Securities Exchange Act of 1934 that remain unresolved.

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Item 2. Properties

Dover International Speedway

Dover International Speedway is located in Dover, Delaware, on approximately 770 acres of land owned by the Company. Use by Gaming of the Company s 5/8-mile harness racing track is under an easement granted by the Company which does not require the payment of any rent. Under the terms of the easement, Gaming has exclusive use of the harness track during the period beginning November 1 of each year and ending April 30 of the following year, together with set up and tear down rights for the two weeks before and after such period. The harness track is located on property owned by the Company and is on the inside of its one-mile motorsports superspeedway. Gaming s indoor grandstands are used by the Company at no charge in connection with its motorsports events. The Company also leases its principal executive office space from Gaming. Various easements and agreements relative to access, utilities and parking have also been entered into between the Company and Gaming relative to their respective Dover, Delaware facilities.

Gateway International Raceway

Gateway International Raceway is located on approximately 350 acres of land in Madison, Illinois, five miles from the Gateway Arch in St. Louis. The Company owns approximately 130 acres and has three long-term leases with purchase options (expiring in 2011, 2025 and 2070) for approximately 200 additional acres. The Company is also a party to a ten-year lease (with four five-year renewals) for 20 acres for the purpose of providing overflow parking for major events on a neighboring golf course. The Company has granted a first mortgage lien on all the real property owned and a security interest in all property leased by the Company at Gateway to Southwestern Illinois Development Authority (SWIDA) as security for the repayment of principal and interest on its remaining $5.8 million loan from SWIDA.

Memphis Motorsports Park

Memphis Motorsports Park is located on approximately 350 acres of land owned by the Company approximately ten miles northeast of downtown Memphis, Tennessee. The facility is encumbered by a first trust deed to First Tennessee Bank for the purpose of securing a stand-by letter of credit issued by First Tennessee Bank to Gateway International Motorsports Corporation to satisfy its debt service reserve fund obligation to SWIDA.

Nashville Superspeedway

Nashville Superspeedway is located on approximately 1,465 acres of land owned by the Company in Wilson County and Rutherford County, Tennessee.

Item 3. Legal Proceedings

The Company is a party to ordinary routine litigation incidental to its business. Management does not believe that the resolution of any of these matters is likely to have a serious adverse effect on our results of operations, financial condition or cash flows.

Item 4. Submission Of Matters To A Vote Of Security Holders

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

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Part II

Item 5. Market For Registrant s Common Equity, Related Stockholder Matters And Issuer Purchases Of Equity Securities

The Company s common stock is listed on the New York Stock Exchange under the ticker symbol DVD. The Company s Class A common stock is not publicly traded but is freely convertible on a one-for-one basis into common stock at any time at the option of the holder thereof. As of February 28, 2006, there were 16,411,377 shares of common stock and 19,918,225 shares of Class A common stock outstanding. There were 1,171 holders of record for common stock and 15 holders of record for Class A common stock.

The high and low sales prices for the Company s common stock on the New York Stock Exchange and the dividends declared per share for the years ended December 31, 2005 and 2004 are detailed in the following table:

Quarter Ended:	High	Low	Dividends Declared
December 31, 2005	$ 6.86	$ 5.85	$ 0.015
September 30, 2005	$ 7.14	$ 5.67	$ 0.015
June 30, 2005	$ 6.40	$ 4.45	$ 0.010
March 31, 2005	$ 6.11	$ 4.84	$ 0.010
December 31, 2004	$ 6.10	$ 4.16	$ 0.010
September 30, 2004	$ 4.76	$ 3.83	$ 0.010
June 30, 2004	$ 5.53	$ 3.84	$ 0.010
March 31, 2004	$ 4.23	$ 3.51	$ 0.010

Our revolving credit agreement allows us to pay dividends in the ordinary course of business consistent with past practices as long as we are not in default under the agreement.

Equity Compensation Plan Information

The Company has a 1996 stock option plan (the 1996 Plan) which provided for the grant of stock options to its officers and key employees. The Company s Board of Directors has frozen the 1996 Plan and no additional option grants may be made under the 1996 Plan. The Company has a 2004 stock incentive plan (the 2004 Plan) which provides for the grant of up to 1,500,000 shares of common stock to our officers and key employees through stock options and/or awards valued in whole or in part by reference to our common stock, such as restricted stock awards. Refer to NOTE 10 Stockholders Equity of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

Securities authorized for issuance under equity compensation plans at December 31, 2005 are as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	917,087	$ 5.72	1,282,000
Equity compensation plans not approved by security holders			

Total	917,087	$	5.72	1,282,000

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On July 28, 2004, the Company s Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company s outstanding common stock. The purchases may be made in the open market or in privately negotiated transactions as conditions warrant. The repurchase authorization does not obligate the Company to acquire any specific number of shares and may be suspended at any time. As of December 31, 2005, there have been no repurchases of outstanding common stock pursuant to the authorization.

On August 10, 2005, the Company commenced a tender offer to purchase up to 1,706,543 shares of its common stock and up to 2,323,019 shares of its Class A common stock at a fixed price of $7.00 per share. The offer expired on September 8, 2005. The Company purchased 1,706,543 shares of its common stock and 2,311,960 shares of its Class A common stock for $28,562,000, including expenses, in connection with the tender offer.

Item 6. Selected Financial Data

The following table summarizes certain selected historical financial data and should be read in conjunction with management s discussion and analysis of financial condition and results of operations and the consolidated financial statements and the notes thereto included elsewhere in this Annual Report on Form 10-K. The historical financial information presented below is not necessarily indicative of the results of operations or financial position that the Company would have reported if it had operated exclusive of its discontinued gaming operation during the years ended December 31, 2002 and 2001.

Five Year Selected Financial Data

	Years Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Consolidated Statement of Earnings Data (in thousands, except per share data):					
Revenues	$ 90,999	$ 84,188	$ 77,544	$ 76,106	$ 72,978
Expenses:					
Operating and marketing	52,793	50,164	48,177	45,749	41,078
Impairment charges [(a)]			743		
General and administrative	13,697	13,585	12,099	12,574	9,372
Depreciation and amortization	9,433	9,198	9,140	9,042	8,213
	75,923	72,947	70,159	67,365	58,663
Operating earnings	15,076	11,241	7,385	8,741	14,315
Interest expense, net	3,515	3,427	5,088	4,507	1,386
Loss on extinguishment of debt [(b)]	3,174				
Earnings from continuing operations before income tax provision	8,387	7,814	2,297	4,234	12,929
Income taxes	4,412	4,047	2,273	1,831	5,561
Earnings from continuing operations	$ 3,975	$ 3,767	$ 24	$ 2,403	$ 7,368
Earnings per common share from continuing operations:					
Basic	$ 0.10	$ 0.09	$	$ 0.06	$ 0.19
Diluted	$ 0.10	$ 0.09	$	$ 0.06	$ 0.19
Dividends declared	$ 0.05	$ 0.04	$ 0.04	$ 0.06	$ 0.18

	December 31,				
	2005	2004	2003	2002	2001
Consolidated Balance Sheet Data (in thousands):					
Working capital deficit	$ (11,973)	$ (12,533)	$ (5,565)	$ (5,377)	$ (113,968)
Property and equipment, net	221,005	220,949	225,236	233,686	240,057
Total assets	233,426	248,250	260,815	291,806	419,572
Long-term debt, less current portion	54,003	44,684	61,532	70,744	19,905
Total stockholders equity[(c)]	113,277	138,466	137,372	160,533	244,519

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(a) The Company recorded an impairment charge of $743,000 in the fourth quarter of 2003 related to the impairment of long-lived assets.

(b) On October 6, 2005, the Company s wholly owned subsidiary, Midwest Racing, redeemed $11,908,000 of the outstanding SWIDA loan for $14,587,000 (including a $2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off $495,000 of deferred bond costs as a result of the redemption. Immediately after the redemption, $5,778,000 of the SWIDA loan remained outstanding.

(c) On August 10, 2005, the Company commenced a tender offer to purchase up to 1,706,543 shares of its common stock and up to 2,323,019 shares of its Class A common stock at a fixed price of $7.00 per share. The offer expired on September 8, 2005. The Company purchased 1,706,543 shares of its common stock and 2,311,960 shares of its Class A common stock for $28,562,000, including expenses, in connection with the tender offer.

Effective March 31, 2002, the Company completed the tax-free spin-off of Dover Downs, Inc., its gaming business, by contributing 100% of the issued and outstanding common stock of Dover Downs, Inc. to Gaming, a newly formed wholly owned subsidiary of the Company. On the effective date of the spin-off, the Company distributed all of the capital stock of Gaming to the Company s stockholders on a pro-rata basis.

Item 7. Management s Discussion And Analysis Of Financial Condition And Results Of Operation

The following discussion is based upon and should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

The Company classifies its revenues as admissions, event-related, broadcasting and other. Admissions includes ticket sales for all Company events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at the Company s speedways and ancillary rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which the Company receives advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force (EITF) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for $1,438,000, $1,323,000 and $1,311,000 of total revenues for the years ended December 31, 2005, 2004 and 2003, respectively.

Expenses that are not directly related to a specific event are recorded as incurred. Expenses that specifically relate to an event are deferred until the event is held, at which time they are expensed. Our expenses include prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, labor, advertising, cost of goods sold for merchandise and souvenirs, and other expenses associated with the promotion of our racing events.

Results of Operations

Year Ended December 31, 2005 vs. Year Ended December 31, 2004

Admissions revenue was $37,195,000 in 2005 as compared to $34,624,000 in 2004. The Company promoted fifteen major events during 2005 and 2004. The $2,571,000 increase resulted from higher admissions revenue at twelve of the fifteen major events promoted by the Company in 2005 as compared to 2004, primarily due to an increase in attendance.

Event-related revenue was $27,061,000 in 2005 as compared to $27,263,000 in 2004. The $202,000 decrease was primarily due to a decrease in hospitality revenue at most of the NASCAR sanctioned events promoted by the Company in 2005 as compared to 2004 because fewer corporate customers purchased hospitality packages in 2005.

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Broadcasting revenue was $26,267,000 in 2005 as compared to $22,220,000 in 2004. The increase resulted from higher television broadcasting rights related to the Company s NASCAR sanctioned events promoted during 2005. Pursuant to the terms of the Company s sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup Series or NASCAR Busch Series event as a component of its sanction fees and remits the remaining 90% to the event promoter, which the Company records as revenue.

Other revenue was $476,000 in 2005 as compared to $81,000 in 2004. The increase resulted from revenues related to the rental of the Company s aircraft and from the rental of its Gateway facility for parking area.

Operating and marketing expenses increased by $2,629,000, or 5.2%, in 2005 as compared to 2004. The increase primarily related to higher operating and marketing expenses at the Company s major motorsports events, most notably a $1,456,000 increase in contractually specified sanction fees and purse expenses and a $390,000 increase in advertising and promotion expenses due to an increase in the amount of advertising utilized by the Company.

General and administrative expenses increased $112,000 from $13,585,000 in 2004 to $13,697,000 in 2005. The increase was primarily due to higher wages and fringe benefit costs (including stock-based compensation) and pension costs. General and administrative expenses in 2004 included $267,000 for a legal claim.

Depreciation and amortization expense increased $235,000 from $9,198,000 in 2004 to $9,433,000 in 2005, primarily due to assets being placed in service related to the installation of Steel and Foam Energy Reduction System (SAFER) barriers at all of our facilities.

Net interest expense was $3,515,000 in 2005 as compared to $3,427,000 in 2004. In May 2004 the Company received $481,000 of interest from the Internal Revenue Service related to an income tax refund for prior years. During 2005, the Company s average outstanding borrowings on its credit facilities decreased and it reversed $128,000 of interest that was accrued in 2004 related to a judgment that was settled in 2005 for less than originally anticipated.

On October 6, 2005, the Company s wholly owned subsidiary, Midwest Racing, redeemed $11,908,000 of the outstanding SWIDA loan for $14,587,000 (including a $2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off $495,000 of deferred bond costs as a result of the redemption. The redemption resulted in a loss on extinguishment of debt of $3,174,000. The Company believes that excluding the impact of this item will enhance comparative analysis of its results. The following table reconciles and compares results reported in accordance with Generally Accepted Accounting Principles (GAAP) for 2005 and 2004 with results excluding the impact of the loss on extinguishment of debt:

	2005	2004
GAAP earnings from continuing operations before income taxes	$ 8,387,000	$ 7,814,000
Loss on extinguishment of debt	3,174,000	
Adjusted earnings from continuing operations before income taxes	$ 11,561,000	$ 7,814,000
GAAP earnings from continuing operations	$ 3,975,000	$ 3,767,000
Loss on extinguishment of debt, net of income tax benefit of $1,400,000	1,774,000	
Adjusted earnings from continuing operations	$ 5,749,000	$ 3,767,000
GAAP earnings from continuing operations per common share-diluted	$ 0.10	$ 0.09
Loss on extinguishment of debt, net of income tax benefit of $0.03	0.05	
Adjusted earnings from continuing operations per common share-diluted	$ 0.15	$ 0.09

Excluding the loss on extinguishment of debt, adjusted earnings from continuing operations before income taxes increased $3,747,000, or 48.0%, to $11,561,000 in 2005 as compared to $7,814,000 in 2004, and adjusted earnings from continuing operations increased $1,982,000, or 52.6%, to $5,749,000 in 2005 as compared to $3,767,000 in 2004. The increase was due mainly to an improvement in operating results for twelve of the fifteen major events promoted by the Company during 2005, partially offset by the increase in general and administrative expense and depreciation expense.

The Company s effective income tax rates related to continuing operations remained relatively similar for 2005 and 2004 at 52.6% and 51.8%, respectively.

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Year Ended December 31, 2004 vs. Year Ended December 31, 2003

Admissions revenue was $34,624,000 in 2004 as compared to $33,273,000 in 2003. The $1,351,000 increase resulted from higher admissions revenue at thirteen of the fifteen major events promoted by the Company in 2004 as compared to 2003, primarily from an increase in attendance.

Event-related revenue was $27,263,000 in 2004 as compared to $24,971,000 in 2003. The $2,292,000 increase resulted from increases in event-related revenue at thirteen of the fifteen major events promoted by the Company in 2004, primarily from corporate sponsorships, hospitality tent rentals and catering and concessions sales.

Broadcasting revenue was $22,220,000 in 2004 as compared to $18,250,000 in 2003. The $3,970,000 increase resulted primarily from an increase in television broadcasting rights related to the Company s June and September NASCAR event weekends at Dover International Speedway.

Other revenue was $81,000 in 2004 as compared to $1,050,000 in 2003. Other revenue for 2003 included $900,000 related to the settlement of a contractual dispute with a vendor.

Operating and marketing expenses increased by $1,987,000, primarily as a result of an increase in sanction fees and purse expenses at all of the Company s NASCAR-sanctioned events promoted in 2004.

General and administrative expenses increased by $1,486,000 to $13,585,000 in 2004 from $12,099,000 in 2003. Higher wages and fringe benefits, and legal, audit and consulting expenses related to the Company s compliance with the Sarbanes-Oxley Act of 2002 represented the largest increases in 2004. Additionally, general and administrative expenses for 2004 included a $267,000 judgment, which the Company appealed, relating to a subcontractor s claim that arose during the construction of the Company s Nashville facility in 2000. The year ended December 31, 2003 included $355,000 related to the settlement of a legal claim at Gateway International Raceway.

Depreciation and amortization expense remained similar between 2004 and 2003 at $9,198,000 and $9,140,000, respectively.

Net interest expense decreased by $1,661,000, primarily as a result of the decrease in the outstanding borrowings on the Company s credit facility in 2004 as compared to 2003 and the receipt in May 2004 of $481,000 of interest from the Internal Revenue Service related to an income tax refund for prior years. Interest expense in 2004 included $115,000 for interest related to the judgment discussed above.

The Company reported earnings from continuing operations before income taxes of $7,814,000 in 2004 as compared to $2,297,000 in 2003. The $5,517,000 increase was due mainly to an improvement in operating results for fourteen of the fifteen major events promoted by the Company in 2004 and the decrease in net interest expense, partially offset by the $900,000 settlement of a contractor dispute that increased earnings in 2003 and the increase in general and administrative expenses.

The Company s effective income tax rates for 2004 and 2003 were 51.8% and 99.0%, respectively. In 2003, the rate was affected by state income tax expense attributable to valuation allowances established on state net operating losses.

Liquidity and Capital Resources

Net cash provided by operating activities of continuing operations was $18,854,000 in 2005 as compared to $17,579,000 in 2004. The increase was primarily due to an increase in earnings from continuing operations from $3,767,000 in 2004 to $3,975,000 in 2005, and the timing of invoicing to and receipts from customers.

Net cash provided by investing activities of continuing operations was $6,828,000 in 2005 as compared to net cash used in investing activities of $4,964,000 in 2004. Capital expenditures were $8,675,000 in 2005, up from $4,826,000 in 2004, and related primarily to the purchase of property adjacent to our Dover facility for $6,000,000 and the installation of SAFER barriers at the Company s tracks. Proceeds from the sale of assets of our Midwest Racing subsidiary, net of transaction costs, were $15,132,000 in 2005.

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Net cash used in financing activities of continuing operations was $23,215,000 in 2005 as compared to $18,411,000 in 2004. The increase in net cash used in financing activities of continuing operations in 2005 was primarily due to the use of proceeds from the sale of assets to repay outstanding debt and the repurchase of 4,018,503 shares of the Company s outstanding common and Class A common stock for $28,562,000, including expenses, during 2005. On August 10, 2005, the Company commenced a tender offer to purchase up to 1,706,543 shares of its common stock and up to 2,323,019 shares of its Class A common stock at a fixed price of $7.00 per share. The offer expired on September 8, 2005. The Company purchased 1,706,543 shares of its common stock and 2,311,960 shares of its Class A common stock in connection with the tender offer. The Company paid $1,957,000 in regular quarterly cash dividends in 2005 as compared to $1,605,000 in, 2004.

On January 25, 2006, the Company s Board of Directors declared a quarterly cash dividend on both classes of common stock of $0.015 per share. The dividend was paid on March 10, 2006 to shareholders of record at the close of business on February 10, 2006.

At December 31, 2005, the Company and all of its wholly owned subsidiaries, as co-borrowers, are parties to an $80,000,000 unsecured revolving credit agreement, as amended effective October 12, 2005, with a bank group that expires July 1, 2008. Provisions of the credit agreement adjust the commitment to $73,000,000 on July 1, 2006 and to $65,000,000 on July 1, 2007. The facility provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at the Company s option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio) or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The credit facility also provides that a default by the Company or any of its wholly owned subsidiaries under any other loan agreement would constitute a default under this credit facility. At December 31, 2005, the Company was in compliance with the terms of the facility. Material adverse changes in the Company s results of operations could impact its ability to maintain financial ratios necessary to satisfy these requirements. There was $49,100,000 outstanding under the facility at December 31, 2005, at a weighted average interest rate of 6.2%. After consideration of stand-by letters of credit outstanding, borrowings of $6,498,000 were available pursuant to the facility at December 31, 2005. Based on operating results to date and projected future results, the Company is expected to be in compliance with all of the covenants for all measurement periods over the next twelve months.

Effective October 21, 2005, the Company entered into an interest rate swap agreement that effectively converts $37,500,000 of its variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes. The notional amount of the swap agreement decreases to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007 and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, the Company will pay a fixed interest rate of 4.74%. In return, the issuing lender will refund to the Company the variable-rate interest paid to the bank group under its revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio.

Cash provided by operating activities, less maintenance of a dividend, if any, is expected to generate between $15,000,000-$17,000,000 in excess cash in 2006. Based on current business conditions, the Company expects to make capital expenditures of approximately $6,000,000 during 2006. These expenditures primarily relate to the construction of new luxury skybox suites and renovations to existing skybox suites at the Dover facility and other fan amenities. Additionally, the Company expects to contribute $1,000,000 to its pension plans in 2006. We expect continued cash flows from operating activities and funds available from our credit agreement to provide for our working capital needs and capital spending requirements at least through the next twelve months, as well as any cash dividends our Board of Directors may declare, and also provide for our long-term liquidity.

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Contractual Obligations

At December 31, 2005, the Company had the following contractual obligations and other commercial commitments:

		Payments Due by Period				
	Total	2006	2007 2008	2009 2010	Thereafter
Notes payable to banks	$ 49,100,000	$	$ 49,100,000	$	$
SWIDA bonds	7,821,000	1,363,000	1,504,000	2,931,000	2,023,000
Total debt	56,921,000	1,363,000	50,604,000	2,931,000	2,023,000
Operating leases	5,200,000	364,000	479,000	354,000	4,003,000
Total contractual cash obligations	$ 62,121,000	$ 1,727,000	$ 51,083,000	$ 3,285,000	$ 6,026,000

We have an $80,000,000 revolving line of credit agreement. At December 31, 2005, $49,100,000 was outstanding under the facility. After consideration of stand-by letters of credit outstanding, borrowings of $6,498,000 were available pursuant to the facility at December 31, 2005.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, Series 1999, to acquire, construct and develop certain public infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $24,000,000 was outstanding at December 31, 2005. Principal payments range from $500,000 in September 2006 to $1,600,000 in 2029 and are payable solely from sales taxes and incremental property taxes generated from the facility. These bonds are direct obligations of the Sports Authority and are therefore not recorded on the Company s consolidated balance sheet. If the sales taxes and incremental property taxes are insufficient for the payment of principal and interest on the bonds, the Company would become responsible for the difference. In the event the Company was unable to make the payments, they would be made pursuant to a $24,402,000 irrevocable direct-pay letter of credit issued by the existing bank group.

The Company believes that the sales taxes and incremental property taxes generated from the facility will continue to satisfy the necessary debt service requirements of the bonds. As of December 31, 2005 and 2004, $734,000 and $936,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2005, $1,538,000 was paid by the Company into the sales and incremental property tax fund and $1,740,000 was deducted from the fund for principal and interest payments and to reimburse the Company for fees associated with maintaining the letter of credit. If the debt service is not satisfied from the sales and incremental property taxes generated from the facility, the bonds would become a liability of the Company. If we fail to maintain the letter of credit that secures the bonds or we allow an uncured event of default to exist under our reimbursement agreement relative to the letter of credit, the bonds would be immediately redeemable.

In 1996, the Company s wholly owned subsidiary, Midwest Racing, entered into an agreement with SWIDA to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $5,778,000 was outstanding at December 31, 2005. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway, and the proceeds of the SWIDA loan were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA loan.

The Company has established certain restricted cash funds to meet debt service as required by the SWIDA loan, which are held by the trustee (BNY Trust Company of Missouri). At December 31, 2005, $3,200,000 of the Company s cash balance was restricted by the SWIDA loan and is appropriately classified as a non-current asset in the accompanying consolidated balance sheet. The SWIDA loan is secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA loan is unconditionally guaranteed by Midwest Racing. The SWIDA loan bears interest at varying rates ranging from 8.75% to 9.25% with an effective rate of approximately 9%. Interest expense related to the SWIDA loan was $1,447,000, $1,696,000 and $1,761,000 for the years ended December 31, 2005, 2004 and 2003, respectively. On October 6, 2005, Midwest Racing redeemed

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$11,908,000 of the outstanding SWIDA loan for $14,587,000 (including a $2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off $495,000 of deferred bond costs as a result of the redemption. The redemption resulted in a loss on extinguishment of debt of $3,174,000. The loan is being amortized through February 2014. A stand-by letter of credit for $1,467,000, which is secured by a trust deed on the Company s facilities in Memphis, Tennessee, also was obtained to satisfy debt service reserve fund obligations. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest.

Related Party Transactions

See NOTE 12 Related Party Transactions of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a full description of related party transactions.

Critical Accounting Policies

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements. These policies include significant estimates made by management using information available at the time the estimates are made. However, as described below, these estimates could change materially if different information or assumptions were used.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. Currently, the Company maintains a valuation allowance, which increased by $1,350,000 in 2005 to $3,721,000, on deferred tax assets related to certain state net operating loss carry-forwards. The Company has considered ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance. In the event the Company were to determine that it would be able to realize all or a portion of these deferred tax assets, an adjustment to the valuation allowance would increase earnings in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or a portion of its remaining deferred tax assets in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination was made.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided for financial reporting purposes using the straight-line method over estimated useful lives ranging from 5 to 10 years for furniture, fixtures and equipment and up to 40 years for facilities. These estimates require assumptions that are believed to be reasonable. The Company performs reviews for impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its fair value. Generally, fair value will be determined using valuation techniques such as the present value of future cash flows.

Recent Accounting Pronouncements

See NOTE 3 Summary of Significant Accounting Policies of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a full description of recent accounting pronouncements including the respective expected dates of adoption and effects on results of operations and financial condition.

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Factors That May Affect Operating Results; Forward-Looking Statements

In addition to historical information, this Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, relating to our financial condition, profitability, liquidity, resources, business outlook, proposed acquisitions, market forces, corporate strategies, consumer preferences, contractual commitments, legal matters, capital requirements and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. To comply with the terms of the safe harbor, we note that a variety of factors could cause our actual results and experience to differ substantially from the anticipated results or other expectations expressed in our forward-looking statements. When words and expressions such as: believes, expects, anticipates, estimates, plans, intends, objectives, goals, aims, projects, forecasts, possible, seeks, may, could, should similar words or expressions are used in this document, as well as statements containing phrases such as in our view, there can be no assurance, although no assurance can be given or there is no way to anticipate with certainty, forward-looking statements are being made.

Various risks and uncertainties may affect the operation, performance, development and results of our business and could cause future outcomes to differ materially from those set forth in our forward-looking statements, including the following factors:

- stability and viability of sanctioning bodies;
- success of or changes in our growth strategies;
- development and potential acquisition of new facilities;
- anticipated trends in the motorsports industry;
- patron demographics;
- obtaining favorable contracts relative to sponsorships, event sanctions and broadcast rights;
- relationships with sanctioning bodies, sponsors, broadcast media, drivers and teams;
- general market and economic conditions, including consumer and corporate spending sentiment;
- ability to finance future business requirements;
- the availability of adequate levels of insurance;
- ability to successfully integrate acquired companies and businesses;
- management retention and development;

changes in Federal, state and local laws and regulations, including environmental regulations;

the effect of weather conditions on outdoor event attendance;

military or other government actions;

availability of air travel; and

national or local catastrophic events.

We undertake no obligation to publicly update or revise any forward-looking statements as a result of future developments, events or conditions. New risk factors emerge from time to time and it is not possible for us to

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predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ significantly from those forecast in any forward-looking statements. Given these risks and uncertainties, stockholders should not overly rely or attach undue weight to our forward-looking statements as an indication of our actual future results.

Our Relationships With and the Success of Various Sanctioning Bodies Is Vital To Our Success In Motorsports

Our continued success in motorsports is dependent upon the success of various governing bodies of motorsports that sanction national racing events and our ability to secure favorable contracts with and maintain a good working relationship with these sanctioning bodies, including NASCAR, IRL and NHRA. Sanctioning bodies regularly issue and award sanctioned events and their issuance depends, in large part, on maintaining good working relationships with the sanctioning bodies. Many events are sanctioned on an annual basis with no contractual obligation to renew, including our agreements with NASCAR. By awarding a sanctioned event or a series of sanctioned events, the sanctioning bodies do not warrant, nor are they responsible for, the financial success of any sanctioned event. Our inability to obtain additional sanctioned events in the future and to maintain sanction agreements at current levels would likely result in lower than anticipated revenues from admissions, broadcast rights, sponsorships, hospitality, concessions and merchandise, which could have a material adverse effect on our business, financial condition and results of operations. A substantial portion of our revenues is derived from the broadcast revenues received through the arrangements that NASCAR has made with various broadcast media, many of which expire in 2014. The success of a particular sanctioning body in attracting drivers and teams, signing series sponsors and negotiating favorable television and/or radio broadcast rights is largely outside of our control. As our success depends on the success of each event or series that we are promoting, a material adverse effect on a sanctioning body, such as the loss or defection of top drivers, the loss of significant series sponsors, or the failure to obtain favorable broadcast coverage or to properly advertise the event or series could result in a reduction in our revenues from admissions, luxury suite rentals, sponsorships, hospitality, concessions and merchandise, which could have a material adverse effect on our business, financial condition and results of operations.

We Rely On Sponsorship Contracts To Generate Revenues

We receive a substantial portion of our annual revenues from sponsorship agreements, including the sponsorship of our various events and our permanent venues, such as title, official product and promotional partner sponsorships, billboards, signage and skyboxes. Loss of our title sponsors or other major sponsorship agreements or failure to secure such sponsorship agreements in the future could have a material adverse effect on our business, financial condition and results of operations.

Of the fifteen major events we have scheduled for 2006, we currently have secured title sponsors for ten events. We are in negotiations with various potential sponsors for these events, including one of our NASCAR NEXTEL Cup Series events at Dover International Speedway.

Our Motorsports Events Face Intense Competition For Attendance, Television Viewership And Sponsorship

We compete with other auto speedways for the patronage of motor racing spectators as well as for promotions and sponsorships. Moreover, racing events sanctioned by different organizations are often held on the same dates at different tracks. The quality of the competition, type of racing event, caliber of the event, sight lines, ticket pricing, location and customer conveniences, among other things, distinguish the motorsports facilities. In addition, all of our events compete with other sports and recreational events scheduled on the same dates. As a result, our revenues and operations are affected not only by our ability to compete in the motorsports promotion market, but also by the availability of alternative spectator sports events, forms of entertainment and changing consumer preferences.

The Sales Tax And Property Tax Revenues To Service The Revenue Bonds For Infrastructure Improvements At Nashville May Be Inadequate

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in revenue bonds to build local infrastructure improvements which benefit the operation of Nashville Superspeedway, of which $24,000,000 was outstanding on December 31, 2005. Debt service on the bonds is payable solely from sales taxes and incremental property taxes generated from the facility. As of December 31, 2005 and 2004, $734,000 and

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$936,000, respectively, was available in the sales and incremental property tax fund maintained by the Sports Authority to pay the remaining principal and interest due under the bonds. During the year ended December 31, 2005, $1,538,000 was paid by the Company into the sales and incremental property tax fund and $1,740,000 was deducted from the fund for principal and interest payments and to reimburse the Company for fees associated with maintaining the letter of credit. These bonds are direct obligations of the Sports Authority and are therefore not recorded on our consolidated balance sheet. In the event the sales taxes and incremental property taxes are insufficient to cover the payment of principal and interest on the bonds, the Company would become responsible for the difference. In the event the Company was unable to make the payments, they would be made under a $24,402,000 irrevocable direct-pay letter of credit issued by the existing bank group pursuant to a reimbursement and security agreement under which we have agreed to reimburse the banks for drawings made under the letter of credit. Such an event could have a material adverse effect on our business, financial condition and results of operations.

The Seasonality Of Our Motorsports Events Increases The Variability Of Quarterly Earnings

Our business has been, and is expected to remain, seasonal given that it depends on our outdoor events for a substantial portion of revenues. We derive a substantial portion of our motorsports revenues from admissions and event-related revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in June and September. This has been offset to some degree by our other motorsports events, but quarterly earnings will vary.

Our Insurance May Not Be Adequate To Cover Catastrophic Incidents

We maintain insurance policies that provide coverage within limits that are sufficient, in the opinion of management, to protect us from material financial loss incurred in the ordinary course of business. We also purchase special event insurance for motorsports events to protect against race-related liability. However, there can be no assurance that this insurance will be adequate at all times and in all circumstances. If we are held liable for damages beyond the scope of our insurance coverage, including punitive damages, our business, financial condition and results of operations could be materially and adversely affected.

Bad Weather Can Have An Adverse Financial Impact On Our Motorsports Events

We sponsor and promote outdoor motorsports events. Weather conditions affect sales of tickets, concessions and souvenirs, among other things at these events. Although we sell many tickets well in advance of the outdoor events and these tickets are issued on a non-refundable basis, poor weather conditions may adversely affect additional ticket sales and concessions and souvenir sales, which could have an adverse effect on our business, financial condition and results of operations.

We do not currently maintain weather-related insurance for major events. Due to the importance of clear visibility and safe driving conditions to motorsports racing events, outdoor racing events may be significantly affected by weather patterns and seasonal weather changes. Any unanticipated weather changes could impact our ability to stage events. This could have a material adverse effect on our business, financial condition and results of operations.

Postponement And/Or Cancellation Of Major Motorsports Events Could Adversely Affect Us

If one of our events is postponed because of weather or other reasons such as, for example, the general postponement of all major sporting events in this country following the September 11, 2001 terrorism attacks, we could incur increased expenses associated with conducting the rescheduled event, as well as possible decreased revenues from tickets, food, drinks and merchandise at the rescheduled event. If such an event is cancelled, we could incur the expenses associated with preparing to conduct the event as well as losing the revenues, including live broadcast revenues associated with the event.

If a cancelled event is part of the NASCAR NEXTEL Cup Series or NASCAR Busch Series, we could experience a reduction in the amount of money received from television revenues for all of our NASCAR-sanctioned events in the series that experienced the cancellation. This would occur if, as a result of the cancellation, and without regard to whether the cancelled event was scheduled for one of our facilities, NASCAR experienced a reduction in broadcast revenues greater than the amount scheduled to be paid to the promoter of the cancelled event.

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Item 7A. Quantitative And Qualitative Disclosures About Market Risk

The Company is exposed to financial market risk resulting from changes in interest rates. The Company does not engage in speculative or leveraged transactions, nor hold or issue financial instruments for trading purposes.

At December 31, 2005, there was $49,100,000 outstanding under the Company s revolving credit agreement. The credit agreement bears interest at the Company s option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the leverage ratio. Therefore, the Company is subject to interest rate risk on the variable component of the interest rate. Historically, the Company managed its mix of fixed and variable-rate debt by structuring the terms of its debt agreements. Effective October 21, 2005, the Company entered into a $37,500,000 interest rate swap agreement effectively converting this portion of the outstanding variable-rate borrowings under the revolving credit agreement to fixed-rate securities, thereby hedging against the impact of potential interest rate changes. Under this agreement, the Company will pay a fixed interest rate of 4.74%. In return, the issuing lender will refund to the Company the variable-rate interest paid to the bank group under its revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio. The notional amount of the swap agreement decreases to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007 and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. As of December 31, 2005, the interest rate swap had no value. An increase in interest rates of one percent would result in the interest rate swap having a value of approximately $800,000 at December 31, 2005. A change in interest rates will have no impact on the interest expense associated with the $37,500,000 of borrowings under the revolving credit agreement that are subject to the interest rate swap agreement. A change in interest rates of one percent on the outstanding borrowings under the revolving credit agreement at December 31, 2005 not subject to the interest rate swap would cause a change in total annual interest costs of $116,000. The borrowings under the Company s revolving credit agreement bear interest at the variable rate described above and therefore approximate fair value at December 31, 2005.

At December 31, 2005, the Company s long-term debt had a carrying value of $5,778,000 and an estimated fair value of $7,078,000. The fair value was determined based on recent arms-length transactions.

In September 1999, the Sports Authority of the County of Wilson (Tennessee) issued $25,900,000 in Variable Rate Tax Exempt Infrastructure Revenue Bonds, of which $24,000,000 was outstanding at December 31, 2005. These bonds are direct obligations of the Sports Authority and are therefore not recorded on the Company s consolidated balance sheet; however, the Company is exposed to market risks related to fluctuations in interest rates for these bonds. A significant change in interest rates could result in the Company being responsible for debt service payments not covered by the sales and incremental property taxes generated from the facility.

Item 8. Financial Statements And Supplementary Data

The Company s consolidated financial statements and the Report of Independent Registered Public Accounting Firm included in this report are shown on the Index to Consolidated Financial Statements on page 29.

Item 9. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure

None.

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Item 9A. Controls and Procedures

Our management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information included in this Form 10-K. The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles and reflect the effects of certain estimates and judgments made by management.

Our management also is responsible for establishing and maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are properly recorded and executed in accordance with management s authorization. The system is regularly monitored by direct management review and by internal auditors who conduct an extensive program of audits throughout the Company. The Director of Internal Audit reports directly to the Audit Committee of our Board of Directors. We have confidence in our financial reporting, the underlying system of internal controls, and our people, who are objective in their responsibilities and operate under the Company s Code of Business Conduct and with the highest level of ethical standards. These standards are a key element of the Company s control system.

The Audit Committee of our Board of Directors, which is comprised entirely of independent directors, has direct and private access to and meets regularly with management, our internal auditors and our independent registered public accounting firm to review accounting, reporting, auditing and internal control matters.

Management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedure may deteriorate.

(a) Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to the officers who certify the Company s financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation as of December 31, 2005, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that, as a result of the material weakness in internal control over financial reporting discussed below, the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were not effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

(b) Management s Report on Internal Control Over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the Company s evaluation, management of the Company has concluded, as a result of the material weakness in internal control over financial reporting discussed below, that the Company s internal control over financial reporting was not effective, as of December 31, 2005.

A material weakness is a significant deficiency (within the meaning of Public Company Accounting Oversight Board Auditing Standard No.2), or combination of significant deficiencies, that results in there being more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

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Management s assessment identified the following material weakness in the Company s internal control over financial reporting as of December 31, 2005. The Company s policies and procedures did not provide for adequate management oversight and review of the Company s accounting for income taxes in interim periods. This deficiency resulted in errors in the Company s income tax expense in the Company s interim consolidated financial statements for the second and third quarters of 2005. Management corrected the draft financial statements, in each case, prior to their issuance. Management has concluded that this deficiency resulted in more than a remote likelihood that a material misstatement of the Company s interim consolidated financial statements would not be prevented or detected.

Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Subsequent to our discovery of the material weakness discussed above, in early 2006 we took steps to remediate the material weakness, including accelerating the timing of certain tax review activities during the financial statement closing process and establishing stronger processes and procedures and documentation standards relative to our income tax provisions, such as the development of a tracking mechanism to ensure that income tax accounting matters are identified and that related analyses, judgments and estimates are appropriately documented and reviewed by senior finance personnel on a timely basis. We believe these actions will strengthen our internal control over financial reporting and address the material weakness identified above.

(d) Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Dover Motorsports, Inc.:

We have audited management s assessment, included in the accompanying Management s Report on Internal Control Over Financial Reporting (Item 9A(b)), that Dover Motorsports, Inc. (the Company) did not maintain effective internal control over financial reporting as of December 31, 2005, because of the effect of a material weakness identified in management s assessment, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

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with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The following material weakness has been identified and included in management s assessment:

The Company s policies and procedures did not provide for adequate management oversight and review of the Company s accounting for income taxes in interim periods. This deficiency resulted in errors in the Company s income tax expense in the Company s interim consolidated financial statements for the second and third quarters of 2005. Management has concluded that this deficiency resulted in more than a remote likelihood that a material misstatement of the Company s interim consolidated financial statements would not be prevented or detected.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2005 and 2004, and the related consolidated statements of earnings and comprehensive earnings, and cash flows for each of the years in the three year period ended December 31, 2005. This material weakness was considered in determining the nature, timing, and extent of the audit tests applied in our audit of the 2005 consolidated financial statements, and this report does not affect our report dated March 13, 2006, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, management s assessment that Dover Motorsports, Inc. did not maintain effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria Dover Motorsports, Inc. has not maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

KPMG LLP

Philadelphia, Pennsylvania

March 13, 2006

Item 9B. Other Information

None.

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Part III

Item 10. Directors And Executive Officers Of The Registrant

Except as presented below, biographical information relating to the Company s directors and executive officers, information regarding the Company s audit committee financial experts and information on Section 16(a) Beneficial Ownership Reporting Compliance called for by this Item 10 are incorporated by reference to the Company s Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 26, 2006.

The Company has adopted a Code of Business Conduct applicable to the Chief Executive Officer, Chief Financial Officer, Controller and other employees performing similar functions as designated by the Company s Chief Executive Officer. A copy of the Code of Business Conduct is available on the Company s website at http://www.dovermotorsportsinc.com. The Company will post on its website any amendments to, or waivers from, its Code of Business Conduct as required by law.

Executive Officers of the Registrant. As of December 31, 2005, the executive officers of the registrant were:

Name	Position	Age	Term of Office
Denis McGlynn	President and Chief Executive Officer	60	11/79 to date
Jerome Miraglia	Executive Vice President	47	1/02 to date
Patrick J. Bagley	Sr. Vice President-Finance and Chief Financial Officer	58	5/02 to date
Klaus M. Belohoubek	Sr. Vice President-General Counsel and Secretary	46	7/99 to date
Thomas Wintermantel	Treasurer and Assistant Secretary	47	7/02 to date

The Company s Chairman of the Board, Henry B. Tippie, is a non-employee director and, therefore, not an executive officer of the Company. Mr. Tippie has served the Company in that capacity, or as Vice Chairman of the Board, for over 9 years. Mr. Tippie also serves as Chairman of the Board to Gaming as a non-employee director.

Denis McGlynn has served as the Company s President and Chief Executive Officer for 26 years. Mr. McGlynn also serves as President and Chief Executive Officer to Gaming.

Jerome Miraglia joined the Company as Executive Vice President in January 2002. Prior to joining the Company, Mr. Miraglia was the Executive Vice President of Mariah Vision 3, Inc. From 1991 to 1996, Mr. Miraglia was a partner in the law firm of Miles & Stockbridge in Baltimore, MD.

Partrick J. Bagley joined the Company as Vice President-Finance and Chief Financial Officer in May 2002. Prior to joining the Company, Mr. Bagley was the Vice President-Finance, Treasurer and CFO of Rollins Truck Leasing Corp. Mr. Bagley has been a director of the Company since 1996 and prior to that had provided consulting services since 1994.

Klaus M. Belohoubek has been Vice President-General Counsel and Secretary since 1999 and has provided legal representation to the Company in various capacities since 1990. Mr. Belohoubek also serves as Senior Vice President-General Counsel and Secretary of Gaming.

Thomas Wintermantel joined the Company as Treasurer and Assistant Secretary in July 2002. For more than five years prior to joining the Company, Mr. Wintermantel was the Financial Vice President and Treasurer of John W. Rollins & Associates, Financial Vice President of Rollins Jamaica, Ltd. and President and Director of the John W. Rollins Foundation.

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Item 11. Executive Compensation

The information called for by this Item 11 is incorporated by reference to the Company s Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 26, 2006.

Item 12. Security Ownership Of Certain Beneficial Owners And Management And Related Stockholder Matters

The information called for by this Item 12 is incorporated by reference to the Company s Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 26, 2006.

Item 13. Certain Relationships and Related Transactions

The information called for by this Item 13 is incorporated by reference to the Company s Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 26, 2006.

Item 14. Principal Accounting Fees And Services

The information called for by this Item 14 is incorporated by reference to the Company s Proxy Statement to be filed pursuant to Regulation 14A for the Annual Meeting of Stockholders to be held on April 26, 2006.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements See accompanying Index to Consolidated Financial Statements on page 29.

(2) Financial Statement Schedules None.

(3) Exhibits:

2.1 Share Exchange Agreement and Plan of Reorganization dated June 14, 1996 between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.), Dover Downs, Inc., Dover Downs International Speedway, Inc. and the shareholders of Dover Downs, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registration Statement, Number 333-8147, on Form S-1 dated July 15, 1996, which was declared effective on October 3, 1996).

2.2 Agreement and Plan of Merger, dated as of March 26, 1998, by and among Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.), FOG Acquisition Corp., and Grand Prix Association of Long Beach (incorporated herein by reference to Exhibit 2.1 to the Registration Statement, Number 333-53077, on Form S-4 dated May 19, 1998).

2.3 Amended and Restated Agreement Regarding Distribution and Plan of Reorganization, dated as of February 15, 2002, by and between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated February 26, 2002, which was declared effective on March 7, 2002).

3.1 Restated Certificate of Incorporation of Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.), dated March 10, 2000 (incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q dated April 28, 2000).

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3.2	Amended and Restated By-laws of Dover Motorsports, Inc. dated April 1, 2002 (incorporated herein by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q dated May 10, 2002).
4.1	Rights Agreement dated as of June 14, 1996 between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and ChaseMellon Shareholder Services, L.L.C. (incorporated herein by reference to Exhibit 4.2 to the Registration Statement, Number 333-8147, on Form S-1 dated July 15, 1996, which was declared effective on October 3, 1996).
10.1	Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., Nashville Speedway, USA, Inc. and Grand Prix Association of Long Beach, Inc. and Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.1 to the Annual Report on Form 10-K dated March 10, 2004).
10.2	Amendment No. 2 to the Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., Nashville Speedway, USA, Inc. and Grand Prix Association of Long Beach, Inc. and Mercantile-Safe Deposit and Trust Company, as agent, dated as of July 28, 2004 (incorporated herein by reference to Exhibit 10.8 to the Quarterly Report on Form 10-Q dated August 6, 2004).
10.3	Amendment No. 3 to the Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., Nashville Speedway, USA, Inc. and Grand Prix Association of Long Beach, Inc. and Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 16, 2005 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated February 25, 2005).
10.4	Amendment No. 4 to Credit Agreement among, Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., Nashville Speedway, USA, Inc., Midwest Racing, Inc., Mercantile-Safe Deposit and Trust Company, as agent, and various other lenders, dated as of August 5, 2005 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated August 8, 2005).
10.5	Amendment No. 5 to the Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., and Nashville Speedway, USA, Inc. and Mercantile-Safe Deposit and Trust Company, as agent, dated as of October 12, 2005 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated October 12, 2005).
10.6	Mortgage and Security Agreement executed by Dover International Speedway, Inc. in favor of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.2 to the Annual Report on Form 10-K dated March 10, 2004).
10.7	Commercial Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by Nashville Speedway, USA, Inc. (Wilson County) for the benefit of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.3 to the Annual Report on Form 10-K dated March 10, 2004).
10.8	Commercial Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by Nashville Speedway, USA, Inc. (Rutherford County) for the the benefit of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.4 to the Annual Report on Form 10-K dated March 10, 2004).

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10.9 Commercial Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by Grand Prix Association of Long Beach, Inc. for the benefit of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.5 to the Annual Report on Form 10-K dated March 10, 2004).

10.10 Commercial Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing by Memphis International Motorsports Corporation for the benefit of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.6 to the Annual Report on Form 10-K dated March 10, 2004).

10.11 Pledge Agreement by Dover Motorsports, Inc. in favor of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.7 to the Annual Report on Form 10-K dated March 10, 2004).

10.12 Pledge Agreement by Dover International Speedway, Inc. in favor of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.8 to the Annual Report on Form 10-K dated March 10, 2004).

10.13 Pledge Agreement by Grand Prix Association of Long Beach, Inc. in favor of Mercantile-Safe Deposit and Trust Company, as agent, dated as of February 17, 2004 (incorporated herein by reference to Exhibit 10.9 to the Annual Report on Form 10-K dated March 10, 2004).

10.14 Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) 1996 Stock Option Plan (incorporated herein by reference to Exhibit 10.8 to the Registration Statement, Number 333-8147, on Form S-1 dated July 15, 1996, which was declared effective on October 3, 1996).

10.15 Employee Benefits Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.2 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).

10.16 Transition Support Services Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.3 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).

10.17 Tax Sharing Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.4 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).

10.18 Real Property Agreement, dated as of January 15, 2002, by and between Dover Motorsports, Inc. (f/k/a Dover Downs Entertainment, Inc.) and Dover Downs Gaming & Entertainment, Inc. (incorporated herein by reference to Exhibit 10.5 to the Registration Statement of Dover Downs Gaming & Entertainment, Inc., Number 1-16791, on Form 10 dated January 16, 2002, which was declared effective on March 7, 2002).

10.19 Sanction Agreement between Dover International Speedway, Inc. and National Association for Stock Car Auto Racing for June 2006 NEXTEL Cup Series event (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated November 22, 2005).

10.20 Sanction Agreement between Dover International Speedway, Inc. and National Association for Stock Car Auto Racing for September 2006 NEXTEL Cup Series event (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K dated November 22, 2005).

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10.21	Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Denis McGlynn dated February 13, 2006 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated February 17, 2006).
10.22	Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Jerome T. Miraglia dated February 13, 2006 (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K dated February 17, 2006).
10.23	Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Patrick J. Bagley dated February 13, 2006 (incorporated herein by reference to Exhibit 10.3 to the Current Report on Form 8-K dated February 17, 2006).
10.24	Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Klaus M. Belohoubek dated February 13, 2006 (incorporated herein by reference to Exhibit 10.4 to the Current Report on Form 8-K dated February 17, 2006).
10.25	Amended and Restated Employment and Non-Compete Agreement between Dover Motorsports, Inc. and Thomas G. Wintermantel dated February 13, 2006 (incorporated herein by reference to Exhibit 10.5 to the Current Report on Form 8-K dated February 17, 2006).
10.26	Non-Compete Agreement between Dover Motorsports, Inc. and Henry B. Tippie dated June 16, 2004 (incorporated herein by reference to Exhibit 10.6 to the Quarterly Report on Form 10-Q dated August 6, 2004).
10.27	Dover Motorsports, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit A to the Company s Proxy Statement filed on March 29, 2004).
10.28	Form of Incentive Stock Option Agreement Used with Dover Motorsports, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q dated November 3, 2004).
10.29	Form of Restricted Stock Grant Agreement Used with Dover Motorsports, Inc. 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q dated November 3, 2004).
10.30	Asset Purchase Agreement between Grand Prix Association of Long Beach, Inc. and Aquarium Asset Management, LLC dated May 23, 2005 (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated May 26, 2005).
10.31	Lender s Consent Letter, dated May 23, 2005, under the Credit Agreement between Dover Motorsports, Inc., Dover International Speedway, Inc., Gateway International Motorsports Corporation, Gateway International Services Corporation, Memphis International Motorsports Corporation, M & N Services Corp., Nashville Speedway, USA, Inc., Grand Prix Association of Long Beach, Inc. and Mercantile-Safe Deposit and Trust Company, as agent (incorporated herein by reference to Exhibit 10.2 to the Current Report on Form 8-K dated May 26, 2005).
21.1	Subsidiaries
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Sec. 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Audit Committee Charter of Dover Motorsports, Inc. (incorporated herein by reference to Exhibit B to the Company s Proxy Statement filed on March 29, 2004).

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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.

DATED: March 13, 2006

Dover Motorsports, Inc.
Registrant

BY: /s/ Denis McGlynn
Denis McGlynn
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Patrick J. Bagley Patrick J. Bagley	Sr. Vice President-Finance, Chief Financial Officer and Director	March 13, 2006
/s/ Henry B. Tippie Henry B. Tippie	Chairman of the Board	March 13, 2006
/s/ Kenneth K. Chalmers Kenneth K. Chalmers	Director and Chairman of the Audit Committee	March 13, 2006
/s/ John W. Rollins, Jr. John W. Rollins, Jr.	Director	March 13, 2006
/s/ Jeffrey W. Rollins Jeffrey W. Rollins	Director	March 13, 2006
/s/ R. Randall Rollins R. Randall Rollins	Director	March 13, 2006
/s/ Eugene W. Weaver Eugene W. Weaver	Director	March 13, 2006

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

Dover Motorsports, Inc.:

We have audited the accompanying consolidated balance sheets of Dover Motorsports, Inc. and subsidiaries (the Company) as of December 31, 2005 and 2004, and the related consolidated statements of earnings and comprehensive earnings and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Dover Motorsports, Inc. and subsidiaries as of December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Dover Motorsports, Inc. s internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 13, 2006 expressed an unqualified opinion on management s assessment of, and an adverse opinion on the effective operation of, internal control over financial reporting.

KPMG LLP

Philadelphia, Pennsylvania
March 13, 2006

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DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENT OF EARNINGS

AND COMPREHENSIVE EARNINGS

	Years ended December 31,		
	2005	**2004**	**2003**
Revenues:			
Admissions	$ 37,195,000	$ 34,624,000	$ 33,273,000
Event-related	27,061,000	27,263,000	24,971,000
Broadcasting	26,267,000	22,220,000	18,250,000
Other	476,000	81,000	1,050,000
	90,999,000	84,188,000	77,544,000
Expenses:			
Operating and marketing	52,793,000	50,164,000	48,177,000
Impairment charges			743,000
General and administrative	13,697,000	13,585,000	12,099,000
Depreciation and amortization	9,433,000	9,198,000	9,140,000
	75,923,000	72,947,000	70,159,000
Operating earnings	15,076,000	11,241,000	7,385,000
Interest income	27,000	488,000	165,000
Interest expense	(3,542,000)	(3,915,000)	(5,253,000)
Loss on extinguishment of debt	(3,174,000)		
Earnings from continuing operations before income taxes	8,387,000	7,814,000	2,297,000
Income taxes	4,412,000	4,047,000	2,273,000
Earnings from continuing operations	3,975,000	3,767,000	24,000
Earnings (loss) from discontinued operation, net of income tax expense (benefit) of $3,574,000, ($738,000) and ($4,498,000) in 2005, 2004 and 2003, respectively	601,000	(1,327,000)	(22,162,000)
Net earnings (loss)	4,576,000	2,440,000	(22,138,000)
Change in minimum pension liability, net of income tax benefit	(210,000)	(117,000)	(80,000)
Comprehensive earnings (loss)	$ 4,366,000	$ 2,323,000	$ (22,218,000)
Net earnings (loss) per common share basic:			
Continuing operations	$ 0.10	$ 0.09	$
Discontinued operation	0.02	(0.03)	(0.56)
Net earnings (loss)	$ 0.12	$ 0.06	$ (0.56)
Net earnings (loss) per common share diluted:			
Continuing operations	$ 0.10	$ 0.09	$

Discontinued operation	0.02	(0.03)	(0.55)
Net earnings (loss)	$ 0.12	$ 0.06	$ (0.55)

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

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DOVER MOTORSPORTS, INC.

CONSOLIDATED BALANCE SHEET

	December 31, 2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 953,000	$ 134,000
Accounts receivable	2,366,000	2,336,000
Inventories	230,000	208,000
Prepaid expenses and other	1,705,000	1,812,000
Deferred income taxes	517,000	675,000
Current assets of discontinued operation		2,593,000
Total current assets	5,771,000	7,758,000
Property and equipment, net	221,005,000	220,949,000
Restricted cash	3,200,000	3,571,000
Other assets, net	963,000	1,385,000
Deferred income taxes		46,000
Goodwill	2,487,000	2,487,000
Non-current assets of discontinued operation		12,054,000
Total assets	$ 233,426,000	$ 248,250,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 1,477,000	$ 1,898,000
Accrued liabilities	5,421,000	5,323,000
Payable to Dover Downs Gaming & Entertainment, Inc.	15,000	2,000
Income taxes payable	290,000	324,000
Current portion of long-term debt	875,000	805,000
Deferred revenue	9,522,000	9,306,000
Current liabilities of discontinued operation	144,000	2,633,000
Total current liabilities	17,744,000	20,291,000
Notes payable to banks	49,100,000	27,000,000
Long-term debt	4,903,000	17,684,000
Other liabilities	42,000	64,000
Deferred income taxes	48,360,000	44,745,000
Commitments and contingencies (see Notes to the Consolidated Financial Statements)		
Stockholders equity:		
Preferred stock, $.10 par value; 1,000,000 shares authorized; shares issued and outstanding: none		
Common stock, $.10 par value; 75,000,000 shares authorized; shares issued and outstanding: 16,496,770 and 16,946,426, respectively	1,650,000	1,695,000
Class A common stock, $.10 par value; 55,000,000 shares authorized; shares issued and outstanding: 19,918,225 and 23,240,185, respectively	1,992,000	2,324,000
Additional paid-in capital	101,757,000	128,542,000
Retained earnings	9,453,000	6,834,000

Accumulated other comprehensive loss	(737,000)	(527,000)
Deferred compensation	(838,000)	(402,000)
Total stockholders equity	113,277,000	138,466,000
Total liabilities and stockholders equity	$ 233,426,000	$ 248,250,000

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

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DOVER MOTORSPORTS, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Years ended December 31,		
	2005	2004	2003
Operating activities:			
Net earnings (loss)	$ 4,576,000	$ 2,440,000	$ (22,138,000)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities of continuing operations:			
Depreciation and amortization	9,433,000	9,198,000	9,140,000
Amortization and write-off of credit facility fees	167,000	275,000	1,161,000
Amortization of deferred compensation	200,000	51,000	
Impairment charges			743,000
Tax benefit of options exercised		6,000	500,000
Deferred income taxes	2,473,000	2,595,000	4,672,000
Loss on extinguishment of debt	3,174,000		
(Earnings) loss from discontinued operation, net	(601,000)	1,327,000	22,162,000
Changes in assets and liabilities:			
Accounts receivable	(30,000)	(576,000)	781,000
Inventories	(22,000)	7,000	20,000
Prepaid expenses and other	62,000	(411,000)	(27,000)
Accounts payable	(421,000)	(1,388,000)	1,453,000
Accrued liabilities	(330,000)	983,000	(537,000)
Payable to/receivable from Dover Downs Gaming & Entertainment, Inc.	13,000	98,000	(371,000)
Income taxes payable/receivable	(34,000)	2,900,000	1,767,000
Deferred revenue	216,000	95,000	(2,000)
Other liabilities	(22,000)	(21,000)	(22,000)
Net cash provided by operating activities of continuing operations	18,854,000	17,579,000	19,302,000
Net cash (used in) provided by operating activities of discontinued operation	(1,470,000)	2,675,000	(3,704,000)
Investing activities:			
Capital expenditures	(8,675,000)	(4,826,000)	(1,348,000)
Restricted cash	371,000	(138,000)	250,000
Proceeds from the sale of discontinued operation, net	15,132,000		
Net cash provided by (used in) investing activities of continuing operations	6,828,000	(4,964,000)	(1,098,000)
Net cash used in investing activities of discontinued operation	(178,000)	(93,000)	(1,486,000)
Financing activities:			
Borrowings from notes payable to banks	84,800,000	73,895,000	48,165,000
Repayments on notes payable to banks	(62,700,000)	(89,940,000)	(56,635,000)
Repayments of long-term debt	(803,000)	(743,000)	(682,000)
Extinguishment of long-term debt	(14,587,000)		
Repurchase of common stock	(28,562,000)		

Proceeds from stock options exercised	764,000	319,000	155,000
Credit facility origination and amendment fees	(170,000)	(337,000)	(556,000)
Dividends paid	(1,957,000)	(1,605,000)	(1,598,000)
Net cash used in financing activities of continuing operations	(23,215,000)	(18,411,000)	(11,151,000)
Net increase (decrease) in cash and cash equivalents	819,000	(3,214,000)	1,863,000
Cash and cash equivalents, beginning of year	134,000	3,348,000	1,485,000
Cash and cash equivalents, end of year	$ 953,000	$ 134,000	$ 3,348,000
Supplemental information:			
Interest paid	$ 3,722,000	$ 3,494,000	$ 4,233,000
Income tax payments/(refunds), net	$ 1,975,000	$ (6,962,000)	$ (5,779,000)

The Notes to the Consolidated Financial Statements are an integral part of these consolidated statements.

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DOVER MOTORSPORTS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 Business Operations

References in this document to the Company, we, us and our mean Dover Motorsports, Inc. and/or its wholly owned subsidiaries, as appropriat

Dover Motorsports, Inc. is a public holding company that is a leading marketer and promoter of motorsports entertainment in the United States. Its motorsports subsidiaries operate four motorsports tracks in three states and the Company promoted 15 major events during 2005 under the auspices of three of the premier sanctioning bodies in motorsports the National Association for Stock Car Auto Racing (NASCAR), the Indy Racing League (IRL) and the National Hot Rod Association (NHRA). The Company owns and operates Dover International Speedway in Dover, Delaware; Gateway International Raceway near St. Louis, Missouri; Memphis Motorsports Park in Memphis, Tennessee; and Nashville Superspeedway near Nashville, Tennessee.

In 2005, the Company promoted the following major events:

2 NASCAR NEXTEL Cup Series events;

6 NASCAR Busch Series, Grand National Division events;

4 NASCAR Craftsman Truck Series events;

1 IRL Indy Car Series event; and

2 NHRA national events.

Effective March 31, 2002, the Company completed the tax-free spin-off of Dover Downs, Inc., its gaming business. To accomplish the spin-off, the Company contributed 100 percent of the issued and outstanding common stock of Dover Downs, Inc. to Dover Downs Gaming & Entertainment, Inc. (Gaming), a newly formed wholly owned subsidiary of the Company. On the effective date of the spin-off, the Company distributed all of the capital stock of Gaming to the Company s stockholders on a pro-rata basis. The Company s continuing operations subsequent to the spin-off consist solely of its motorsports activities. Based on an Internal Revenue Service Private Letter Ruling, the spin-off is tax-free to the Company and its stockholders, except for cash received for any fractional shares. Immediately following the spin-off, the Company owned no shares of Gaming, and Gaming became an independent public company.

NOTE 2 Discontinued Operation

On June 10, 2005, the Company completed the sale of substantially all of the assets used by its wholly owned subsidiary Midwest Racing, Inc. f/k/a Grand Prix Association of Long Beach, Inc. (Midwest Racing) for $15,132,000, net of transaction costs, resulting in a pre-tax gain on the sale of $5,143,000. These assets were used to promote Midwest Racing s temporary circuit motorsports events and in its grandstand rental business. In accordance with Financial Accounting Standards Board (FASB) Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* the results of operations for all of Midwest Racing s temporary circuit motorsports events and its grandstand rental business are reported as a discontinued operation and accordingly, the accompanying consolidated financial statements have been reclassified to report separately the assets, liabilities and operating results of this discontinued operation.

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The following are the summarized results of operations for Midwest Racing s temporary circuit motorsports events and grandstand rental business:

	Years Ended December 31,		
	2005	2004	2003
Revenues	$ 8,096,000	$ 9,429,000	$ 16,082,000
Loss from operations before income taxes	$ (968,000)	$ (2,065,000)	$ (26,660,000)
Income tax benefit on operations	$ 338,000	$ 738,000	$ 4,498,000
Gain on sale, net of income taxes of $3,912,000	$ 1,231,000	$	$
Earnings (loss) from discontinued operation	$ 601,000	$ (1,327,000)	$ (22,162,000)

The assets sold of Midwest Racing included goodwill of $6,034,000.

During the fourth quarter of 2003, the Company s Midwest Racing subsidiary recorded non-cash impairment charges of $20,588,000 to write-down the carrying value of goodwill and certain property and equipment. Of the total impairment charges, $13,362,000 related to the impairment of goodwill in connection with the Company s annual assessment of goodwill, $2,867,000 and $4,309,000 related to the write-down of assets used to promote and run the Grand Prix of St. Petersburg event and the Grand Prix of Denver event, respectively, and $50,000 related to the write-down of other equipment to be disposed of to fair value.

The major classes of assets and liabilities of the discontinued operation in the balance sheet are as follows:

	December 31, 2005	December 31, 2004
Accounts receivable	$	$ 1,557,000
Inventories		15,000
Prepaid expenses and other		915,000
Deferred income taxes		106,000
Current assets of discontinued operation	$	$ 2,593,000
Property and equipment, net	$	$ 4,024,000
Deferred income taxes		1,996,000
Goodwill		6,034,000
Non-current assets of discontinued operation	$	$ 12,054,000
Accounts payable	$ 35,000	$ 49,000
Accrued liabilities	109,000	227,000
Deferred revenue		2,357,000
Current liabilities of discontinued operation	$ 144,000	$ 2,633,000

As a result of the sale, the Company no longer promotes temporary circuit motorsports events and is no longer in the grandstand rental business.

NOTE 3 Summary of Significant Accounting Policies

Basis of consolidation and presentation The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated.

Cash and cash equivalents The Company considers as cash equivalents all highly-liquid investments with an original maturity of three months or less.

Accounts receivable Accounts receivable are stated at their estimated collectible amount and do not bear interest.

Inventories Inventories of items for resale are stated at the lower of cost or market with cost being determined on the first-in, first-out basis.

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Derivative Instruments and Hedging Activities The Company is subject to interest rate risk on the variable component of the interest rate under its revolving credit agreement. Effective October 21, 2005, the Company entered into a $37,500,000 interest rate swap agreement. The interest rate swap is being accounted for in accordance with the provisions of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* as amended by Statement Nos. 137, 138 and 149 and related interpretations. The Company has designated the interest rate swap as a cash flow hedge. Changes in the fair value of the effective portion of the interest rate swap are recognized in other comprehensive income (loss) (OCI) until the hedged item is recognized in earnings. See NOTE 6 Indebtedness and NOTE 11 Financial Instruments for further discussion.

Property and equipment Property and equipment is stated at cost. Depreciation is provided for financial reporting purposes using the straight-line method over the following estimated useful lives:

Facilities	10-40 years
Furniture, fixtures and equipment	5-10 years

Goodwill The Company accounts for its goodwill in accordance with the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*. Goodwill is not amortized but is subject to an annual (or under certain circumstances more frequent) impairment test based on its estimated fair value.

Based on the Company s 2005, 2004 and 2003 annual assessments of goodwill, which were completed in November of each year, it has determined that there was no impairment loss related to its goodwill of its continuing operations as of those dates.

Impairment of long-lived assets The Company evaluates its long-lived assets other than goodwill in accordance with the provisions of FASB Statement No. 144. Long-lived assets other than goodwill are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To analyze recoverability for assets to be held and used, the Company projects undiscounted net future cash flows expected to be generated by the asset over the remaining life of such assets. If these projected cash flows are less than the carrying value, an impairment loss would be recognized equal to the difference between the carrying value and the fair value of the assets. See NOTE 7 Impairment Charges for further discussion.

Income taxes Deferred income taxes are provided in accordance with the provisions of FASB Statement No. 109, *Accounting for Income Taxes*, on all differences between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements based upon enacted statutory tax rates in effect at the balance sheet date. The Company records a valuation allowance to reduce its deferred tax assets when uncertainty regarding their realizability exists. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or 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 periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Revenue recognition The Company classifies its revenues as admissions, event-related, broadcasting and other. Admissions includes ticket sales for all Company events. Event-related revenue includes amounts received from sponsorship fees; luxury suite rentals; hospitality tent rentals and catering; concessions and souvenir sales and vendor commissions for the right to sell concessions and souvenirs at our facilities; sales of programs; track rentals and other event-related revenues. Broadcasting revenue includes rights fees obtained for television and radio broadcasts of events held at the Company s speedways and ancillary rights fees. Other revenue includes other miscellaneous revenues.

Revenues pertaining to specific events are deferred until the event is held. Concession revenue from concession stand sales and sales of souvenirs are recorded at the time of sale. Revenues and related expenses from barter transactions in which the Company receives advertising or other goods or services in exchange for sponsorships of motorsports events are recorded at fair value in accordance with Emerging Issues Task Force (EITF) Issue No. 99-17, *Accounting for Advertising Barter Transactions*. Barter transactions accounted for $1,438,000, $1,323,000 and $1,311,000 of total revenues for the years ended December 31, 2005, 2004 and 2003, respectively.

We derive a substantial portion of our motorsports revenues from admissions and event-related revenue attributable to six NASCAR-sanctioned events at Dover, Delaware which are currently held in June and September.

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Under the terms of the Company s sanction agreements, NASCAR retains 10% of the gross broadcast rights fees allocated to each NASCAR NEXTEL Cup Series or NASCAR Busch Series event as a component of its sanction fees and remits the remaining 90% to the event promoter, which the Company records as revenue. The event promoter is required to pay 25% of the gross broadcast rights fees to the event as part of the awards to the competitors, which the Company records as operating expenses.

Expense recognition Certain direct expenses pertaining to specific events, including prize and point fund monies and sanction fees paid to various sanctioning bodies, including NASCAR, advertising and other expenses associated with the promotion of our racing events are deferred until the event is held, at which point they are expensed.

The cost of non-event related advertising, promotion and marketing programs is expensed as incurred.

Advertising expenses were $2,879,000, $2,702,000 and $2,983,000 in 2005, 2004 and 2003, respectively.

Earnings per share Basic and diluted earnings per share (EPS) are calculated in accordance with FASB Statement No. 128, *Earnings Per Share*. Weighted average shares used in computing basic and diluted EPS are as follows:

	Years ended December 31,		
	2005	2004	2003
Basic EPS	38,913,000	40,024,000	39,880,000
Effect of dilutive securities	174,000	32,000	100,000
Diluted EPS	39,087,000	40,056,000	39,980,000

Dilutive securities include stock options and unvested restricted stock awards.

For the years ended December 31, 2005, 2004 and 2003, options to purchase approximately 378,000, 1,036,000 and 1,222,000 shares of common stock, respectively, were outstanding, but were not included in the computation of diluted EPS because the options exercise prices were greater than the average market price of the common stock during the period.

Accounting for stock-based compensation The Company has a stock incentive plan which provides for the grant of stock options and/or restricted stock to officers and key employees. The Company accounts for stock options in accordance with FASB Statement No. 123, *Accounting for Stock-Based Compensation*, as amended by FASB Statement No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure an Amendment of FASB Statement No. 123*. Statement No. 123 defines a fair-value based method of accounting for stock-based compensation plans; however, it allows the continued use of the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. The Company has elected to continue to use the intrinsic value method and based on this method, did not record any stock-based compensation expense related to its stock options during the years ended December 31, 2005, 2004 and 2003. The Company s restricted stock vests based on continued employment with the Company. Restricted stock awards result in compensation expense as discussed in NOTE 10 Stockholders Equity.

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The following table illustrates the effect on net earnings (loss) and net earnings (loss) per common share if the Company had applied the fair-value recognition provisions of Statement No. 123 to stock-based employee compensation:

	Years ended December 31,		
	2005	2004	2003
Net earnings (loss), as reported	$ 4,576,000	$ 2,440,000	$ (22,138,000)
Add: Stock-based employee compensation expense included in reported net earnings (loss), net of related tax effects	118,000	30,000	
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of related tax effects	(1,034,000)	(646,000)	(685,000)
Pro forma net earnings (loss)	$ 3,660,000	$ 1,824,000	$ (22,823,000)
Net earnings (loss) per common share:			
Basic as reported	$ 0.12	$ 0.06	$ (0.56)
Basic pro forma	$ 0.09	$ 0.05	$ (0.57)
Diluted as reported	$ 0.12	$ 0.06	$ (0.55)
Diluted pro forma	$ 0.09	$ 0.05	$ (0.57)

For disclosure purposes, the Company determined compensation cost for its stock options based upon the fair value at the grant date using the Black-Scholes option-pricing model with the following assumptions:

	2003
Risk-free interest rate	3.75%
Volatility	45%
Expected dividend yield	0.85%
Expected life (in years)	7.5

The fair value of restricted stock awards granted during the years ended December 31, 2005 and 2004 was $5.82 and $4.16, respectively. The weighted-average fair value of options granted during the year ended December 31, 2003 was $2.22. No stock options were granted during the years ended December 31, 2005 and 2004.

On December 12, 2005, the Company s Compensation and Stock Incentive Committee of the Board of Directors approved the accelerated vesting of unvested stock options held by the Company s employees with an exercise price of $7.00 or higher, excluding those held by the Company s President and Chief Executive Officer. This accelerated vesting affected options for approximately 104,000 shares of the Company s common stock, all of which had exercise prices in excess of their market prices. All other terms and conditions applicable to such options, including the exercise prices, remain unchanged. The decision to accelerate vesting of these stock options was made primarily to avoid recognizing compensation expense in the Company s future statements of earnings upon the Company s adoption of FASB Statement No. 123 (Revised 2004), *Share-Based Payment*, effective on January 1, 2006. Statement No. 123R will require all share-based payments to Company employees, including grants of employee stock options, to be recognized in the Company s financial statements based on their fair values. As a result of the acceleration, the Company expects to avoid recognition of up to approximately $430,000 of compensation expense over the course of the original vesting periods. Approximately $184,000 of such compensation expense is expected to be avoided in 2006.

Use of estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Segment information The Company accounts for its operating segment in accordance with FASB Statement No. 131, *Disclosures About Segments of an Enterprise and Related Information*. Statement No. 131 establishes guidelines for public companies in determining operating segments based on those used for internal reporting to management. Based on these guidelines, the Company reports information under a single motorsports segment.

Reclassifications Certain reclassifications have been made to the prior years consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on net earnings (loss).

Recent accounting pronouncements In May 2005, the FASB issued Statement No. 154, *Accounting Changes and Error Corrections,* which supersedes APB Opinion No. 20, *Accounting Changes* and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements*. Statement No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retroactively. Therefore, the reporting of an error correction by restating previously issued financial statements is also addressed by the statement. Statement No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the adoption of Statement No. 154 to have an impact on our consolidated results of operations or financial condition.

In December 2004, the FASB issued Statement No. 123R. Statement No. 123R addresses all forms of share-based payment awards, including shares issued under employee stock purchase plans, stock options, restricted stock and stock appreciation rights. It will require companies to recognize in the statement of earnings the grant-date fair value of stock options and other equity-based compensation issued to employees, but expresses no preference for a type of valuation model. The statement eliminates the intrinsic value-based method prescribed by APB Opinion No. 25 and related interpretations that the Company currently uses. The Company would have been required to adopt Statement No. 123R beginning in the third quarter of 2005; however, on April 14, 2005 the United States Securities and Exchange Commission (SEC) announced that adoption of Statement No. 123R would be delayed until the first quarter of 2006 for calendar year companies. The Company has determined that its earnings per diluted share will be negatively impacted by approximately $0.01 in 2006 as a result of applying the various provisions of Statement No. 123R.

NOTE 4 Property and Equipment

Property and equipment consists of the following as of December 31:

	2005	2004
Land	$ 32,748,000	$ 26,298,000
Facilities	233,152,000	228,184,000
Furniture, fixtures and equipment	18,010,000	18,160,000
Construction in progress	254,000	2,368,000
	284,164,000	275,010,000
Less accumulated depreciation	(63,159,000)	(54,061,000)
	$ 221,005,000	$ 220,949,000

Depreciation expense was $9,358,000, $9,113,000 and $9,055,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

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NOTE 5 Accrued Liabilities

Accrued liabilities consists of the following as of December 31:

	2005	2004
Payroll and related items	$ 1,303,000	$ 1,119,000
Real estate taxes	1,275,000	1,215,000
Pension	895,000	685,000
Other	1,948,000	2,304,000
	$ 5,421,000	$ 5,323,000

NOTE 6 Indebtedness

Long-term debt consists of the following as of December 31:

	2005	2004
Notes payable to banks	$ 49,100,000	$ 27,000,000
SWIDA bonds	5,778,000	18,489,000
	54,878,000	45,489,000
Less current portion	(875,000)	(805,000)
	$ 54,003,000	$ 44,684,000

At December 31, 2005, the Company and all of its wholly owned subsidiaries, as co-borrowers, are parties to an $80,000,000 unsecured revolving credit agreement, as amended effective October 12, 2005, with a bank group that expires July 1, 2008. Provisions of the credit agreement adjust the commitment to $73,000,000 on July 1, 2006 and to $65,000,000 on July 1, 2007. The facility provides for seasonal funding needs, capital improvements, letter of credit requirements and other general corporate purposes. Interest is based, at the Company s option, upon LIBOR plus a margin that varies between 125 and 200 basis points depending on the leverage ratio or the base rate (the greater of the prime rate or the federal funds rate plus 0.5%) plus a margin that varies between -50 and +25 basis points depending on the ratio of funded debt to earnings before interest, taxes, depreciation and amortization (the leverage ratio). The terms of the credit facility contain certain covenants including minimum tangible net worth, fixed charge coverage and maximum funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA). The credit facility also provides that a default by the Company or any of its wholly owned subsidiaries under any other loan agreement would constitute a default under this credit facility. At December 31, 2005, the Company was in compliance with the terms of the facility. Material adverse changes in the Company s results of operations could impact its ability to maintain financial ratios necessary to satisfy these requirements. There was $49,100,000 outstanding under the facility at December 31, 2005, at a weighted average interest rate of 6.2%. After consideration of stand-by letters of credit outstanding, borrowings of $6,498,000 were available pursuant to the facility at December 31, 2005. Based on operating results to date and projected future results, the Company is expected to be in compliance with all of the covenants for all measurement periods over the next twelve months.

Effective October 21, 2005, the Company entered into an interest rate swap agreement that effectively converts $37,500,000 of its variable-rate debt to a fixed-rate basis, thereby hedging against the impact of potential interest rate changes on future interest expense. The notional amount of the swap agreement decreases to $30,000,000 on November 1, 2006, to $20,000,000 on November 1, 2007 and to $10,000,000 on November 1, 2008. The agreement terminates on November 1, 2009. Under this agreement, the Company will pay a fixed interest rate of 4.74%. In return, the issuing lender will refund to the Company the variable-rate interest paid to the bank group under its revolving credit agreement on the same notional principal amount, excluding the margin that varies between 125 and 200 basis points depending on the leverage ratio.

In 1996, the Company s wholly owned subsidiary, Midwest Racing, entered into an agreement (the SWIDA loan) with Southwestern Illinois Development Authority (SWIDA) to receive the proceeds from the Taxable Sports Facility Revenue Bonds, Series 1996 (Gateway International Motorsports Corporation Project), a Municipal Bond Offering, in the aggregate principal amount of $21,500,000, of which $5,778,000 was

outstanding at December 31, 2005. SWIDA loaned all of the proceeds from the Municipal Bond Offering to Midwest Racing for the purpose of the redevelopment, construction and expansion of Gateway International Raceway (Gateway), and the proceeds of the

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SWIDA loan were irrevocably committed to complete construction of Gateway, to fund interest, to create a debt service reserve fund and to pay for the cost of issuance of the bonds. The repayment terms and debt service reserve requirements of the bonds issued in the Municipal Bond Offering correspond to the terms of the SWIDA loan.

The Company has established certain restricted cash funds to meet debt service as required by the SWIDA loan, which are held by the trustee (BNY Trust Company of Missouri). At December 31, 2005, $3,200,000 of the Company s cash balance was restricted by the SWIDA loan and is appropriately classified as a non-current asset in the accompanying consolidated balance sheet. The SWIDA loan is secured by a first mortgage lien on all the real property owned and a security interest in all property leased by Gateway. Also, the SWIDA loan is unconditionally guaranteed by Midwest Racing. The SWIDA loan bears interest at varying rates ranging from 8.75% to 9.25% with an effective rate of approximately 9%. Interest expense related to the SWIDA loan was $1,447,000, $1,696,000 and $1,761,000 for the years ended December 31, 2005, 2004 and 2003, respectively. On October 6, 2005, Midwest Racing redeemed $11,908,000 of the outstanding SWIDA loan for $14,587,000 (including a $2,676,000 premium to the bondholders), plus accrued interest. The Company wrote-off $495,000 of deferred bond costs as a result of the redemption. The redemption resulted in a loss on extinguishment of debt of $3,174,000. The loan is being amortized through February 2014. A stand-by letter of credit for $1,467,000, which is secured by a trust deed on the Company s facilities in Memphis, Tennessee, also was obtained to satisfy debt service reserve fund obligations. In addition, a portion of the property taxes to be paid by Gateway (if any) to the City of Madison Tax Incremental Fund have been pledged to the annual retirement of debt and payment of interest. Refer to NOTE 13 Commitments and Contingencies.

The scheduled maturities of long-term debt outstanding at December 31, 2005 are as follows: 2006-$875,000; 2007-$695,000; 2008-$49,100,000; 2009-$1,130,000; 2010-$1,235,000 and thereafter-$1,843,000.

NOTE 7 Impairment Charges

During the fourth quarter of 2003, the Company recorded non-cash impairment charges of $743,000 to write-down the carrying value of certain property and equipment to be disposed of to fair value.

NOTE 8 Income Taxes

The current and deferred income tax provisions (benefits) from continuing operations are as follows:

	Years ended December 31,		
	2005	2004	2003
Current:			
Federal	$ 87,000	$	$ (2,846,000)
State	1,854,000	1,704,000	1,500,000
	1,941,000	1,704,000	(1,346,000)
Deferred:			
Federal	2,077,000	2,057,000	1,436,000
State	394,000	286,000	2,183,000
	2,471,000	2,343,000	3,619,000
Total income tax provision	$ 4,412,000	$ 4,047,000	$ 2,273,000

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Deferred income tax assets and liabilities are comprised of the following as of December 31:

	2005
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ome

Since we made our initial acquisition proposal of $29.25 a share on May 27th, we have acted in good faith and attempted to engage consensual negotiations. Depomed s initial private rejection on June 25th of our $29.25 offer was followed by your advisor s sugg that Depomed would engage with us if we increased our offer by $3.00 a share from $29.25 to $32.25. In an act of good faith and reliance on that guidance, we privately moved our offer to $32.25. Not only did Depomed renege and not engage, on July 12th, you adopted a poison pill and a series of amendments to Depomed s bylaws, the effect of which was to disenfranchise your shareholde and delay by several months your shareholders ability to call a special meeting and take action on your failure to engage with us. July 21st, we then publicly communicated our private price increase and even increased our offer from $32.25 to $33.00 a share to once again try to engage in consensual negotiations. Yet again, you publicly rejected our revised proposal of $33.00 that same day.

In an attempt to exhaust every possibility of engaging in consensual negotiations, we again sought to engage privately with Jim Schoeneck to enter negotiations. When Jim and I spoke on Thursday July 30th, we did indeed offer to discuss value and possibly include cash as a component of our offer in an amount up to 25% and Jim stated it was helpful and he would potentially come b us with a counter proposal after discussing our

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proposal with a few people. Importantly, I communicated to Jim that our willingness to discuss value and possibly include cash in o offer was conditioned upon Depomed entering into consensual negotiations. The next day, Depomed s advisors simply told us th have no feedback and we needed to bid higher, focusing not on value but on some notion of pro forma revenue contribution. This reversal is further evidence of the board s apparent unwillingness to deal with Horizon Pharma in good faith.

Therefore, we want to make clear to you that:

We stand by our proposal to acquire all the outstanding shares of Depomed for $33.00 a share in Horizon Pharma stock, assuming we can come to a negotiated agreement quickly.

We will fix the exchange ratio based on the 15-day volume weighted average price of Horizon Pharma s stock as of August 12th, which is $3 per share, and results in an exchange ratio of .95 Horizon Pharma shares for every Depomed share.

As we indicated to Jim Schoeneck in private discussions on Thursday July 30th, we would be willing to make our proposal a cash-stock mix with up to 25% of the consideration in cash at the election of Depomed s shareholders. To that end, we have begun to discuss with your shareholders their preference for a proposal with this consideration option. As we do so, we are also highlighting to your shareholders that there are obvious costs to us and to them associated with including cash as a component of consideration. These costs include:

Breakage costs of approximately $38 million associated with Depomed s current convertible bonds that are triggered upon cash considera exceeding 10%.

Financing commitment costs associated with a cash offer equal to greater than $2 million per month.

While we stand by our $33.00 per share all-stock offer, if Depomed s shareholders prefer, we would alternatively be prepared to offer a combination of cash and stock at $32.50 per share to partially offset the above incremental costs associated with including cash as a component of the consideration.

Additionally, we believe Depomed s shareholders understand that the period of time one can extract value from patented pharmaceutical products is finite. Depomed s medicines are no different. Based on our analysis, every three months of delay to the consummation of a transaction between our companies reduces the value of Depomed s assets to us by approximately $50 million. Further, Depomed is not investing in internal research capable of discovering new clinical candidates and is therefore dependent up acquiring additional medicines to build future value. However, it appears to investors and us that Depomed s ability to borrow additional funds to affect potential acquisitions is substantially limited by its current levels of debt. As a result, your entrenchment tactics to date, if used to lengthen the time required to consummate a transaction, could actually cost Depomed s shareholders considerable value.

We urge you to act now by sitting down with us to negotiate a mutually beneficial transaction that would serve the best interests of both Depomed s and Horizon Pharma s shareholders. We remain confident Depomed s shareholders will support such efforts.

Best regards,

/s/ Timothy P. Walbert

Timothy P. Walbert

Chairman, President and Chief Executive Officer

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On the same day, Depomed issued a press release, among other things, commenting on the Horizon August 13, 2015 letter and indicating that the Depomed Board, consistent with its fiduciary duties, would carefully review and evaluate the revised offer to determine the course of action it believes is in the best interests of Depomed and its shareholders.

On August 13, 2015 and August 14, 2015, Horizon, through its indirect wholly-owned subsidiary, HPI, purchased 350,000 and 400,000 shares of Depomed common stock, respectively, and as of August 14, 2015 held an aggregate of 1,500,000 shares of Depomed common stock, representing approximately 2.5% of the outstanding shares of Depomed common stock as of July 30, 201

On August 17, 2015, Mr. Walbert sent a letter via email to Mr. Schoeneck reiterating Horizon s desire to reach a consensually negotiated transaction that is mutually beneficial to the companies respective shareholders, and noting that based solely upon feed from Depomed investors, it was Horizon s understanding that Mr. Schoeneck and the Depomed Board were ready to meaningfully engage with Horizon. To pave the way for meaningful dialogue, a confidentiality agreement was included with the letter for Depomed s review and execution.

From August 17, 2015, through August 19, 2015, Horizon, through its indirect wholly-owned subsidiary, HPI, purchased 750,000 shares of Depomed common stock, and now holds an aggregate of 2,250,000 shares of Depomed common stock, representing approximately 3.7% of the outstanding shares of Depomed common stock as of July 30, 2015.

On August 19, 2015, Horizon submitted to Depomed the Supplemental Record Date Request Notice to provide for the additional proposal to elect the Horizon nominees to the Depomed Board, and delivered such notice to Depomed in accordance with the Depomed bylaws.

On the same day, Horizon issued a press release announcing the election proposal and the Horizon nominees to the Depomed Boar

On the same day, Horizon filed an amendment to the Horizon solicitation with the SEC to amend the purposes of the special meeti of Depomed shareholders to include the election of the Horizon nominees to the Depomed Board, contingent upon the proposal to remove the current Depomed Board being passed by the Depomed shareholders.

On the same day, following Horizon s submission of the Supplemental Record Date Request Notice, issuance of its foregoing pres release and filing of its amendment to the solicitation with the SEC, Depomed issued a press release and delivered a letter to Horizo announcing that the Depomed Board had unanimously rejected the Horizon proposal as reiterated by Horizon on August 13, 2015 a fixed exchange ratio of 0.95 Horizon ordinary shares for each share of Depomed common stock. The Depomed Board also pre-emptively rejected Horizon s possible amendment of the Horizon proposal to offer Depomed shareholders a cash-stock mix w up to 25% of the consideration in cash at the election of each respective Depomed shareholder, subject to certain terms and conditi

On August 21, 2015, HPI filed an *ex parte* application with the Superior Court of the State of California, County of Santa Clara, fo order to shorten the time for the Court to hear a preliminary injunction motion to enjoin enforcement of the Depomed Rights Agreement and Sections 2(b), 2(c) and 2(d) of the Depomed bylaws. That same day, Depomed filed an *ex parte* application with th Court for expedited discovery, a briefing schedule and hearing on a preliminary injunction motion for Depomed s claims. See the section of this proxy statement titled The Offer Certain Legal Matters for additional background on the foregoing litigation.

On the same day, Depomed sent a letter to Horizon indicating, among other things, that it viewed Horizon s Record Date Request Notice as premature and that it would be willing to treat Horizon s Record Date Request Notice, together with the Supplemental Record Date Request Notice, as a new Record Date Request Notice

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under the Depomed bylaws that Depomed would deem to have been delivered as of August 19, 2015 rather than August 3, 2015, thereby at a minimum delaying the setting of the request record date for a special meeting by up to 16 days from Horizon s initial submission of Horizon s Record Date Request Notice.

On August 26, 2015, Horizon sent the following letter in response to the foregoing Depomed letter that, among other things, asked that Depomed reconsider such rejection but affirmed that, under Depomed s then-current interpretation of the Depomed bylaws, Horizon was willing to request a second, additional special meeting of shareholders to consider and vote upon the election proposal

August 26, 2015

Depomed, Inc.

7999 Gateway Blvd, Suite 300

Newark, CA 94560

Attention: Matthew M. Gosling, Senior Vice President
General Counsel and Secretary

Re: Your August 21, 2015 Correspondence

Ladies and Gentlemen:

Horizon Pharma, Inc. (HPI), a Delaware corporation and indirect wholly-owned subsidiary of Horizon Pharma public limited company (HPP and, together with HPI, Horizon), and HPP are writing in response to the August 21, 2015 letter from Depom (the Company) to Horizon.

Your August 21 letter confirms to us our view that the Company s current board of directors (the Board) and management are n acting in the best interests of the Company s shareholders and are working primarily to entrench themselves and impede sharehold action by imposing non-substantive procedural hurdles that serve only to unnecessarily waste corporate assets and cause unwarrant delay.

As your letter recounts, on August 3, 2015, we submitted a record date request notice to the Company under the Company s curren bylaws (the Record Date Request Notice) and filed a preliminary solicitation statement with the U.S. Securities and Exchange Commission (the SEC) (the Solicitation Statement) to call a special meeting of the Company s shareholders (the Special M consider and vote on three stand-alone proposals to (1) remove the current Board, contingent on the shareholder election of success directors, (2) amend the Company s current bylaws to eliminate what we believe are illegal and onerous procedural and informatio requirements imposed on shareholder-called special meetings and shareholder proposals by the Board and (3) restrict the Board fro further amending the Company s bylaws to prevent any further delay and entrenchment tactics from the Board and management. Y letter claims in particular that it was unclear [both] what was contemplated by the foregoing removal proposal because no propo elect new directors was included and how the Board could continue to operate effectively if the removal proposal was adopted b Company s shareholders, then incorrectly concluding that our Record Date Request Notice was premature. Both our Record Da Request Notice and the Solicitation Statement were crystal clear on such points. As stated in each, if such removal proposal were

adopted, the directors will remain on the Board until successors are duly elected and qualified at a special or annual meeting of th shareholders of the Company. The Company would continue to operate under the current Board until successors were elected. We again emphasized this in a letter to the Company dated August 12, 2015 and in our August 14, 2015 and August 19, 2015 amended Solicitation Statements.

A proposal to elect new directors is obviously not a required element of our Record Date Request Notice or the calling of the Sp Meeting.

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On August 19, 2015, however, after having identified a slate of highly qualified, independent replacement directors before the Company had set any request record date and consistent with the Company s current bylaws, we submitted a supplement to the Re Date Request Notice that added a proposal to elect new directors contingent on the adoption of our removal proposal. That same da we accordingly filed a second amended Solicitation Statement to include such election proposal. In these materials, we also stated belief that such supplement should be treated as having been delivered as of August 3 so as not to restart the 28-day period the Boa has granted itself under the Company s current bylaws to set a request record date.

We believed, and continue to believe, that the Company must, if it is acting in the best interests of its shareholders, accept our August 19 supplement to the August 3rd Record Date Request Notice. On August 19, we merely supplemented the Record Date Request Notice before the Company had set a request record date and before we had filed any definitive solicitation statement for t Special Meeting. The Company is not, therefore, prejudiced in any way by such supplement and based on an August 3 date for the Record Date Request Notice, still had nearly two weeks from the August 19 supplement to consider our consolidated Record Date Request Notice under its own self-made special meeting process. In fairly and timely supplementing the Record Date Request Noti we had every hope in holding a single special meeting at which shareholders can vote on the simultaneous removal and replaceme the incumbent Board. Yet, whether this would be possible was and remains up to the Board.

As your August 21 letter makes clear, the Company has rejected our supplement under the Company s self-made special meeting process based on no apparent good corporate governance principle. Instead, the Company has offered us and its other shareholders choice between delay and more delay. As your letter suggests, for the Company to entertain [our] consolidated [R]ecord [D]ate [R]equest [N]otice and permit us to avoid the delay, expense, waste and formality of having to call a second special meeting to consider our election proposal, the Company s shareholders will nonetheless have to suffer up to a 16-day delay in the setting of th request record date, assuming the Company does not notify us of any further flaws it finds in our good-faith attempt to comply v self-made special meeting process. Alternatively, you suggest that the Company will consider our original Record Date Request Notice without the supplement, requiring us, together with other Company shareholders, to call a second special meeting to conside the election proposal under an entirely new special meeting process under the Company s current bylaws, in addition to any furthe delays arising from your review of our original Record Date Request Notice.

In offering such equally improper options based on the Company s current bylaws, we cannot help but wonder whether such appar determination on your part to delay any shareholder action suggests a deeper concern at the Company over how its shareholders, or given a chance, will vote on our proposals, whether presented at one or two special meetings.

That said, we can only assume that you, like us, would like to avoid the needless expense of a second special meeting. If you would reconsider your rejection of our August 19 supplement and accept it as a valid supplement to the August 3rd Record Date Request Notice, please promptly let us and fellow Company shareholders know.

Assuming you do not reconsider your rejection, then per the request of your August 21 letter, we elect to stand by the Record Date Request Notice as submitted on August 3 without the election proposal and expect that you will set the request record date on or before August 31 as required by the Company s current bylaws. We ask, however, that you then treat our August 19 supplement as stand-alone record date request notice for a second special meeting under the Company s current bylaws that incorporates any additional information as stated in the August 19 supplement from the Record Date Request Notice.

If you choose to continue treating the Record Date Request Notice and our August 19 supplement as separate record date request notices for separate special meetings under the Company s current bylaws, we ask that the Company set the request record dates fo each of the meetings as promptly as practicable and each as of the same date so that the same group of Company shareholders can a in calling the two related special meetings. In our

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view, there is no legitimate justification for doing it any other way. Moreover, as you know, under the Company s current bylaws, setting the same request record date for each of the meetings, you would facilitate our ability to call the special meetings as close in time as possible within the same 35-to-60 day window following your receipt of the valid requests to call the special meetings unde the Company s current bylaws.

We respectfully request that a copy of this letter be furnished promptly to each member of the Board.

Very truly yours,

HORIZON PHARMA, INC.

/s/ Brian K. Beeler

Executive Vice President, General Counsel

On August 28, 2015, Horizon filed an amendment to the Horizon solicitation with the SEC to provide for the calling of the two rela special meetings of Depomed shareholders per the foregoing Horizon letter to consider the removal and bylaw amendment proposa and then the election proposal.

On August 31, 2015, Depomed sent a letter to Horizon indicating that it would set the request record date for a special meeting of shareholders to consider only Horizon s removal and bylaw amendment proposals as October 29, 2015. Depomed did not, howeve confirm the validity of Horizon s original August 3rd Record Date Request Notice for such meeting and reserved the right to nonetheless contest the validity of such notice.

On September 8, 2015, Horizon filed the definitive Horizon solicitation providing for the calling of the two related special meeting Depomed shareholders to consider the removal and bylaw amendment proposals and the election proposal.

Also on September 8, 2015, Horizon commenced the offer and later that day filed a premerger notification under the HSR Act relat to the proposed acquisition of Depomed.

On September 25, 2015, Horizon filed an amended registration statement on Form S-4.

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THE OFFER

The share issuance proposal (Proposal No. 1) relates to the offer being made pursuant to the offer to exchange, which is incorpora by reference herein, as well as any alternative transaction involving Horizon s acquisition of Depomed. Other than in respect of a acquisition of Depomed, such proposal would not be necessary. The offer is not being made to you in your capacity as a Horizon shareholder. This proxy statement is not the offer to exchange and Horizon shareholders are not being asked to tender any Horizon ordinary shares into the offer or otherwise. The following description is to assist you in deciding how to vote with respect to the proposals. Many of the terms and conditions applicable to the offer and specified in this proxy statement would apply equally to an alternative transaction involving Horizon s acquisition of Depomed.

Overview

On September 8, 2015, Horizon commenced the offer pursuant to which it is offering to exchange, for each issued and outstanding share of Depomed common stock that is validly tendered and not withdrawn before the expiration date, the Stock Consideration. N fractional Horizon ordinary shares will be issued upon exchange of shares of Depomed common stock and, holders of Depomed common stock will receive cash in lieu of any fractional Horizon ordinary shares to which they may be entitled.

The offer will expire at 5:00 p.m., Eastern Time, on November 6, 2015, unless Horizon extends the period of time for which the of is open, in which case the expiration time will be the latest time and date on which the offer, as so extended, expires.

The offer is subject to a number of conditions, which are described in the section of this proxy statement titled The Offer Conditi the Offer below. Horizon has expressly reserved the right, subject to the applicable rules and regulations of the SEC, to waive any condition of the offer described herein in its discretion, except for the Competition Laws Condition, Registration Statement Conditi Anti-Takeover Device Condition, Horizon Shareholder Approval Condition and Stock Exchange Listing Condition, each as set fort in the section of this proxy statement titled The Offer Conditions to the Offer and each of which cannot be waived. Horizon exp reserves the right to make any changes to the terms and conditions of the offer (subject to any obligation to extend the offer pursua to the applicable rules and regulations of the SEC).

In the event Horizon accepts shares of Depomed common stock for exchange in the offer, Horizon intends to acquire Depomed pursuant to the second-step merger. After the second-step merger, former remaining Depomed shareholders will no longer have any ownership interest in Depomed and will be shareholders of Horizon.

Subject to applicable law, Horizon has reserved the right to amend the offer in any respect or terminate it, including in connection w entering into a merger agreement with Depomed.

Ownership of Horizon After the Offer

Upon consummation of the offer and the second-step merger, former Depomed shareholders (including former holders of Depomed outstanding convertible notes) will own, in the aggregate, approximately 32.2% of the Horizon ordinary shares then outstanding, or approximately 31.7% on a fully diluted basis. These estimates assume that:

- other than as described below, no additional shares of common stock of Depomed are issued during the pendency of the offer and closing of the second-step merger beyond the 60,311,961 shares of Depomed common stock outstanding as of July 30, 2015, as reported in Depomed s Quarterl Report on Form 10-Q for the quarterly period ended June 30, 2015;

no additional ordinary shares of Horizon are issued during the pendency of the offer and closing of the second-step merger beyond the 159,208,982 Horizon ordinary shares outstanding as of August 15, 2015;

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the closing of the offer will constitute a make-whole fundamental change under the terms of the indenture governing Depomed s convertible no holders of the convertible notes will convert their notes in connection with such make-whole fundamental change and prior to the consummation o second-step merger, and Depomed will elect to settle such conversions entirely in shares of Depomed common stock (and for purposes of such settlement such shares are valued at $33.00 per share). Based on publicly available information, Horizon estimates that Depomed will need to issue approximately 19,167,261 shares of its common stock in connection with these conversions;

each share of Depomed common stock outstanding immediately prior to the closing of the second-step merger, (a) excluding, for purposes of this calculation, the shares of Depomed common stock acquired by Purchaser pursuant to the tender (which shares will be cancelled for no consideratio upon the closing of the second-step merger) and (b) including, for purposes of this calculation, the approximately 19,167,261 shares of Depomed common stock Horizon assumes will be issued upon settlement of the Depomed convertible notes and the 2,250,000 shares of Depomed common s indirectly owned by Horizon through one of its subsidiaries, will be cancelled and automatically converted into the right to receive the Stock Consideration;

the information about outstanding Depomed options and restricted stock units contained in Depomed s Annual Report on Form 10-K for the year December 31, 2014, is accurate and does not change during the pendency of the offer and closing of the second-step merger and, in connection wit second-step merger, (1) each outstanding option to purchase shares of Depomed common stock will be assumed and converted into an option to purchase Horizon ordinary shares on substantially the same terms (including with respect to vesting) except (A) each such option will be exercisab for that number of Horizon ordinary shares (rounded down to the nearest whole share) equal to the product of (x) the number of shares of Depomed common stock subject to such option immediately prior to the consummation of the second-step merger and (y) the stock exchange ratio (i.e., 0.95) and (B) the exercise price of such option will be appropriately adjusted so that such option has the same intrinsic value immediately before and afte such conversion), (2) each outstanding restricted stock unit of Depomed will be cancelled and converted into a restricted stock unit designated in Horizon ordinary shares subject to substantially the same terms (including with respect to vesting) except that such restricted stock unit will be converted into the right to receive a number of Horizon ordinary shares (rounded down to the nearest whole share) equal to the product of (x) the number of shares of Depomed common stock subject to such restricted stock unit immediately prior to the consummation of the second-step merge and (y) the stock exchange ratio (i.e., 0.95), and (3) the treasury method is applied to the Depomed options assuming a per share price of Depomed common stock of $33.00, assuming all outstanding options and restricted stock units vest without forfeitures and all vested options are exercised without lapsing;

the number of Horizon options, restricted stock units, performance stock units and warrants outstanding as of August 15, 2015 does not change dur the pendency of the offer and closing of the second-step merger and are convertible into 14,464,591 Horizon ordinary shares, which assumes that (1) 2,987,176 Horizon ordinary shares are issuable pursuant to Horizon s outstanding performance stock units, which is based on the level of achievement of the performance metrics as of August 15, 2015, and (2) the treasury method is applied to Horizon s options and warrants assuming share price of Horizon ordinary shares of $34.74, assuming all outstanding options and restricted stock units vest without forfeitures and all vested options are exercised without lapsing; and

Horizon repays the Horizon Exchangeable Senior Notes, when such notes mature or are presented for conversion, exclusively in cash from future sources of cash available from operations or new financings.

Horizon believes that, upon consummation of the offer and the second-step merger, no single shareholder will own more than 10% the issued and outstanding Horizon ordinary shares.

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Conditions to the Offer

The offer is conditioned upon satisfaction, in the reasonable judgment of Horizon, of the following conditions:

Minimum Tender Condition

There shall have been validly tendered and not properly withdrawn prior to the expiration of the offer, a number of shares of Depo common stock which, together with any other shares of Depomed common stock that Purchaser then owns or has a right to acquire a majority of the total number of outstanding shares of Depomed common stock on a fully diluted basis as of the date that Horizon accepts shares of Depomed common stock for exchange pursuant to the offer.

Anti-Takeover Device Condition

The Depomed Board shall have redeemed the poison pill rights issued pursuant to the Depomed Rights Agreement, or those poison pill rights shall have been otherwise rendered inapplicable to the offer and the second-step merger.

Horizon Shareholder Approval Condition

Horizon shareholders shall have approved the issuance of Horizon ordinary shares contemplated in connection with the offer and th second-step merger, in accordance with the rules of NASDAQ, on which the Horizon ordinary shares are listed.

Competition Laws Condition

The Competition Laws Condition shall have been satisfied. In addition the waiting period (or extension thereof) applicable to the o and the second-step merger under any applicable antitrust laws and regulations (other than the HSR Act) shall have expired or been terminated, and any approvals or clearances determined by Horizon to be required or advisable thereunder shall have been obtained

Stock Exchange Listing Condition

The Horizon ordinary shares issuable to Depomed shareholders in connection with the offer and the second-step merger shall have been approved for listing on NASDAQ, subject to official notice of issuance.

Registration Statement Condition

The Form S-4 shall have become effective under the Securities Act of 1933, as amended, which we refer to as the Securities Act. N stop order suspending the effectiveness of the registration statement shall have been issued, and no proceedings for that purpose sh have been initiated or be threatened, by the SEC.

No Injunction Condition

No court or other governmental entity of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any la statute or ordinance, common law, rule, regulation, standard, judgment, order, writ, injunction, decree, arbitration award or agency requirement (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits consummation of the offer and the second-step merger.

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Due Diligence Condition

Horizon shall have been given access to Depomed s non-public information on Depomed s business, assets, and liabilities to com its confirmatory due diligence review, including access to unredacted versions of all material contracts filed by Depomed with the SEC, managed care contracts, manufacturing supply agreements, manufacturing transfer plans, intellectual property and patent litigation related documents and information, information on U.S. Food and Drug Administration, which we refer to as the FDA, required clinical trials and other planned clinical trials and other supply chain and license agreements, and related cost and other financial data, and Horizon shall have concluded, in its reasonable judgment, that there are no material adverse facts or developme concerning or affecting Depomed s business, assets and liabilities that have not been publicly disclosed prior to the commencemer the offer.

No Depomed Material Adverse Effect Condition

Since December 31, 2014, there shall not have occurred any Depomed Material Adverse Effect which has not been cured, and no event shall have occurred or circumstance shall exist that, in combination with any other events or circumstances, would reasonabl expected to have or result in a Depomed Material Adverse Effect.

When we refer to a Depomed Material Adverse Effect, we mean any effect, change, claim, event or circumstance, which collective we refer to as an Effect, that, considered together with all other Effects, is or would reasonably be expected to be or to become materially adverse to, or has or would reasonably be expected to have or result in a material adverse effect on the assets, liabilities (whether matured or unmatured, absolute or contingent, or otherwise), business, financial condition or results of operations of Depomed taken as a whole; provided, that in no event shall any Effects resulting from any of the following, alone or in combinatio be deemed to constitute, or be taken into account in determining whether there has occurred, a Depomed Material Adverse Effect: (a) conditions generally affecting the pharmaceutical industry or the U.S. or global economy as a whole, to the extent that such conditions do not have a disproportionate impact on Depomed taken as a whole; (b) general conditions in the financial markets, an any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), the extent that such conditions do not have a disproportionate impact on Depomed, taken as a whole; (c) changes in GAAP (or any interpretations of GAAP) or legal requirements applicable to Depomed or any of its subsidiaries; (d) the failure to meet internal projections, forecasts or budgets of revenues, earnings or other financial metrics, in and of itself (it being understood, however, tha except as otherwise provided in clauses (a), (b), (c), or (e) of this sentence, any Effect giving rise to or contributing to a may give rise to a Depomed Material Adverse Effect and may be taken into account in determining whether a Depomed Material Adverse Effect has occurred); or (e) Effects resulting directly from the announcement or pendency of the offer or second-step merg

The offer is also subject to additional conditions referred to in the offer to exchange.

Certain Legal Matters Related to the Offer

General

Except as otherwise disclosed herein, based upon an examination of publicly available filings with respect to Depomed, Horizon is aware of any licenses or other regulatory permits which appear to be material to the business of Depomed and which might be adversely affected by the acquisition of Depomed common stock by Horizon pursuant to the offer or the second-step merger or of a approval or other action by any governmental, administrative or regulatory agency or authority which would be required for the acquisition or ownership of Depomed common stock by Horizon pursuant to the offer. Should any such approval or other action be required, it is currently contemplated that such approval or action would be sought or taken. There can be no assurance that any suc approval or action, if needed, would be obtained or, if obtained, that it will be obtained without substantial conditions or that adver consequences might not result to Depomed s or Horizon s business or that certain parts of Depomed s or Horizon s business mig have to be disposed of in the event that such

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approvals were not obtained or such other actions were not taken, any of which could cause Horizon to elect to terminate the offer without the acceptance for exchange of Depomed common stock thereunder. Horizon s obligation under the offer to accept for exchange and issue Horizon ordinary shares is subject to certain conditions specified above.

Antitrust Clearance

The offer is subject to review by the FTC and the DOJ, which we collectively refer to as the antitrust agencies. Under the HSR Act the offer may not be completed until certain information has been provided to the antitrust agencies and the applicable HSR Act waiting period has expired or been terminated.

Pursuant to the requirements of the HSR Act, Horizon filed a Notification and Report Form with respect to the offer with the FTC a the DOJ on September 8, 2015. As a result, the waiting period applicable to Horizon s acquisition of Depomed will expire at 11:59 p.m., Eastern Time, 30 calendar days following such filing, unless such 30th day is a Saturday, Sunday or other legal public holida in which case the waiting period will expire at 11:59 p.m., Eastern Time, on the next regular business day. Before such time, howe either the FTC or the DOJ may extend the waiting period by requesting additional information from Horizon. If such request is ma the waiting period will expire at 11:59 p.m., Eastern Time, on the 30th calendar day after Horizon has substantially complied with such request, unless the waiting period is earlier terminated by the reviewing antitrust agency. The waiting period would not be affected either by the failure of Depomed to file a Notification and Report Form or to comply with any request for additional information issued by the FTC or the Antitrust Division.

Based upon an examination of information available to Horizon relating to the businesses in which Horizon and Depomed and thei respective subsidiaries are engaged, Horizon believes that the offer and second-step merger will not violate antitrust laws. Nevertheless, there can be no assurance that a challenge to the offer and second-step merger on antitrust grounds will not be made that, if such a challenge is made, Horizon will prevail.

The antitrust agencies routinely assess the potential competitive effects of transactions reported under the HSR Act, such as Horizo proposed acquisition of Depomed common stock pursuant to the offer. At any time before or after the consummation of any such transactions, one of the antitrust agencies could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the exchange of shares pursuant to the offer or seeking divestiture of the Depomed common stock so acquired or divestiture of certain of Horizon s or Depomed s assets. States and private parties may also bring le actions under the antitrust laws. There can be no assurance that a challenge to the offer and/or the second-step merger on antitrust grounds will not be made, or if such a challenge is made, whether Horizon will prevail. See the section of this proxy statement title The Offer Conditions to the Offer for certain conditions to the offer, including conditions with respect to litigation and certain governmental actions.

The offer and/or the second-step merger may also be subject to review by antitrust authorities in jurisdictions outside the United States. Under some of these jurisdictions, the offer and/or the second-step merger may not be consummated before a notification ha been submitted to the relevant antitrust authority and/or certain consents, approvals, permits or authorizations have been obtained and/or the applicable waiting period has expired or has been terminated; in addition, there may be jurisdictions where the submissi of a notification is only voluntary but advisable. Horizon intends to identify any such jurisdictions as soon as practicable, but based information available to Horizon, Horizon believes that no such additional competition filings are required or advisable. If any such filing is necessary or advisable, Horizon intends to make all such notifications (at the sole discretion of Horizon) as soon as practicable. The consummation of the offer and/or of the second-step merger is subject to the condition that the waiting period (or extension thereof) applicable to the offer and the second-step merger under any applicable antitrust laws and regulations shall have expired or been earlier terminated, and any approvals or clearances determined by Horizon to be required or advisable thereunder s have been obtained. Based on publicly available information, Horizon believes that only clearance under the HSR Act is required.

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State Takeover Laws

A number of states have adopted laws and regulations applicable to offers to acquire securities of corporations which are incorpora in such states and/or which have substantial assets, shareholders, principal executive offices or principal places of business therein. *Edgar v. MITE Corporation*, the Supreme Court of the United States held that the Illinois Business Takeover Statute, which made t takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and was therefore unconstitutional. In *CTS Corporation v. Dynamics Corporation of America*, the Supreme Court held that as a matter of corporate la and in particular, those laws concerning corporate governance, a state may constitutionally disqualify an acquiror of Control Shar (ones representing ownership in excess of certain voting power thresholds, e.g., 20%, 33% or 50%) of a corporation incorporated i state and meeting certain other jurisdictional requirements from exercising voting power with respect to those shares without the approval of a majority of the disinterested shareholders.

We do not believe that any state takeover laws purport to apply to the offer or the second-step merger. We have not attempted to comply with any state takeover statute or regulation. We reserve the right to challenge the applicability or validity of any state law purportedly applicable to the offer or the second-step merger and nothing in this proxy statement or any action taken in connection with the offer or the second-step merger is intended as a waiver of such right. If it is asserted that any state takeover statute is applicable to the offer or the second-step merger and if an appropriate court does not determine that it is inapplicable or invalid as applied to the offer or the second-step merger, we might be required to file certain information with, or to receive approvals from, t relevant state authorities, we might be unable to accept for payment or pay for Depomed common stock tendered pursuant to the of or be delayed in consummating the offer or the second-step merger. In such case, we may not be obliged to accept for payment or p for any shares of Depomed common stock tendered pursuant to the offer.

Litigation

Horizon Litigation to Invalidate Depomed s Poison Pill and Bylaw Amendments

On August 3, 2015, HPI filed a lawsuit in the Superior Court of the State of California, County of Santa Clara, naming as defendan Depomed and the members of the Depomed Board, Vicente J. Anido, Jr., Karen A. Dawes, Louis J. Lavigne, Jr., Samuel R. Saks, James A. Schoeneck, Peter D. Staple, and David B. Zenoff. The lawsuit is captioned *Horizon Pharma, Inc. v. Vicente J. Anido, Jr., al.*, Case Number 1:15-cv-283835. The lawsuit alleges that the adoption by the Depomed Board of the Depomed Rights Agreemen and Sections 2(b), 2(c), 2(d), and 5(d) of the Depomed bylaws violates the California General Corporation Law, constitutes ultra vi acts, and breaches the fiduciary duties of the members of the Depomed Board. The lawsuit seeks, among other things, an order (i) declaring that the Depomed Rights Agreement and Sections 2(b), 2(c), and 2(d) of the Depomed bylaws are invalid under California law, (ii) declaring that the members of the Depomed Board breached their fiduciary duties by enacting the Depomed Rig Agreement and Sections 2(b), 2(c), 2(d), and 5(d) of the Depomed bylaws, (iii) enjoining the members of the Depomed Board from relying on, implementing, applying or enforcing either the Depomed Rights Agreement or Sections 2(b), 2(c), 2(d) or 5(d) of the Depomed bylaws, (iv) enjoining the members of the Depomed Board from taking any improper action designed to impede, or whic has the effect of impeding, the proposed combination with Depomed or the efforts of Horizon to acquire control of Depomed, and (v) compelling the members of the Depomed Board to redeem the Depomed Rights Agreement or to render it inapplicable to Horiz

The Superior Court has calendared for November 5, 2015 a hearing on a preliminary injunction motion by HPI to enjoin enforceme of the Depomed Rights Agreement and Sections 2(b), 2(c) and 2(d) of the Depomed bylaws.

Depomed Trade Secret Litigation

On August 3, 2015, Depomed filed a lawsuit in the Superior Court of the State of California, County of Santa Clara, against Horizo The lawsuit is captioned *Depomed, Inc. v. Horizon Pharma plc*, Case Number

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1:15-cv-283834. The complaint asserts a claim for violation of the California Uniform Trade Secrets Act and breach of contract in connection Horizon s alleged use in proposing the proposed combination with Depomed of information obtained pursuant to a confidentiality agreement entered into as part of Horizon s consideration of a business arrangement with Janssen Pharmaceuticals relating to its U.S. rights to NUCYNTA, which are now owned by Depomed. The complaint also alleges that Horizon made fraudu and materially misleading statements to Depomed s shareholders. The lawsuit seeks, among other relief, an injunction (i) to prever Horizon from continuing its allegedly improper and unlawful use of Depomed s confidential and trade secret data and (ii) to preve Horizon from continuing to make and failing to correct its allegedly false and misleading statements in connection with the propose combination with Depomed.

The Superior Court has calendared for November 5, 2015 a hearing on a preliminary injunction motion by Depomed.

Horizon Patent Litigation

On July 15, 2013, Horizon received a Paragraph IV Patent Certification from Watson Laboratories, Inc. Florida, known as Actavis Laboratories FL, Inc., which we refer to as Watson, advising that Watson had filed an Abbreviated New Drug Application, or AND with the FDA for a generic version of RAYOS, containing up to 5 mg of prednisone. Watson has not advised us as to the timing or status of the FDA s review of its filing. On August 26, 2013, we, together with Jagotec AG, which we refer to as Jagotec, filed sui the United States District Court for the District of New Jersey against Watson, Actavis Pharma, Inc., Andrx Corp., and Actavis, Inc which we refer to collectively as WLF, seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that WLF h infringed U.S. Patent Nos. 6,488,960, 6,677,326, 8,168,218, 8,309,124 and 8,394,407 by filing an ANDA seeking approval from th FDA to market generic versions of RAYOS containing 1 mg, 2 mg and 5 mg of prednisone prior to the expiration of the patents. Th subject patents are listed in the FDA s Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as t Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of WLF s ANDA for 30 month until an earlier district court decision that the subject patents are not infringed or are invalid. Horizon and Jagotec have granted WL covenant not to sue with respect to US Patent Nos. 6,677,326 and 8,168,218, respectively, and accordingly these patents have been dismissed from the lawsuit. The court held a claim construction hearing on October 16, 2014, and issued its opinion and order on claim construction on November 10, 2014, adopting our proposed construction of both of the disputed claim terms. The trial date is for October 13, 2015.

On November 13, 2014, Horizon received a Paragraph IV Patent Certification from Watson advising that Watson had filed an AND with the FDA for a generic version of PENNSAID 2%. Watson has not advised us as to the timing or status of the FDA s review o filing. On December 23, 2014, Horizon filed suit in the United States District Court for the District of New Jersey against Watson seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Watson has infringed U.S. Patent Nos. 8,217,0 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the FDA s Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Watson s ANDA for 30 months or until an earl district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Watson action.

On December 2, 2014, Horizon received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,07 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,741,956 from Paddock Laboratories, LLC, which we refer to as Paddock, advisi that Paddock had filed an ANDA with the FDA for a generic version of PENNSAID 2%. On January 9, 2015, Horizon received fro Paddock another Paragraph IV Patent Certification against newly Orange Book listed U.S. Patent No. 8,871,809. On January 13, 20 and January 14, 2015, Horizon filed suits in the United States District Court for the District of New Jersey and the United States District Court for the District of Delaware, respectively, against Paddock seeking an injunction to

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prevent the approval of the ANDA. The lawsuits alleged that Paddock has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,4 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents.

On May 6, 2015, Horizon entered into a settlement and license agreement, which we refer to as the Perrigo settlement agreement, v Perrigo Company plc and its subsidiary Paddock, which we refer to collectively as Perrigo, relating to our on-going patent infringement litigation. The Perrigo settlement agreement provides for a full settlement and release by both us and Perrigo of all claims that were or could have been asserted in the litigation and that arise out of the issues that were the subject of the litigation or Perrigo s generic version of PENNSAID 2%.

Under the Perrigo settlement agreement, Horizon granted Perrigo a non-exclusive license to manufacture and commercialize Perrig generic version of PENNSAID 2% in the United States after the license effective date (as defined below) and to take steps necessar to develop inventory of, and prepare to commercialize, Perrigo s generic version of PENNSAID 2% during certain limited periods prior to the license effective date.

Under the Perrigo settlement agreement, the license effective date is January 10, 2029; however, Perrigo may be able to enter the market earlier in certain circumstances. Such events relate to the resolution of any other third party PENNSAID 2% patent litigatio the entry of other third party generic versions of PENNSAID 2% or certain substantial reductions in our PENNSAID 2% shipments over specified periods of time.

Under the Perrigo settlement agreement, Horizon also agreed not to sue or assert any claim against Perrigo for infringement of any patent or patent application owned or controlled by us during the term of the Perrigo settlement agreement based on the manufactu use, sale, offer for sale, or importation of Perrigo s generic version of PENNSAID 2% in the United States.

In certain circumstances following the entry of other third party generic versions of PENNSAID 2%, Horizon may be required to supply Perrigo PENNSAID 2% as our authorized distributor of generic PENNSAID 2%, with us receiving specified percentages of any net sales by Perrigo. Horizon also agreed that if Horizon enters into any similar agreements with other parties with respect to generic versions of PENNSAID 2%, Horizon will amend the Perrigo settlement agreement to provide Perrigo with terms that are n less favorable than those provided to the other parties.

On February 2, 2015, Horizon received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,078 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 from Taro Pharmaceuticals USA, Inc. and Taro Pharmaceut Industries, Ltd., which we refer to collectively as Taro, advising that Taro had filed an ANDA with the FDA for a generic version o PENNSAID 2%. Taro has not advised us as to the timing or status of the FDA s review of its filing. On March 13, 2015, Horizon suit in the United States District Court for the District of New Jersey against Taro seeking an injunction to prevent the approval of t ANDA. The lawsuit alleges that Taro has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration the patents. The subject patents are listed in the FDA s Orange Book.

On September 9, 2015, Horizon entered into a settlement and license agreement, which we refer to as the Taro Settlement Agreeme with Taro relating to Horizon s on-going patent infringement litigation. In accordance with legal requirements, Horizon and Taro h agreed to submit the Taro Settlement Agreement to the U.S. Federal Trade Commission and the U.S. Department of Justice for review. Horizon and Taro have also agreed to file stipulations of dismissal with the courts regarding the litigation. The Taro Settlement Agreement provides for a full settlement and release by both Horizon and Taro of all claims that were or could have bee asserted in the litigation and that arise out of the issues that were subject of the litigation or Taro s generic version of PENNSAID

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Under the Taro Settlement Agreement, Horizon granted Taro a non-exclusive license to manufacture and commercialize Taro s ge version of PENNSAID 2% in the United States after the license effective date (as defined below) and to take steps necessary to develop inventory of, and prepare to commercialize, Taro s generic version of PENNSAID 2% during certain limited periods prio the license effective date.

Under the Taro Settlement Agreement, the license effective date is January 10, 2029; however, Taro may be able to enter the mark earlier in certain circumstances. Such events relate to the resolution of any other third party PENNSAID 2% patent litigation, the e of other third party generic versions of PENNSAID 2% or certain substantial reductions in Horizon s PENNSAID 2% shipments specified periods of time.

Under the Taro Settlement Agreement, Horizon also agreed not to sue or assert any claim against Taro for infringement of any pat or patent application owned or controlled by Horizon during the term of the Taro Settlement Agreement based on the manufacture, use, sale, offer for sale, or importation of Taro s generic version of PENNSAID 2% in the United States.

Horizon also agreed that if Horizon enters into any similar agreements with other parties with respect to generic versions of PENNSAID 2%, Horizon will amend the Taro Settlement Agreement to provide Taro with terms that are no less favorable than tho provided to the other parties.

On March 18, 2015, Horizon received a Paragraph IV Patent Certification against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 from Lupin Limited advising that Lupin Limited had filed a ANDA with the FDA for generic version of PENNSAID 2%. Lupin Limited has not advised us as to the timing or status of the FD review of its filing. On April 30, 2015, Horizon filed suit in the United States District Court for the District of New Jersey against Lupin Limited, seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Lupin Limited has infringed U Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the FDA Orange Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of Lupin Limited s ANDA for months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a t date for the Lupin Limited action.

Horizon received from IGI Laboratories, Inc., which we refer to as IGI, a Paragraph IV Patent Certification dated March 24, 2015 against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,809 advising that IGI had filed an ANDA with the FDA for a generic version of PENNSAID 2%. IGI has not advised us as to the timin status of the FDA s review of its filing. On May 21, 2015, Horizon filed suit in the United States District Court for the District of Jersey against IGI seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that IGI has infringed U.S. Pate Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of the patents. The subject patents are listed in the FDA s Orang Book. The commencement of the patent infringement lawsuit stays, or bars, FDA approval of IGI s ANDA for 30 months or until earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the IG action.

Horizon received from Amneal Pharmaceuticals LLC, which we refer to as Amneal, a Paragraph IV Patent Certification dated Apr 2015 against Orange Book listed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, 8,741,956, and 8,871,80 advising that Amneal had filed an ANDA with the FDA for a generic version of PENNSAID 2%. Amneal has not advised us as to timing or status of the FDA s review of its filing. On May 15, 2015, Horizon filed suit in the United States District Court for the District of New Jersey against Amneal seeking an injunction to prevent the approval of the ANDA. The lawsuit alleges that Amnea has infringed U.S. Patent Nos. 8,217,078, 8,252,838, 8,546,450, 8,563,613, 8,618,164, and 8,871,809 by filing an ANDA seeking approval from the FDA to market generic versions of PENNSAID 2% prior to the expiration of

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the patents. The subject patents are listed in the FDA s Orange Book. The commencement of the patent infringement lawsuit stays bars, FDA approval of Amneal s ANDA for 30 months or until an earlier district court decision that the subject patents are not infringed or are invalid. The court has not yet set a trial date for the Amneal action.

Currently, patent litigation is pending in the United States District Court for the District of New Jersey against four generic compan intending to market VIMOVO before the expiration of patents listed in the Orange Book. These cases are in the United States Distr Court for the District of New Jersey and have been consolidated for discovery purposes. They are collectively known as the VIMO cases, and involve the following sets of defendants: (i) Dr. Reddy s Laboratories Inc. and Dr. Reddy s Laboratories Ltd., which w to collectively as Dr. Reddy s; (ii) Lupin Limited and Lupin Pharmaceuticals Inc., which we refer to collectively as Lupin; (iii) My Pharmaceuticals Inc., Mylan Laboratories Limited, and Mylan Inc., which we refer to collectively as Mylan; and (iv) Watson Laboratories, Inc. Florida, known as Actavis Laboratories FL, Inc. and Actavis Pharma, Inc. Patent litigation in the United States District Court for the District of New Jersey against a fifth generic company, Anchen Pharmaceuticals Inc., or Anchen, was dismiss on June 9, 2014 after Anchen recertified under Paragraph III. Horizon understands that Dr. Reddy s has entered into a settlement w AstraZeneca with respect to patent rights directed to Nexium for the commercialization of VIMOVO, and that according to the settlement agreement, Dr. Reddy s is now able to commercialize VIMOVO under AstraZeneca s Nexium patent rights. The settle agreement, however, has no effect on the Pozen Inc., or Pozen, VIMOVO patents, which are still the subject of patent litigations. A part of our acquisition of the U.S. rights to VIMOVO, Horizon has taken over and are responsible for the patent litigations that incl the Pozen patents licensed to us under the amended and restated collaboration and license agreement for the United States with Poz

The VIMOVO cases were filed on April 21, 2011, July 25, 2011, October 28, 2011, January 4, 2013, May 10, 2013, June 28, 2013, October 23, 2013 and May 13, 2015 and collectively include allegations of infringement of U.S. Patent Nos. 6,926,907, 8,557,285, 8,852,636, and 8,858,996. On June 18, 2015, Horizon amended the complaints to add a charge of infringement of U.S. Patent No. 8,865,190. Horizon understands the cases arise from Paragraph IV Notice Letters providing notice of the filing of AND with the FDA seeking regulatory approval to market generic versions of VIMOVO before the expiration of the patents-in-suit. Horizon understands the Dr. Reddy s notice letters were dated March 11, 2011, November 20, 2012 and April 20, 2015; the Lupin notice letters were dated June 10, 2011 and March 12, 2014; the Mylan notice letters were dated May 16, 2013 and February 9, 201 the Actavis notice letters were dated March 29, 2013 and November 5, 2013; and the Anchen notice letter was dated September 16 2011. The court has issued a claims construction order and has set a pretrial schedule but has not yet set a trial date.

On February 24, 2015, Dr. Reddy s Laboratories, Inc. filed a Petition for Inter Partes Review, which we refer to as an IPR, of U.S. Patent No. 8,557,285, one of the patents in litigation in the above referenced VIMOVO cases. The U.S. Patent and Trademark Offi Patent Trial and Appeal Board, which we refer to as the PTAB, has not yet issued a decision with regard to whether or not the IPR be instituted.

On May 21, 2015, the Coalition for Affordable Drugs VII LLC filed a Petition for IPR of U.S. Patent No. 6,926,907, one of the patents in litigation in the above referenced VIMOVO cases. The PTAB has not yet issued a decision with regard to whether or not IPR will be instituted.

On June 5, 2015, the Coalition for Affordable Drugs VII LLC filed another Petition for IPR of U.S. Patent No. 8,858,996, one of th patents in litigation in the above referenced VIMOVO cases. The PTAB has not yet issued a decision with regard to whether or not IPR will be instituted.

On August 7, 2015, the Coalition for Affordable Drugs VII LLC filed another Petition for IPR of U.S. Patent No. 8,852,636, one of the patents in litigation in the above referenced VIMOVO cases. The PTAB has not yet issued a decision with regard to whether or the IPR will be instituted.

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On August 12, 2015, the Coalition for Affordable Drugs VII LLC filed another Petition for IPR of U.S. Patent No. 8,945,621. The PTAB has not yet issued a decision with regard to whether or not the IPR will be instituted.

On August 19, 2015, Lupin filed Petitions for IPR of each of U.S. Patent Nos. 8,858,996, 8,852,636, and 8,865,190, three of the patents in litigation in the above referenced VIMOVO cases. The PTAB has not yet issued a decision with regard to whether or not each such IPR will be instituted.

On or about December 19, 2014, Horizon filed a Notice of Opposition with the European Patent Office relating to non-patentability over prior art regarding European patent EP 2611457, to Roberto Testi, et al., covering compositions and methods for treating FA v interferon gamma, e.g., ACTIMMUNE. In the European Union, the grant of a patent may be opposed by one or more private partie

On March 17, 2014, Hyperion received notice from Par Pharmaceutical, Inc., which we refer to as Par, that it had filed an ANDA w the FDA seeking approval for a generic version of our product RAVICTI. The ANDA contained a Paragraph IV Patent Certificatio alleging that two of the patents covering RAVICTI, U.S. Patent No. 8,404,215, titled Methods of therapeutic monitoring of nitrog scavenging drugs, which expires in March 2032, and U.S. Patent No. 8,642,012, titled Methods of treatment using ammonia scavenging drugs, which expires in September 2030, are invalid and/or will not be infringed by Par s manufacture, use or sale of product for which the ANDA was submitted. Par did not challenge the validity, enforceability, or infringement of our primary composition of matter patent for RAVICTI, U.S. Patent No. 5,968,979 titled Triglycerides and ethyl esters of phenylalkanoic acid phenylalkenoic acid useful in treatment of various disorders, which would have expired on February 7, 2015, but as to which Hyperion was granted an interim term of extension until February 7, 2016. Hyperion filed suit in the United States District Court fo the Eastern District of Texas, Marshall Division, against Par on April 23, 2014 seeking an injunction to prevent the approval of Par ANDA and/or to prevent Par from selling a generic version of RAVICTI, and Horizon has taken over and is responsible for this pa litigation.

On April 29, 2015, Par filed petitions for IPR of the 215 patent and the 012 patent. The PTAB has not yet issued a decision with regard to whether or not the IPRs will be instituted.

Depomed Patent Litigation

In July 2013, Janssen Pharma filed patent infringement lawsuits in the U.S. District Court for the District of New Jersey against Actavis Elizabeth LLC, Actavis Inc. and Actavis LLC, which we refer to collectively as Actavis, as well as Alkem Laboratories Limited and Ascend Laboratories, LLC, which we refer to collectively as Alkem. The patent infringement claims against Actavis a Alkem relate to their respective ANDAs seeking approval to market a generic version of NUCYNTA ER before the expiration of U Reissue Patent No. 39,593, or the 593 Patent, U.S. Patent No. 7,994,364, or the 364 Patent, and, as to Actavis only, U.S. Patent No. 8,309,060, or the 060 Patent. The lawsuit also includes patent infringement claims against Actavis and Alkem in response to respective ANDAs seeking approval to market a generic version of NUCYNTA before the expiration of the 593 and 364 Patents December 2013, Janssen Pharma filed an additional complaint in the U.S. District Court for the District of New Jersey against Alke asserting that U.S. Patent No. 8,536,130, or the 130 Patent, relates to Alkem s ANDA seeking approval to market a generic versi NUCYNTA ER. In August 2014, Janssen Pharma amended the complaint against Alkem to add additional dosage strengths.

In October 2013, Janssen Pharma received a Paragraph IV Notice from Sandoz, Inc., or Sandoz, with respect to NUCYNTA related the 364 Patent, and a Paragraph IV Notice from Roxane Laboratories, Inc., or Roxane, with respect to NUCYNTA related to the and 593 Patents. In response to those notices, Janssen Pharma filed an additional complaint in the U.S. District Court for the Distr of New Jersey against Roxane and Sandoz asserting the 364 Patent against Sandoz and the 364 and 593 Patents against Roxane April 2014,

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Janssen Pharma and Sandoz entered into a joint stipulation of dismissal of the case against Sandoz, based on Sandoz s agreement n market a generic version of NUCYNTA products prior to the expiration of the asserted patents. In June 2014, in response to a Paragraph IV Notice from Roxane with respect to NUCYNTA ER, Janssen Pharma filed an additional complaint in the U.S. Distric Court for the District of New Jersey asserting the 364, 593, and 130 Patents against Roxane.

In July 2014, in response to a Paragraph IV Notice from Watson with respect to the NUCYNTA oral solution product and the 364 593 Patents, Janssen Pharma filed a lawsuit in the U.S. District Court for the District of New Jersey asserting the 364 and 593 against Watson.

At the time that the foregoing complaints were filed, Janssen Pharma was an exclusive U.S. licensee of the patents referred to abov On April 2, 2015, Depomed acquired the U.S. rights to the NUCYNTA ER and NUCYNTA from Janssen Pharma. As part of the acquisition, Depomed became the exclusive U.S. licensee of the patents referred to above. Depomed has since been added as a plaintiff to the pending ANDA lawsuits involving NUCYNTA ER and NUCYNTA. No trial date has been set.

On September 11, 2015, Depomed filed a patent infringement lawsuit in the U.S. District Court for the District of New Jersey agai Actavis. The patent infringement claims against Actavis relate to Actavis ANDA seeking approval to market a generic version of NUCYNTA ER before the expiration of the 130 Patent. Actavis did not file a Paragraph IV Patent Certification on the 130 Pate trial date has been set.

Between March 2012 and May 2012, Depomed filed lawsuits in the U.S. District Court for the District of New Jersey in response t six ANDAs filed by companies seeking to market generic versions of 300mg and 600mg dosage strengths of Gralise prior to the expiration of Depomed s patents listed in the Orange Book for Gralise. The lawsuits were consolidated for purposes of all pretrial proceedings. Depomed s lawsuits against two of the six Gralise ANDA filers, Impax Laboratories and Watson Laboratories, have dismissed as a result of the withdrawal of the ANDAs from consideration by the FDA. Depomed s lawsuit against another ANDA Par, has been dismissed because the ANDA filer no longer seeks approval of its Gralise ANDA prior to the expiration of Depomed Gralise Orange Book-listed patents. In April 2014, Depomed entered into settlement agreements with Incepta Pharmaceuticals and Abon Pharmaceuticals LLC, which we refer to collectively as Incepta, and with Zydus Pharmaceuticals USA Inc. and Cadila Healthcare Limited, which we refer to collectively as Zydus, pursuant to which Incepta and Zydus may begin selling generic versio of Gralise on January 1, 2024, or earlier under certain circumstances.

A bench trial involving the Actavis defendants was completed on May 20, 2014 as to U.S. Patent Nos. 6,635,280; 6,488,962; 7,438,927; 7,731,989; 8,192,756; 8,252,332; and 8,333,992, which expire between September 2016 and February 2024. In August 2014, the court ruled in Depomed s favor, finding that Actavis infringed all patent claims that Depomed asserted and upho the validity of the patents. On September 15, 2014, Actavis filed a notice appealing the decision to the U.S. Court of Appeals for th Federal Circuit. On February 2, 2015, Actavis filed its opening brief with the U.S. Court of Appeals for the Federal Circuit. On April 10, 2015, Actavis and Depomed entered into a settlement agreement subject to review by the DOJ and the FTC, and the entry orders dismissing the appeal and related federal district court litigation. By the terms of this agreement, Actavis s pending appeal i dismissed and Actavis may begin selling the generic versions of Gralise on January 1, 2024, or earlier under certain circumstances.

In November 2010, the FDA granted Gralise orphan drug designation for the management of PHN but did not recognize orphan dr exclusivity for Gralise in January 2011 when Gralise was approved for marketing in the U.S. In September 2012, Depomed filed a action in federal district court for the District of Columbia against the FDA seeking an order requiring the FDA to grant Gralise orphan drug exclusivity for the management of PHN. Briefing in the case was completed in March 2013 and a hearing on t summary judgment motion was held in August 2013. In September 2014, the court issued an order granting Depomed s request fo summary judgment, and ordering the FDA to grant orphan drug exclusivity for Gralise for the management of PHN, which

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the FDA did formally in October 2014. On November 3, 2014, the FDA filed a notice appealing the order to the U.S. Court of App for the Federal Circuit. On November 5, 2014, the government dismissed its appeal.

Depomed has sued Purdue Pharma, which we refer to as Purdue, and Endo Pharmaceuticals, which we refer to as Endo, for patent infringement in separate lawsuits filed in the U.S. District Court for the District of New Jersey. The lawsuits arise from Purdue s commercialization of reformulated OxyContin® (oxycodone hydrochloride controlled-release) in the U.S. and Endo s commercialization of OPANA® ER (oxymorphone hydrochloride extended-release) in the U.S. Depomed sued Purdue in January 2013 for infringement of U.S. Patent Nos. 6,340,475, or the 475 Patent, and 6,635,280, or the 280 Patent, which expire September 2016. Depomed sued Endo in April 2013 for infringement of the 475 Patent, the 280 Patent and U.S. Patent No. 6,72 or the 340 Patent, which expires in October 2021. The Purdue and Endo lawsuits have been stayed pending completion of the End IPRs described below.

In response to two petitions filed by Purdue and six petitions filed by Endo, the PTAB has instituted an IPR of certain of the claims asserted in Depomed s lawsuits against Purdue and Endo. An IPR is a proceeding that became available in September 2012 in accordance with the America Invents Act. In an IPR, a petitioner may request that the PTAB reconsider the validity of issued paten claims on the basis of prior art in the form of printed publications and other patents. Any patent claim the PTAB determines to be unpatentable is stricken from the challenged patent. Any party may appeal final written decisions of the PTAB to the U.S. Court of Appeals for the Federal Circuit, but the PTAB s decisions denying institution of an IPR are non-appealable. Accordingly, if the PT finds a challenged claim patentable, or declines to institute an IPR as to a challenged claim, the IPR petitioner is estopped from asserting in a patent infringement lawsuit that these claims are invalid on any ground the petitioner raised or reasonably could have raised in the IPR.

In the Purdue IPRs, on July 10, 2014, the PTAB declined to institute an IPR as to two claims of the 475 patent and two claims of 280 Patent. The PTAB instituted an IPR as to the other 15 claims of the 475 Patent and as to the other 10 claims of the 280 Pat asserted against Purdue. On October 14, 2014, Depomed submitted written responses to the Petitions, and on December 22, 2014, Purdue submitted replies. A PTAB hearing was held on March 19, 2015. On July 8, 2015, the PTAB issued final decisions confirm the patentability of all claims at issue.

Endo filed two IPR petitions for each of the 475 Patent, the 280 Patent and the 340 Patent. The PTAB declined to institute an I three of Endo s petitions. The PTAB also declined to institute an IPR as to five claims of the 475 Patent, three claims of the 280 and one claim of the 340 Patent in the Endo IPRs. The PTAB instituted an IPR as to the other 13 claims of the 475 Patent, as to other ten claims of the 280 Patent and as to the other eight claims of the 340 Patent asserted against Endo. The PTAB also decli institute an IPR as to a number of Endo s requested grounds. Discovery is complete, and oral arguments were heard on June 15, 20 On September 16, 2015, the PTAB issued a final decision determining that eight of the nine challenged claims (of 19 total patent claims) of the 340 Patent are unpatentable. This decision has no impact on the expected market exclusivity of any of Depomed s products or receivable royalties, and Depomed is considering an appeal of the decision to the United States Court of Appeals for th Federal Circuit. On September 23, 2015, the PTAB issued final decisions confirming the patentability of all claims at issue for the Patent and the 280 Patent. Based on the PTAB s final decisions against the IPR challenges initiated by the Purdue and Endo, Dep will request that the U.S. District Court for the District of New Jersey lift the stay of the Purdue and Endo lawsuits described above those lawsuits, Endo and Purdue will not be able to assert invalidity arguments based on prior art they raised or could have raised i the IPRs.

On June 28, 2013, Depomed received from Banner a Notice of Certification for U.S. Patent Nos. 6,365,180; 7,662,858; 7,884,095; 7,939,518; and 8,110,606 under 21 U.S.C. § 355 (j)(2)(A)(vii)(IV), which we refer to as the Zipsor Paragraph IV Letter, certifying Banner has submitted and the FDA has accepted for filing an ANDA for diclofenac potassium capsules, 25mg. The letter states tha the Banner ANDA product contains the required bioavailability or bioequivalence data to Zipsor and certifies that Banner intends t obtain FDA approval to engage

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in commercial manufacture, use or sale of Banner s ANDA product before the expiration of the above identified patents, which are listed for Zipsor in the Orange Book. U.S. Patent No. 6,365,180 expires in 2019 and U.S. Patent Nos. 7,662,858; 7,884,095; 7,939,518; and 8,110,606 expire in 2029. The Zipsor Paragraph IV letter indicates Banner has granted to Watson exclusive rights to Banner s proposed generic Zipsor product.

On July 26, 2013, Depomed filed a lawsuit in the U.S. District Court for District of New Jersey against Banner and Watson for infringement of the patents identified above. The lawsuit was commenced within the 45 days required to automatically stay, or bar, FDA from approving Banner s ANDA for 25 mg diclofenac for 30 months or until a district court decision that is adverse to Depo whichever may occur earlier. Absent a court order, the 30-month stay would be expected to expire in December 2015.

On April 2, 2014, Depomed filed an amended complaint to include infringement of U.S. Patent Nos. 6,287,594 and 8,623,920, whi were recently added to the Orange Book listing for Zipsor and expire in 2019 and 2029, respectively. The Court heard arguments fo patent claim construction on March 3, 2015, and issued an order on March 26, 2015, in favor of Depomed s construction for all disputed terms. In May of 2015, the parties entered into a settlement agreement subject to review by the DOJ and the FTC. By the terms of this agreement, Watson may begin selling the generic version of Zipsor on March 24, 2022, or earlier under certain circumstances. On June 4, 2015, the Court entered an order staying the case pending the regulatory approval of the settlement agreement.

Regulatory Approvals

In addition to the approvals and clearances described in the Competition Laws Condition, the offer and the second-step merger may also be subject to review by government authorities and other regulatory agencies, including in jurisdictions outside the United Stat Horizon intends to identify such authorities and jurisdictions as soon as practicable and to file as soon as practicable thereafter all notifications that it determines are necessary or advisable under the applicable laws, rules and regulations of the respective identifie authorities, agencies and jurisdictions for the consummation of the offer and/or the second-step merger and to file all post-completi notifications that it determines are necessary or advisable as soon as practicable after completion has taken place.

Source and Amount of Funds

Horizon will issue Horizon ordinary shares as consideration for the shares of Depomed common stock tendered pursuant to the offe See the section of this proxy statement titled The Offer. Horizon estimates that the total amount of cash required to complete the transactions contemplated by the offer and the second-step merger will be approximately $725 million (inclusive of transaction fee and expenses, including fees associated with refinancing Depomed s existing credit facilities, but exclusive of litigation expenses a exclusive of any cash and cash equivalents from Depomed and exclusive of Depomed transactions costs). The estimated amount of cash required is based on Horizon s due diligence review of Depomed s publicly available information to date and is subject to ch For a further discussion of the risks relating to Horizon s limited due diligence review, see the section of this proxy statement titled Risk Factors Risk Factors Relating to the Offer and the Second-Step Merger.

Horizon expects to have sufficient cash resources available to complete the transactions contemplated by the offer and the second-s merger. In addition to cash on hand, Horizon currently intends to borrow or otherwise finance up to $175 million to complete the acquisition of Depomed, to pay fees, expenses and amounts related to such acquisition and to fund certain short-term cash obligatio of the combined company, including working capital.

Horizon has not negotiated the terms of or entered into any such financing agreement and Horizon cannot provide any assurances th additional financing will be available when and as needed or on terms that Horizon believes to be commercially reasonable. If Hori cannot obtain such funding on terms Horizon considers to be

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reasonable, Horizon may seek other methods to increase available cash, including by delaying, reducing or otherwise foregoing potential revenue enhancing activities, which could have an adverse effect on Horizon s business, operating results or financial condition.

The unaudited pro forma balance sheet is adjusted to reflect the debt expected to be issued of $175 million, and it is assumed that Horizon will incur approximately $1.8 million of debt discount. The pro forma interest expense reflects an estimated interest rate o 4.5%.

As of June 30, 2015, Horizon had approximately $667 million of cash and cash equivalents on hand (as reported in Horizon s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015, filed with the SEC on August 7, 2015). For a further discussion of the risks relating to Horizon s debt obligations, see the section of this proxy statement titled Risk Factors Risk Fac Relating to Horizon Following the Offer.

Accounting Treatment

The proposed combination with Depomed would be accounted for under the acquisition method of accounting under GAAP, with Horizon being the accounting acquirer, which means that Depomed s results of operations will be included with Horizon s results operations from the closing date and Depomed s consolidated assets and liabilities will be recorded at their fair values at the same

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DESCRIPTION OF HORIZON ORDINARY SHARES

Please see the Horizon Current Report on Form 8-K filed with the SEC on September 19, 2014 (which evidences the registration of the Horizon ordinary shares under Section 12(b) of the Exchange Act and includes therein a description of the Horizon ordinary shares), which is incorporated herein by reference. See the section in this proxy statement titled Where You Can Find More Information.

New Irish company legislation, the Irish Companies Act, which replaces existing Irish company law statutes, came into force on June 1, 2015 and all public limited companies incorporated in Ireland are subject to this new legislation. Horizon is conducting a review with its legal counsel to determine what changes will need to be made, if any, to its governing documents as a result of the commencement of the Irish Companies Act.

Our shareholders should be aware of a change to the existing law in respect of the notification of substantial shareholdings under th Irish Companies Act. Following its enactment on June 1, 2015, Horizon shareholders must notify Horizon if, as a result of a transaction, the shareholder will become interested in three percent or more of the voting shares of Horizon, or if as a result of a transaction a shareholder who was interested in more than three percent of the voting shares of Horizon ceases to be so interested. Where a shareholder is interested in more than three percent of the voting shares of Horizon, the shareholder must notify Horizon o any alteration of his or her interest that brings his or her total holding through the nearest whole percentage number, whether an increase or a reduction. The relevant percentage figure is calculated by reference to the aggregate nominal value of the voting share which the shareholder is interested as a proportion of the entire nominal value of the issued share capital of Horizon (or any such cl of share capital in issue). Where the percentage level of the shareholder s interest does not amount to a whole percentage, this figu may be rounded down to the next whole number. Horizon must be notified within five business days of the transaction or alteration the shareholder s interests that gave rise to the notification requirement. If a shareholder fails to comply with these notification requirements, the shareholder s rights in respect of any Horizon shares it holds will not be enforceable, either directly or indirectly However, such person may apply to the Irish High Court to have the rights attaching to such shares reinstated.

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CERTAIN RELATIONSHIPS WITH DEPOMED AND INTERESTS OF HORIZON AND HORIZON S EXECUTIVE OFFICERS AND DIRECTORS IN THE PROPOSALS

Except as set forth in this proxy statement, neither we nor, to the best of our knowledge, any of our directors, executive officers or other affiliates has any contract, arrangement, understanding or relationship with any other person with respect to any securities of Depomed, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voti of any securities, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving withholding of proxies. Except as otherwise described in this proxy statement, there have been no contacts, negotiations or transactions during the past two years, between us or, to the best of our knowledge, any of our directors, executive officers or other affiliates, on the one hand, and Depomed or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, an exchange offer or other acquisition of securities, an election of directors, or a sale or other transfer of a material amount of assets.

As of the date of this proxy statement, Horizon, through its indirect wholly-owned subsidiary, HPI, owns 2,250,000 shares of Depomed common stock, representing approximately 3.7% of the outstanding shares of Depomed common stock as of July 30, 201 The 2,250,000 shares of Depomed common stock were acquired by Horizon through ordinary brokerage transactions on the open market as set forth on Schedule I to this proxy statement. With the exception of the transactions in the last 60 days described in Schedule I, Horizon has not effected any transaction in securities of Depomed in the past 60 days.

We do not believe that the offer and the second-step merger or any alternative transaction involving Horizon s acquisition of Depo will result in a change in control under any of Horizon s equity plans or any agreement between Horizon and any of its employees executive officers and directors. As a result, no stock options or other outstanding equity awards held by such persons will vest as a result of the offer and the second-step merger or any alternative transaction involving Horizon s acquisition of Depomed, nor will employee, executive officer or director have any rights to enhanced severance payments or benefits upon certain types of terminati following the offer and the second-step merger or any alternative transaction involving Horizon s acquisition of Depomed.

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OWNERSHIP OF HORIZON S SECURITIES

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information regarding the beneficial ownership of Horizon s ordinary shares and the percenta of Horizon ordinary shares beneficially owned by holders of more than 5% of the outstanding Horizon ordinary shares.

Identity of Owner or Group	Number of Shares and Nature of Beneficial Ownership	Percentage of Class[1]
Fidelity and its affiliates 82 Devonshire St., Boston, Massachusetts 02109	22,789,890[2]	14.3%
Deerfield Management Co. 780 Third Avenue, 37th Floor, New York, NY 10017	12,409,875[3]	7.8%
Vanguard Group Inc. 13185 Owens Way, Alpharetta, GA 30004	8,595,909[4]	5.4%
Lone Pine Capital LLC Two Greenwich Plaza, Greenwich, Connecticut 06830	8,353,688[5]	5.2%

This table is based upon information supplied by the principal shareholders and/or a review of Schedules 13D and 13G, as applicab documents filed with the SEC and other sources. Unless otherwise indicated in the footnotes to this table, we believe that the shareholders named in the table have sole voting and investment power with respect to the Horizon ordinary shares indicated as beneficially owned.

(1) Based on 159,195,382 Horizon ordinary shares outstanding on July 31, 2015.

(2) Includes (a) 22,546,090 Horizon ordinary shares and (b) 243,800 Horizon ordinary shares issuable upon exercise of warrants. FMR LLC has beneficial ownership of, and sole dispositive power with respect to, 22,546,090 Horizon ordinary shares. Fidelity Management & Research Company, Fidelity Selec LLC and Strategic Advisers, Inc. are all wholly-owned subsidiaries of FMR LLC and are beneficial owners as a result of acting as investment advisers to various registered investment companies (the Fidelity funds). Edward C. Johnson, III is Chairman of FMR LLC. Mr. Johnson and various family mem through their ownership of FMR LLC common stock and the execution of a shareholders voting agreement, may be deemed a controlling group with res to FMR LLC. Neither FMR LLC nor Mr. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the Fidelity funds boards of trustees pursuant to established guidelines. This information is based on the Schedule 13G filed with the on May 11, 2015 by FMR LLC, the Quarterly Report on Form 13F-HR filed with the SEC on August 13, 2015 by FMR LLC and other sources.

(3) Includes (a) 12,259,875 Horizon ordinary shares and (b) 150,000 Horizon ordinary shares issuable upon exercise of warrants. The shares are beneficially owned by Deerfield Partners, L.P., Deerfield Management Company, L.P., Deerfield International Master Fund, L.P., Deerfield Special Situations Fund, L Deerfield Special Situations International Master Fund, L.P., Deerfield Private Design Fund II, L.P., Deerfield Private Design International II, L.P. and Ja E. Flynn. This information is based on the Schedule 13G filed on February 17, 2015 with the SEC, the Quarterly Report on Form 13F-HR filed with the S on August 14, 2015 by Deerfield Management Co. and other sources.

(4) Includes 8,595,909 Horizon ordinary shares beneficially owned by Vanguard Group Inc., Vanguard Fiduciary Trust Co, Vanguard Investments Australia, Ltd., and Vanguard Advisers Inc. This information is based on the Quarterly Report on Form 13F-HR filed on August 13, 2015 with the SEC by Vanguar Group Inc.

(5) Includes 8,353,688 Horizon ordinary shares beneficially owned by Lone Pine Capital LLC (Lone Pine Capital), the Lone P Funds (as defined below) and Stephen F. Mandel, Jr. Lone Pine Capital serves as investment manager to Lone Spruce, L.P., a Delaware limited partnership (Lone Spruce), Lone Cascade,

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L.P., a Delaware limited partnership (Lone Cascade), Lone Sierra, L.P., a Delaware limited partnership (Lone Sierra), Lone Tamarack, L.P., a Dela limited partnership (Lone Tamarack), Lone Cypress, Ltd., a Cayman Islands exempted company (Lone Cypress), Lone Kauri, Ltd., a Cayman Islan exempted company (Lone Kauri), Lone Monterey Master Fund, Ltd., a Cayman Islands exempted company (Lone Monterey Master Fund), and Lo Master Fund, Ltd., a Cayman Islands exempted company (Lone Savin Master Fund , and together with Lone Spruce, Lone Cascade, Lone Sierra, Lone Tamarack, Lone Cypress, Lone Kauri, Lone Monterey Master Fund and Lone Savin Master Fund, the Lone Pine Funds), with respect to the Horizon o shares directly held by each of the Lone Pine Funds; and Stephen F. Mandel, Jr., the managing member of Lone Pine Managing Member LLC, which is t Managing Member of Lone Pine Capital, with respect to the Horizon ordinary shares directly held by each of the Lone Pine Funds. This information is ba on the Schedule 13G filed with the SEC on July 27, 2015 by Lone Pine Capital.

Ownership of Management

The following table sets forth certain information regarding the ownership of Horizon s ordinary shares as of July 31, 2015 by eac director of Horizon and (1) the person serving as CEO of Horizon during 2014, (2) the persons serving as CFO of Horizon during 2014 and (3) the other three most highly paid executive officers of Horizon who were serving as executive officers at December 31 2014, whom we refer to as the named executive officers, and all current executive officers and directors of Horizon as a group. The table is based upon information supplied by our officers, directors and principal stockholders and/or a review of documents filed w the SEC and other sources.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting and investment power with respect the securities. Except as indicated by footnote, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Horizon ordinary shares shown as beneficially owned by them. The num of Horizon ordinary shares used to calculate the percentage ownership of each listed person includes the Horizon ordinary shares underlying options, warrants or other rights held by such persons that are exercisable as of September 29, 2015, which is 60 days a July 31, 2015.

Percentage of beneficial ownership is based on 159,195,382 Horizon ordinary shares outstanding as of July 31, 2015. Unless otherwise indicated, the address for the following shareholders is c/o Horizon Pharma plc, Connaught House, 1st Floor, 1 Burlingto Road, Dublin 4, Ireland.

	Number and Percentage of Shares Beneficially Owned	
Directors and Named Executive Officers	**Ordinary Shares**	**Percentage**
William F. Daniel(1)	13,944	*
Michael Grey(2)	58,644	*
Jeff Himawan, Ph.D.		*
Virinder Nohria, M.D., Ph.D.(3)	217,685	*
Ronald Pauli(4)	58,644	*
Gino Santini(5)	58,644	*
H. Thomas Watkins(6)	68,849	*
Timothy P. Walbert(7)	856,811	*
Robert F. Carey(8)	233,400	*
Paul W. Hoelscher(9)	39,326	*
John J. Kody		*
Barry J. Moze(10)	50,771	*
Robert J. De Vaere(11)	465,419	*
All executive officers and directors as a group (17 persons)(12)	2,178,448	1.4%

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* Represents beneficial ownership of less than one percent.

(1) Includes 13,944 ordinary shares that Mr. Daniel has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(2) Includes 58,644 ordinary shares that Mr. Grey has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(3) Includes (a) 214,836 ordinary shares and (b) 2,849 ordinary shares that Dr. Nohria has the right to acquire from us within 60 days of July 31, 2015 pursua the exercise of stock options.

(4) Includes 58,644 ordinary shares that Mr. Pauli has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(5) Includes 58,644 ordinary shares that Mr. Santini has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options

(6) Includes (a) 6,000 ordinary shares and (b) 62,849 ordinary shares that Mr. Watkins has the right to acquire from us within 60 days of July 31, 2015 pursu to the exercise of stock options.

(7) Includes (a) 185,673 ordinary shares and (b) 671,138 ordinary shares that Mr. Walbert has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(8) Includes (a) 23,245 ordinary shares held by Mr. Carey, (b) 57,655 ordinary shares held by the Robert F. Carey III Trust dated April, 24, 2001, of which Mr. Carey is a trustee, and (c) 152,500 shares that Mr. Carey has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of s options.

(9) Includes (a) 11,201 ordinary shares and (b) 28,125 ordinary shares that Mr. Hoelscher has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(10) Includes (a) 12,049 ordinary shares, (b) 34,979 ordinary shares that Mr. Moze has the right to acquire from us within 60 days of July 31, 2015 pursuant to exercise of stock options, and (c) 3,925 ordinary shares issuable within 60 days of July 31, 2015 pursuant to the vesting of restricted stock unit.

(11) Includes (a) 154,514 ordinary shares and (b) 310,905 ordinary shares that Mr. De Vaere has the right to acquire from us within 60 days of July 31, 2015 pursuant to the exercise of stock options.

(12) Includes the following held by our executive officers (which excludes Mr. Robert De Vaere and includes Mr. Brian Beeler, Mr. David Kelly, Mr. George Hampton, Mr. Miles W. McHugh, Dr. Jeffrey Sherman and Mr. John Thomas) and directors, in the aggregate: (a) 771,724 ordinary shares, (b) 1,402,799 ordinary shares that can be acquired within 60 days of July 31, 2015 pursuant to the exercise of stock options, and (c) 3,925 ordinary shares issuable with days of July 31, 2015 pursuant to the vesting of restricted stock units.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined statement of operations for each of the fiscal year ended December 31, 2014 and for six months ended June 30, 2015 have been prepared by Horizon and give effect to the following transactions as if they had occurred on January 1, 2014:

(i) The proposed acquisition of Depomed, which we refer to as the Depomed Acquisition, including the $175 million of new Horizon debt financing currently contemplated, which we refer to as the new Horizon debt financing, the extinguishment of Depomed s outstanding senior notes and the conversion of Depomed s outstanding convertible notes;

(ii) Horizon s acquisition of Hyperion Therapeutics, Inc., which we refer to as Hyperion, through the merger of Ghrian Acquisition Inc., a wholly-ow subsidiary of HPI, with and into Hyperion, with Hyperion continuing as the surviving corporation and as an indirect wholly-owned subsidiary of which we refer to as the Hyperion Acquisition;

(iii) the April 2015 equity offering by Horizon of 17,652,500 ordinary shares, which we refer to as the Equity Offering;

(iv) Horizon s March 2015 private placement of $400 million in aggregate principal amount of Horizon Exchangeable Senior Notes;

(v) Horizon s April 2015 private placement of $475 million in aggregate principal amount of 6.625% Senior Notes due 2023, which we refer to as th Horizon Senior Unsecured Notes;

(vi) Horizon s entry into a five-year $400 million term loan facility on May 7, 2015, which we refer to as the Horizon Senior Secured Term Loan;

(vii) the acquisition by Depomed of the U.S. rights to NUCYNTA ER and NUCYNTA, which we refer to as the U.S. NUCYNTA Business, from Jans on April 2, 2015, which we refer to as the NUCYNTA Acquisition; and

(viii) the merger of the businesses of HPI and Vidara on September 19, 2014, which we refer to as the Vidara Merger, including the issuance of 31,350 Horizon ordinary shares.

Transactions (ii) to (vi) (inclusive) relate to the Hyperion Acquisition.

The unaudited pro forma condensed combined balance sheet as of June 30, 2015 combines the historical consolidated balance shee of Horizon and Depomed, giving effect to the proposed combination with Depomed, including the new Horizon debt financing, the extinguishment of Depomed s outstanding senior notes (as if such repayment had occurred on June 30, 2015) and the conversion o Depomed s outstanding convertible debt (as if such conversion had occurred on June 30, 2015 but giving effect to certain adjustm to the conversion ratio due to the completion of the exchange offer).

Horizon is not affiliated with Depomed and has not had the cooperation of Depomed s management or the ability to conduct independent due diligence on Depomed or its business in the preparation of these unaudited pro forma condensed combined financ statements. Horizon has not received information from Depomed concerning its business and financial condition for any purpose, including preparing these unaudited pro forma condensed combined financial statements. Accordingly, these unaudited pro forma condensed combined financial statements have been prepared by Horizon based on publicly available information, including

Depomed s financial statements, filings with the SEC and other publicly available information. Actual facts and circumstances regarding Depomed or its business that are unknown to Horizon may result in adjustments, including material adjustments, to the p forma financial statements.

The historical consolidated financial information has been adjusted to give effect to pro forma events that are (1) directly attributab to the aforementioned transactions, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined results. The unaudited pro

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forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial statements are based on and should be read in conjunction with:

- the historical unaudited consolidated financial statements of Horizon included in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015;
- the historical consolidated financial statements of Horizon included in its Annual Report on Form 10-K for the year ended December 31, 2014;
- the historical unaudited consolidated financial statements of Hyperion included in its Quarterly Report on Form 10-Q for the quarterly period ende March 31, 2015;
- the historical consolidated financial statements of Hyperion included in its Annual Report on Form 10-K for the year ended December 31, 2014;
- the historical combined financial statements of Vidara included in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014;
- the historical unaudited consolidated financial statements of Depomed included in its Quarterly Report on Form 10-Q for the quarterly period ende June 30, 2015;
- the historical consolidated financial statements of Depomed included in its Annual Report on Form 10-K for the year ended December 31, 2014; an
- the historical special purpose combined financial statements relating to the U.S. NUCYNTA Business and the unaudited pro forma condensed combined financial statements giving effect to the NUCYNTA Acquisition, included in Depomed s Current Report on Form 8-K/A filed on June 2015.

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The pro forma information is not necessarily indicative of what the combined company s financial position or results of operations actually would have been had the transactions, including the proposed acquisition of Depomed, been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position o operating results of the combined company.

The Depomed Acquisition will be accounted for as a business combination using the acquisition method of accounting under the provisions of Accounting Standards Codification (which we refer to as ASC) 805, Business Combinations (which we refer to as 805). The Hyperion Acquisition has been accounted for as a business combination and the Vidara Merger has been accounted for a reverse acquisition under the acquisition method of accounting under the provisions of ASC 805.

The pro forma adjustments are preliminary and are based upon the best available information and certain assumptions that Horizon management believes are reasonable under the circumstances and which are described in the accompanying notes to the unaudited forma condensed combined financial information.

Under ASC 805, assets acquired and liabilities assumed are generally recorded at their acquisition date fair value. The preliminary value of identifiable tangible assets acquired, excluding inventory, and liabilities assumed from the Depomed Acquisition are based

their carrying value as of June 30, 2015. The preliminary fair value of inventories are recorded at their current fair values. The preliminary fair value of intangible assets acquired and contingent royalty liabilities assumed has been estimated using the income approach through a discounted cash flow analysis. After the closing of the Depomed Acquisition, Horizon will update the preliminary purchase price allocation based upon the fair market values as of the closing date of the Depomed Acquisition. Any excess of the purchase price over the fair value of identified assets acquired and liabilities assumed will be recognized as goodwill. Significant judgment is required in determining the estimated fair values of developed technology intangible assets and certain other assets and liabilities. Such a valuation required estimates and assumptions including, but not limited to, estimating future cash flows and direct costs in addition

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to developing the appropriate discount rates and current market profit margins. Horizon s management believes the estimated fair values that would be recognized for the assets acquired and the liabilities assumed are based on reasonable estimates and assumptio However, the unaudited pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and as additional analyses are performed, and such further adjustments may be material.

Certain financial information of Depomed, Hyperion and Vidara, as presented in their respective consolidated financial statements, been reclassified to conform to the historical presentation in Horizon s consolidated financial statements for purposes of preparatio the unaudited pro forma condensed combined financial information. See Notes 4, 5 and 6 for additional information on the reclassifications that were made to derive the Historical Vidara (after conforming reclassifications), Historical Hyperion (after conforming reclassifications) and Historical Depomed (after conforming reclassifications and the NUCYNTA Acquisition) co the unaudited pro forma condensed combined financial statements.

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Unaudited Pro Forma Condensed Combined Balance Sheet

As of June 30, 2015

(In thousands, except for share data)

	Historical Horizon Pharma plc	Historical Depomed (after conforming reclassifications) (see Note 6)	Depomed Acquisition Adjustments		Pro Forma Combin
Assets					
Current assets:					
Cash and cash equivalents	$ 667,057	$ 94,094	$ 169,250	**7(A)**	$ 165,2
			28,465	**7(B)**	
			(71,813)	**7(C)**	
			(450)	**7(C)**	
			(28,246)	**7(D)**	
			(693,109)	**7(F)**	
Restricted cash	600				6
Marketable securities		23,906	(23,906)	**7(B)**	
Accounts receivable, net	182,868	42,145			225,0
Receivables from collaborative partners		747			7
Inventories, net	20,299	10,376	32,100	**7(E)**	62,7
Income taxes receivable		13,891			13,8
Prepaid expenses and other current assets	11,620	19,798			31,4
Deferred tax assets, current	15,767	9,601	8,314	**7(E)**	33,6
Total current assets	898,211	214,558	(579,395)		533,3
Marketable securities, long-term		4,559	(4,559)	**7(B)**	
Property and equipment, net	9,773	16,013			25,7
Developed technology, net	1,692,057		3,350,000	**7(E)**	5,042,0
In-process research and development	66,000				66,0
Other intangible assets, net	7,466	1,062,579	(1,062,579)	**7(E)**	7,4
Goodwill	259,565		1,104,910	**7(E)**	1,364,4
Deferred tax assets, net, non-current					
Other assets	9,615	7,445	4,000	**7(A)**	14,3
			(453)	**7(F)**	
			(6,215)	**7(G)**	
Total assets	$ 2,942,687	$ 1,305,154	$ 2,805,709		$ 7,053,5
Liabilities and Shareholders Equity					
Current liabilities:					
Long-term debt current portion	$ 4,000	$	$ 1,750	**7(A)**	$ 5,7
Accounts payable	26,224	1,684			27,9
Accrued expenses	79,246	46,659			125,9
Accrued trade discounts and rebates	136,836	56,585			193,4

Accrued royalities current portion	42,574	9,548	50,400	**7(E)**	102,5
Deferred revenues current portion	2,019				2,0
Contingent consideration liability		2,482	3,018	**7(E)**	5,5
Deferred tax liabilities, net					
Other current liabilities		1,098			1,0
Total current liabilities	290,899	118,056	55,168		464,1
Long-term liabilities:					
Exchangeable notes, net	274,305	236,315	(236,315)	**7(G)**	274,3
Long-term debt, net, net of current	858,593	562,516	171,500	**7(A)**	1,030,0
			(562,516)	**7(F)**	
Accrued royalties, net of current	128,913		569,600	**7(E)**	698,5
Contingent consideration liability		12,238	10,262	**7(E)**	22,5
Deferred revenues, net of current	10,004				10,0
Deferred tax liabilities, net, non-current	121,039	18,994	624,008	**7(E)**	764,0
Other long-term liabilities	4,967	10,937			15,9
Total Long-term liabilities	1,397,821	841,000	576,539		2,815,3
Shareholders Equity					
Ordinary shares, $0.0001 nominal value; 300,000,000 shares authorized; 158,732,528 shares issued and 158,348,162 shares outstanding at June 30, 2015; 232,100,289 shares issued and 231,715,923 shares outstanding at June 30, 2015 pro forma	16	252,635	(252,635)	**7(H)**	
Treasury stock, 384,366 ordinary shares	(4,585)				(4,5
Additional paid-in capital	1,969,750	79,067	(79,067)	**7(H)**	4,518,0
			2,548,346	**7(C)**	
Accumulated other comprehensive loss	(2,756)	(32)	32	**7(H)**	(2,7
(Accumulated deficit) retained earnings	(708,458)	14,428	(14,428)	**7(H)**	(736,7
			(28,246)	**7(D)**	
Total shareholders equity	1,253,967	346,098	2,174,002		3,774,0
Total liabilities and shareholders equity	$ 2,942,687	$ 1,305,154	$ 2,805,709		$ 7,053,5

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part o these pro forma financial statements.

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Unaudited Pro Forma Condensed Combined Statement of Operations

For the Six Months Ended June 30, 2015

(In thousands, except for share and per share data)

	Historical Horizon plc	Historical Hyperion Period Ended May 6, 2015 (see Note 5)	Hyperion and Vidara Acquisition Accounting Adjustments		Horizon Subtotal (after Hyperion Acquisition)	Historical Depomed (after conforming reclassifications and the NUCYNTA Acquisition) (see Note 6)	Depomed Acquisition Adjustments		Pro Form Combine
Net sales	$ 285,962	$ 39,473	$		$ 325,435	$ 170,924	$		$ 496,3
Royalties						742			7
Total revenues	285,962	39,473			325,435	171,666			497,1
Cost of goods sold	90,679	5,636	31,927	8(A)	121,724	92,603	167,339	8(G)	381,6
			(6,495)	8(B)					
			(23)	8(C)					
Gross profit	195,283	33,837	(25,409)		203,711	79,063	(167,339)		115,4
Operating Expenses:									
Research and development	15,103	13,419	(94)	8(C)	28,428	12,677			41,1
Sales and marketing	105,119	6,052			111,171				111,1
General and administrative	103,470	30,663	(40,226)	8(C)	93,907	99,047			192,9
Total operating expenses	223,692	50,134	(40,320)		233,506	111,724			345,2
Operating loss	(28,409)	(16,297)	14,911		(29,795)	(32,661)	(167,339)		(229,7
Other (Expense) Income, Net:									
Interest expense, net	(29,480)	(427)	(13,785)	8(D)	(43,692)	(43,716)	38,316	8(H)	(49,0
Loss on induced conversion of debt and debt extinguishment	(77,624)	(1,460)	56,808	8(E)	(20,816)				(20,8
			1,460	8(E)					
Foreign exchange loss	(924)				(924)				(9
Other, net	(10,069)	4,449	10,000	8(C)	4,380				4,3
Total other expense, net	(118,097)	2,562	54,483		(61,052)	(43,716)	38,316		(66,4
Loss before (benefit) expense for income taxes	(146,506)	(13,735)	69,394		(90,847)	(76,377)	(129,023)		(296,2
(Benefit) expense for income taxes	(158,767)	1,609	27,064	8(F)	(130,094)	(29,865)	(50,319)	8(F)	(210,2

Net Income (Loss)	$ 12,261	$ (15,344)	$ 42,330	$ 39,247	$ (46,512)	$ (78,704)	$ (85,9
Net income (loss) per ordinary share basic	$ 0.09						$ (0
Weighted average ordinary shares basic	138,369,537						211,737,2
Net income (loss) per ordinary share diluted	$ 0.08						$ (0
Weighted average ordinary shares diluted	145,031,882						211,737,2

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part o these pro forma financial statements.

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Unaudited Pro Forma Condensed Combined Statement of Operations

For the Year Ended December 31, 2014

(In thousands, except for share and per share data)

	Historical Horizon Pharma plc	Historical Vidara (after conforming reclassifications) (see Note 4)	Vidara Acquisition Accounting Adjustments		Historical Hyperion (after conforming reclassifications) (see Note 5)	Hyperion Acquisition Accounting Adjustments		Horizon Subtotal (after Vidara Merger and Hyperion Acquisition)	Historical Depomed (after NUCYNTA Acquisition and conforming reclassifications) (see Note 6)	Depomed Acquisition Accounting Adjustments		Pro Forma Combined
Net sales	$ 296,955	$ 50,565	$		$ 113,584	$		$ 461,104	$ 285,337	$		$ 746,4
Royalties									1,821			1,8
License and other revenue									31,515			31,5
Non-cash PDL royalty revenue									242,808			242,8
Total revenues	296,955	50,565			113,584			461,104	561,481			1,022,5
Cost of goods sold	78,753	11,290	28,955	9(A)	18,353	91,476	9(I)	217,762	176,342	333,303	9(N)	727,4
			(11,065)	9(L)								
Gross profit	218,202	39,275	(17,890)		95,231	(91,476)		243,342	385,139	(333,303)		295,1
Operating Expenses:												
Research and development	17,460	2,799	(414)	9(M)	20,715			40,560	31,143			71,7
Sales and marketing	120,276	17,664	(8,600)	9(M)	17,367			146,707				146,7
General and administrative	88,957	8,253	(40,227)	9(C)	31,155			79,659	165,216			244,8
			(5,102)	9(M)								
			(3,377)	9(B)								
Goodwill impairment					30,201			30,201				30,2
Depreciation and amortization		487	(487)	9(E)								
Total operating expenses	226,693	29,203	(58,207)		99,438			297,127	196,359			493,4

Operating (loss) income	(8,491)	10,072	40,317		(4,207)	(91,476)		(53,785)	188,780	(333,303)		(198,1
Other (Expense) Income, Net:												
Interest expense, net	(23,826)	(605)			(1,046)	(70,742)	**9(F)**	(96,774)	(72,823)	61,597	**9(O)**	(108,0
						(555)	**9(K)**					
Non-cash interest expense on PDL liability									(14,646)			(14,6
Loss on induced conversion of debt and debt extinguishment	(29,390)							(29,390)				(29,3
Foreign exchange (loss) gain	(3,905)	11						(3,894)				(3,8
Loss on derivative fair value	(214,995)							(214,995)				(214,9
Bargain purchase gain	22,171		(22,171)	**9(G)**								
Other, net	(11,251)	(298)	8,222	**9(D)**	(699)			(4,026)	215			(3,8
Total other expense, net	(261,196)	(892)	(13,949)		(1,745)	(71,297)		(349,079)	(87,254)	61,597		(374,7
(Loss) income before (benefit) expense for income taxes	(269,687)	9,180	26,368		(5,952)	(162,773)		(402,864)	101,526	(271,706)		(573,0
(Benefit) expense for income taxes	(6,084)	881	(77)	**9(H)**	303	(63,481)	**9(J)**	(68,458)	38,945	(105,965)	**9(J)**	(135,4
Net (Loss) Income	$ (263,603)	$ 8,299	$ 26,445		$ (6,255)	$ (99,292)		$ (334,406)	$ 62,581	$ (165,741)		$ (437,5
Weighted average ordinary shares	83,751,129											174,771,3
Net loss per ordinary share basic and diluted	$ (3.15)											$ (2

See the accompanying notes to the unaudited pro forma condensed combined financial information, which are an integral part o these pro forma financial statements.

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1. Description of pro forma transactions

Proposed Acquisition of Depomed. On July 7, 2015, Horizon announced its original proposal to acquire all of the outstanding share of common stock of Depomed for a per share consideration of $29.25 in an all-stock transaction valued at approximately $3.0 billi On July 21, 2015, Horizon increased the value of its all-stock proposal to acquire all of the outstanding shares of common stock of Depomed to $33.00 per share, contingent on Depomed entering into good faith discussions regarding a transaction. The $33.00 per share offer represented a premium of approximately 60% to the closing price of shares of Depomed common stock on July 6, 2015 Subsequently, on August 13, 2015, Horizon confirmed its offer to acquire Depomed for $33.00 per share in Horizon ordinary share and fixing the exchange ratio of such offer at 0.95 Horizon ordinary shares for each share of Depomed common stock based on the 15-day volume weighted average price of a Horizon ordinary share as of August 12, 2015, or $34.74 per share. The Depomed Acquisition adjustments in the unaudited pro forma condensed combined financial statements assume that each outstanding share o Depomed common stock will be converted in connection with the Depomed Acquisition into 0.95 Horizon ordinary shares, the ent into a new Horizon debt financing of approximately $175 million, the extinguishment of Depomed s outstanding senior notes and conversion of Depomed s outstanding convertible notes.

Hyperion Acquisition. On May 7, 2015, Horizon completed its acquisition of Hyperion in which Horizon acquired all of the issued outstanding shares of Hyperion s common stock for $46.00 per share in cash or approximately $1.1 billion on a fully-diluted basis Following the completion of the acquisition, Hyperion became a wholly-owned subsidiary of Horizon and was renamed as Horizon Therapeutics, Inc.

Horizon Exchangeable Senior Notes. On March 13, 2015, Horizon Pharma Investment Limited, a wholly-owned subsidiary of Horizon, completed its private placement of $400 million in aggregate principal amount of Horizon Exchangeable Senior Notes to several investment banks acting as initial purchasers who subsequently resold the Horizon Exchangeable Senior Notes to qualified institutional buyers as defined in Rule 144A under the Securities Act.

Equity Offering. On April 21, 2015, Horizon closed its underwritten public offering of 17,652,500 of its ordinary shares at a price t the public of $28.25 per share. The net proceeds to Horizon from such offering were approximately $475.2 million, after deducting underwriting discounts and other offering expenses payable by Horizon.

Horizon Senior Unsecured Notes. On April 29, 2015, Horizon Pharma Financing Inc., a wholly-owned subsidiary of Horizon, completed a private placement of $475 million in aggregate principal amount of Horizon Senior Unsecured Notes to certain investment banks acting as initial purchasers who subsequently resold the Horizon Senior Unsecured Notes to qualified institutiona buyers as defined in Rule 144A under the Securities Act and in offshore transactions to non-U.S. persons in reliance on Regulation under the Securities Act.

Horizon Senior Secured Term Loan. On May 7, 2015, HPI, Horizon and certain of its subsidiaries entered into a credit agreement, which we refer to as the Credit Agreement, with Citibank, N.A., as administrative and collateral agent, and the lenders from time to time party thereto providing for (i) the five-year $400 million Horizon Senior Secured Term Loan; (ii) an uncommitted accordion facility subject to the satisfaction of certain financial and other conditions; and (iii) one or more uncommitted refinancing loan facilities with respect to loans thereunder. The initial borrower under the Horizon Senior Secured Term Loan is HPI. The Credit Agreement allows for Horizon and certain other subsidiaries of Horizon to become borrowers under the accordion or refinancing facilities. Loans under the Horizon Senior Secured Term Loan bear interest, at each borrower s option, at a rate equal to either the London Inter-Bank Offer Rate, which we refer to as LIBOR, plus an applicable margin of 3.5% per year (subject to a 1.0% LIBOR floor), or the adjusted base rate plus 2.5%. The adjusted base rate is defined as the greater of (a) LIBOR (using one-month interest period) plus 1%, (b) prime rate, (c) fed funds plus 1/2 of 1%, and (d) 2%. Horizon borrowed the full $400 million available under t Horizon Senior Secured Term Loan on May 7, 2015 as a LIBOR-based borrowing.

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Vidara Merger. On September 19, 2014, Horizon acquired Vidara for $601.4 million, comprised of the $387.8 million market valu the 31,350,000 Horizon ordinary shares that were held by prior Vidara shareholders immediately following the closing of the Vidar Merger plus the cash consideration of $213.6 million.

2. Basis of presentation

The historical consolidated financial information of Horizon has been adjusted in the accompanying unaudited pro forma condense combined financial information to give effect to pro forma events that are (i) directly attributable to the pro forma transactions, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statement of operations, expected t have a continuing impact on the results of operations.

The Depomed Acquisition is being accounted for as a business combination using the acquisition method of accounting under the provisions of ASC 805. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed in a business combination b recognized at their fair values as of the acquisition date. The adjustments to reflect the acquisition method of accounting are preliminary and are based upon the best available information and certain assumptions which management believes are reasonable under the circumstances.

The acquisition method of accounting uses the fair value concepts defined in ASC 820, Fair Value Measurement (which we refe ASC 820), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between mark participants at the measurement date. This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assu the highest and best use by these market participants. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could result in different assumptions that would in turn result in a range of alternative estimates using the same facts and circumstances.

Cash and cash equivalents, investments, and other tangible assets and liabilities. The carrying amounts of tangible assets and liabilities were valued at their respective carrying amounts as management believes that these amounts approximate their current fa values.

Inventories. Inventories acquired included raw materials and finished goods. Inventories are recorded at their current fair values. Fa value of finished goods has been determined based on the estimated selling price, net of selling costs and a margin on the selling co Fair value of raw materials has been estimated to equal the replacement cost.

Developed technology. Developed technology intangible assets reflect the estimated value of Depomed s rights to its currently marketed products, CAMBIA, Gralise, Lazanda, NUCYNTA and Zipsor. The fair value of developed technology was determined using an income approach. The income approach explicitly recognizes that the fair value of an asset is premised upon the expected receipt of future economic benefits such as earnings and cash inflows based on current sales projections and estimated direct costs Hyperion s product line. Indications of value are developed by discounting these benefits to their present worth at a discount rate t reflects the current return requirements of the market. The fair value of the CAMBIA, Gralise, Lazanda, NUCYNTA and Zipsor developed technologies will be capitalized as of the Depomed Acquisition date and subsequently amortized over 6-8 years, which a the periods in which over 90% of the estimated cash flows for each product are expected to be realized.

Goodwill. Goodwill represents the excess of the preliminary acquisition consideration over the estimated fair values of net assets acquired.

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Deferred tax assets and liabilities. Deferred tax assets and liabilities arise from acquisition accounting adjustments where book val of certain assets and liabilities differ from their tax bases. Deferred tax assets and liabilities are recorded at the currently enacted ra which will be in effect at the time when the temporary differences are expected to reverse in the country where the underlying asse and liabilities are located. Horizon understands that Depomed s developed technology is currently located primarily in the United States where a U.S. tax rate of 39% is being utilized and a deferred tax liability is recorded. Upon consummation of the Depomed Acquisition, Depomed will become a member of Horizon s U.S. tax consolidation group. As such, its tax assets and liabilities nee be considered in determining the appropriate amount (if any) of valuation allowance that should be recognized in assessing the realizability of the group s deferred tax assets. The Depomed Acquisition adjustments result in the recording of significant net def tax liabilities. Per ASC 740, Accounting for Uncertainty in Income Taxes , future reversals of existing taxable temporary differe must be considered in determining the amount of valuation allowance to record.

Pre-existing contingencies. Horizon has identified contingent consideration for prior acquisitions of Depomed potentially payable under previously existing Depomed royalty and licensing agreements. The initial fair value of this liability was determined using a discounted cash flow analysis incorporating the estimated future cash flows of royalty payments based on future sales. The liability will be periodically assessed based on events and circumstances related to the underlying milestones, and any change will be recor in Horizon s consolidated statement of operations following the closing of the Depomed Acquisition.

Horizon has also identified contingent royalty liabilities potentially payable by Depomed under its previously existing royalty and licensing agreements. The initial fair value of this liability was determined using a discounted cash flow analysis incorporating the estimated future payment obligations. The liability will be periodically assessed based on events and circumstances, and any chang will be recorded in Horizon s consolidated statement of operations following the closing of the Depomed Acquisition.

The preliminary determination of the fair value of the acquired net assets, assuming the Depomed Acquisition had closed on January 1, 2014 is as follows (dollars in thousands):

Estimated value of Horizon shares to be issued in respect of Depomed shares	$ 2,548,796
Cash paid for Depomed shares purchased by Horizon	71,813
Estimated cash paid to settle Depomed s outstanding senior notes	693,109
Total estimated value of cash and stock consideration paid by Horizon[2]	$ 3,313,718
Book value of assets acquired and liabilities assumed[1]	$ 75,682
Valuation step-up adjustments:	
Inventory step-up	32,100
Developed technology	3,350,000
Current deferred tax asset	8,314
Current royalty liability	(50,400)
Current contingent consideration liability	(3,018)
Non-current royalty liability	(569,600)
Non-current contingent consideration liability	(10,262)
Non-current deferred tax liability	(624,008)
Goodwill	1,104,910
	$ 3,313,718

(1) Excludes Depomed s $798,831 of debt (net of unamortized discount), $6,668 deferred financing costs related to Depomed s outstanding senior notes an convertible notes and $1,062,579 of Depomed s historical intangible assets, which Horizon revalued at an estimated value of $3,350,000.

(2) The unaudited pro forma condensed financial statements do not reflect as a component of the estimated purchase considerati the estimated fair value of the outstanding options to purchase shares of Depomed

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common stock, which we refer to as the Depomed options, and unvested restricted stock units of Depomed, which we refer to as the Depomed RSUs. In connection with the Depomed Acquisition, Horizon expects to assume all outstanding Depomed options and Depomed RSUs, which we refer to collectiv as the Depomed share-based awards, and to convert such awards into options and restricted stock units, as applicable, exercisable into Horizon ordinary shares, which we refer to as Horizon replacement share-based awards, subject in each case to substantially the same terms and conditions as the underlyin Depomed share-based awards (including with respect to vesting).

Based on publicly available information, Horizon believes that vesting of the outstanding Depomed share-based awards will not be automatically accelerated as a result of the Depomed Acquisition under the terms of Depomed s existing employee stock plans and employee agreements; accordingly, it is assumed that vesting will not be accelerated for any Depomed share-based awards for purposes of these unaudited pro forma condensed combined financial statements.

Vested Options

The total estimated fair value of purchase consideration to be paid by Horizon in connection with the Depomed Acquisition will increase by the fair value of the vested Depomed share-based awards at the closing of the Depomed Acquisition. At this time, Hori does not have sufficient information, such as the number of Depomed options and the vesting conditions and vesting schedule for e outstanding Depomed option, to accurately estimate the fair value of such options. However, in order to give effect to this estimate additional purchase consideration, Horizon has estimated the fair value of the vested Depomed options based on the estimated intri value of Depomed s exercisable options outstanding as of December 31, 2014 disclosed in Depomed s Form 10-K, which is the m recent publicly available information as of the date of this offer to exchange.

Horizon estimates a potential increase to the estimated purchase consideration of approximately $91.8 million related to vested Depomed options, calculated as follows:

	Number of Depomed Options Vested at 12/31/14	Weighted-average Exercise Price	Offer Price	Intrinsic Value(a)	Estimated Additional Purc Considerati (in thousand
Options	3,491,018	$ 6.76	$ 33.00	$ 26.24	$ 91,
Options	10,167	$ 11.80	$ 33.00	$ 21.20	$
Total	3,501,185				$ 91,

(a) Intrinsic value used as an approximation of fair value.

The estimated potential impact on the unaudited pro forma condensed combined balance sheet as of June 30, 2015 and the unaudite pro forma condensed combined basic and diluted earnings per share calculation for the six months ended June 30, 2015 and the fisc year ended December 31, 2014 for additional purchase consideration would be as follows:

	As of June 30, 2015	
	As Reported in the Unaudited Pro Forma Condensed Combined Balance Sheet	After Giving Effect to the Estimated Additional Purchase Consideration

Goodwill	$ 1,364,475	$ 1,456,295
Horizon ordinary shares, par value(a)	16	16
Additional paid-in capital	4,518,096	4,609,916

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(a) The increase in par value ($0.0001 per share) from the assumed exercise of the Depomed vested options rounds to zero.

	For the Six Months Ended June 30, 2015		For the Year Ended December 31, 2014	
	As Reported in the Unaudited Pro Forma Condensed Combined Statement of Operations	After Giving Effect to the Estimated Additional Purchase Consideration	As Reported in the Unaudited Pro Forma Condensed Combined Statement of Operations	After Giving Eff the Estimate Additional Purc Considerati
Loss per Horizon ordinary share basic and diluted	$ (0.41)	$ (0.40)	$ (2.50)	$ (
Weighted-average Horizon ordinary shares outstanding basic and diluted	211,737,298	215,063,424	174,771,390	178,097,

Unvested Options and RSUs

The total estimated fair value of purchase consideration to be paid by Horizon in connection with the Depomed Acquisition will increase by a portion of the fair value of the unvested Depomed share-based awards at the closing of the Depomed Acquisition. Horizon currently does not have the information necessary to appropriately determine the terms and conditions of the unvested Horizon replacement share-based awards in order to estimate the fair value of these awards. As a result, for purposes of these unaudited pro forma condensed combined financial statements, the fair value of the unvested Horizon replacement share-based awa has not been reflected as a component of the purchase consideration or post-combination compensation expense.

Following the completion of the Depomed Acquisition, Horizon will calculate the fair value of the Depomed share-based awards a the actual acquisition date, in accordance with ASC 718, Compensation Stock Compensation. Horizon expects that the increase to consideration paid at the time of acquisition resulting from this fair value calculation will be different than the amount calculated above for the vested Depomed options, as it will be determined using information on the outstanding Depomed share-based awards the time of acquisition rather than information as of December 31, 2014 and will also include the unvested Depomed share-based awards, and these differences could be material. In addition, the calculation will be used to determine the fair value amounts relate unvested Horizon replacement share-based awards, if any, to be recorded as post-combination compensation expense.

3. Accounting policies

Following the Depomed Acquisition, Horizon will conduct a review of accounting policies of Depomed in an effort to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to Horizon s accounting policies and classifications. As a result of that review, Horizon may identify differer among the accounting policies of Horizon and Depomed that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements. During the preparation of the unaudited pro forma condensed combined financial statements, Horizon was not aware of any material differences between accounting policies of Horizon and Depomed, except for certain reclassifications necessary to conform to Horizon s financial presentation, and accordingly, the unaudited pro forma conde combined financial statements do not assume any material differences in accounting policies among Horizon and Depomed.

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4. Historical Vidara

Financial information presented in the Historical Vidara (after conforming reclassifications) column in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2014 represents Vidara s results of operations as a stand-alone entity for the period from January 1, 2014 to September 18, 2014, which were derived from its unaudited combined financial statements included in its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 and the stub perio from July 1, 2014 to September 18, 2014. Financial information of Vidara subsequent to September 18, 2014 is included in the statement of operations of Horizon for the year ended December 31, 2014. Reclassifications and classifications in Vidara s unaudi pro forma condensed combined statement of operations for the period ended September 18, 2014 are as follows (in thousands):

	Historical Vidara (for the six months ended June 30, 2014)	Historical Vidara Stub Period (July 1, 2014 to September 18, 2014)	Historical Vidara (January 1, 2014 to September 18, 2014)	Reclassifications		Historic Vidara (after conformi reclassificat
Net sales	$ 35,746	$ 14,819	$ 50,565	$		$ 50,
Cost of goods sold	1,660	630	2,290	2,497	4(A)	11,
				6,503	4(B)	
Gross profit	34,086	14,189	48,275	(9,000)		39,
Operating expenses:						
Research and development				2,799	4(C)	2,
Sales and marketing				17,664	4(D)	17,
General and administrative	6,134	4,760	10,894	(2,799)	4(C)	8,
				158	4(E)	
Selling expenses	3,792	13,872	17,664	(17,664)	4(D)	
Depreciation and amortization	2,272	870	3,142	(2,497)	4(A)	
				(158)	4(E)	
Royalty expense	4,935	1,568	6,503	(6,503)	4(B)	
Total operating expenses	17,133	21,070	38,203	(9,000)		29,
Operating income (loss)	16,953	(6,881)	10,072			10,
Other (expense), income, net:						
Interest expense, net	(516)	(89)	(605)			(
Foreign exchange gain		11	11			
Other (expense) income	(22)	(276)	(298)			(
Total other expense, net	(538)	(354)	(892)			(
Income (loss) before income tax (benefit) expense	16,415	(7,235)	9,180			9,
Income tax expense	724	157	881			
Net income (loss)	$ 15,691	$ (7,392)	$ 8,299	$		$ 8,

(A) Intangible amortization expense of $2,497 in Vidara s historical statement of operations has been reclassified to cost of goods sold to conform to Horizon presentation.

(B) Royalty expense of $6,503 in Vidara s historical statement of operations has been reclassified from operating expenses to cost of goods sold to conform t Horizon s presentation.

(C) Represents $2,799 of general and administrative expenses in Vidara s historical statement of operations that has been reclassified to research and develop expenses to conform to Horizon s presentation.

(D) Represents $17,664 of selling expenses in Vidara s historical statement of operations that has been reclassified to sales and marketing to conform to Hori presentation

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(E) Depreciation expense of $158 in Vidara s historical statement of operations has been reclassified to general and administrative expense to conform to Horizon s presentation.

5. Historical Hyperion

Financial information presented in the Historical Hyperion (after conforming reclassifications) column in the unaudited pro form condensed combined statement of operations represents Hyperion results of operations as a stand-alone entity for the period from January 1, 2015 to May 6, 2015, the date of Horizon s acquisition of Hyperion, and the year ended December 31, 2014, which incl the operations from Andromeda Biotech Ltd., which we refer to as Andromeda, since June 12, 2014, the date of Hyperion s acquis of Andromeda. Horizon does not believe that the operating results for Andromeda prior to its acquisition by Hyperion are material the combined entity and as such have not been included in the unaudited pro forma condensed combined statement of operations. S financial information has been reclassified or classified to conform to the historical presentation in Horizon s consolidated financia statements as set forth below. Unless otherwise indicated, defined line items included in the footnotes have the meanings given to them in the historical financial statements of Hyperion.

Reclassifications in Hyperion s unaudited pro forma condensed combined statement of operations for the six months ended June 3 2015 are as follows (in thousands):

	Historical Hyperion for the period January 1, 2015 to March 31, 2015	Reclassifications		Historical Hyperion for the period January 1, 2015 to March 31, 2015 (after conforming reclassifications)	Historical Hyperion for the period April 1, 2015 to May 6, 2015	Historical Hyp for the peri ended May 2015 (afte conformin reclassificati
Net sales	$ 31,193	$		$ 31,193	$ 8,280	$ 39,4
Cost of goods sold	3,833	893	5(A)	4,726	910	5,6
Gross profit	27,360	(893)		26,467	7,370	33,8
Operating Expenses:						
Research and development	6,799			6,799	6,620	13,4
Selling, general and administrative	14,976	(14,976)	5(B)			
Amortization of intangible asset	893	(893)	5(A)			
Sales and marketing		4,570	5(B)	4,570	1,482	6,0
General and administrative		10,406	5(B)	10,406	20,257	30,6
Total operating expenses	22,668	(893)		21,775	28,359	50,
Operating income	4,692			4,692	(20,989)	(16,2
Other (Expense) Income, Net:						
Interest expense, net	(245)	160	5(C)	(85)	(342)	(4
Interest income	160	(160)	5(C)			
Loss on debt extinguishment					(1,460)	(1,4
Other income, net	4,164			4,164	285	4,4
Total other expense, net	4,079			4,079	(1,517)	2,5
Income (loss) before expense for income taxes	8,771			8,771	(22,506)	(13,7

Expense for income taxes	1,555		1,555	54	1,6
Net Income (Loss)	$ 7,216	$	$ 7,216	$ (22,560)	$ (15,3

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Reclassifications in Hyperion s unaudited pro forma condensed combined statement of operations for the year ended December 31 2014 are as follows (in thousands):

	Historical Hyperion (before conforming reclassifications)	Reclassifications		Historica Hyperion (after conformin reclassificati
Net sales	$ 113,584	$		$ 113,
Cost of goods sold	13,727	4,626	**5(A)**	18,
Gross profit	99,857	(4,626)		95,
Operating Expenses:				
Research and development	20,715			20,
Selling general and administrative	48,522	(48,522)	**5(B)**	
Amortization of intangible asset	4,626	(4,626)	**5(A)**	
Sales and marketing		17,367	**5(B)**	17,
General and administrative		31,155	**5(B)**	31,
Goodwill impairment	30,201			30,
Total operating expenses	104,064	(4,626)		99,
Operating loss	(4,207)			(4,
Other (expense) income, net:				
Interest expense, net	(1,601)	555	**5(C)**	(1,
Interest income	555	(555)	**5(C)**	
Other, net	(699)			(
Total other expense, net	(1,745)			(1,
Loss before income tax expense	(5,952)			(5,
Income tax expense	303			
Net Loss	$ (6,255)	$		$ (6,

(A) Intangible amortization expense of $893 and $4,626 in Hyperion s historical statement of operations for the three months ended March 31, 2015, and the ended December 31, 2014, respectively, has been reclassified to cost of goods sold to conform to Horizon s presentation.

(B) Selling, general and administrative expenses in Hyperion s historical statement of earnings included $4,570 and $17,367 of sales and marketing expenses the three months ended March 31, 2015, and the year ended December 31, 2014, respectively, and $10,406 and $31,155 of general and administrative expenses for the three months ended March 31, 2015, and the year ended December 31, 2014, respectively, that has been reclassified to conform to Horiz presentation.

(C) Interest income of $160 and $555 in Hyperion s historical statement of operations for the three months ended March 31, 2015, and the year ended December 31, 2014, respectively, has been reclassified to interest expense, net to conform to Horizon s presentation.

6. Historical Depomed

The below financial information is based on publicly available information. Financial information presented in the Historical Depomed (after the NUCYNTA Acquisition and conforming reclassifications) column in the unaudited pro forma condensed combined statement of operations represents Depomed results of operations as a stand-alone entity for the six months ended June 3 2015 and the year ended December 31, 2014, and includes the operations for the U.S. NUCYNTA Business, assuming the NUCYNTA Acquisition occurred on January 1, 2014. The results of the U.S. NUCYNTA Business subsequent to April 2, 2015, which is the date Depomed acquired the U.S. NUCYNTA Business, are included in the historical results of Depomed. Horizon believes that the operating results for the U.S. NUCYNTA Business prior to its acquisition by Depomed on April 2, 2015 are

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material to the combined entity and, as such, have been included in the unaudited pro forma condensed combined statement of operations. The operating results for the U.S. NUCYNTA Business for the four-day period from March 30, 2015 to April 2, 2015 a not material to the combined entity and thus there is no stub period adjustment. The financial information of Depomed has been reclassified or classified to conform to the historical presentation in Horizon s consolidated financial statements as set forth below Unless otherwise indicated, defined line items included in the footnotes have the meanings given to them in the historical financial statements of Depomed.

Reclassifications in Depomed s unaudited pro forma condensed combined statement of operations for the six months ended June 3 2015 are as follows (in thousands):

	Historical Depomed (before conforming reclassifications)	Historical NUCYNTA Three Months Ended March 29, 2015	Adjustments		Depomed Subtotal After NUCYNTA Acquisition	Reclassifications		Historic Depome (after the NUCYNT Acquisiti and conformi reclassificat
Product sales	$ 125,966	$ 45,286	$ (328)	6(A)	$ 170,924	$		$ 170,
Royalties	742				742			
Total revenues	126,708	45,286	(328)		171,666			171,
Cost of sales	25,977	13,075	(598)	6(B)	38,454	54,149	6(G)	92,
Gross profit	100,731	32,211	270		133,212	(54,149)		79,
Operating Expenses:								
Research and development expense	6,572	6,105			12,677			12,
Selling, general and administrative expense	91,950	9,683	(2,586)	6(C)	99,047	(99,047)	6(H)	
Amortization of intangible assets	29,271		24,878	6(D)	54,149	(54,149)	6(G)	
Sales and marketing								
General and administrative						99,047	6(H)	99,
Total operating expenses	127,793	15,788	22,292		165,873	(54,149)		111,
Operating (loss) income	(27,062)	16,423	(22,022)		(32,661)			(32,
Other (Expense) Income, Net:								
Interest and other income	118				118	(118)	6(I)	
Interest expense	(28,100)		(15,734)	6(E)	(43,834)	118	6(I)	(43,
Total other expense, net	(27,982)		(15,734)		(43,716)			(43,

Net (loss) income before income taxes		(55,044)		16,423		(37,756)		(76,377)		(76,3
Benefit from income taxes		(21,758)				(8,107)	**6(F)**	(29,865)		(29,8
Net (loss) income	$	(33,286)	$	16,423	$	(29,649)	$	(46,512)	$	$ (46,3

(A) Adjustment to remove the royalties received from Janssen Pharmaceuticals, Inc., which we refer to as Janssen, by Depomed on net U.S. sales of NUCYNTA ER.

(B) Total adjustment to cost of sales is comprised of:

Reclassification of intangible asset amortization to conform with Depomed s presentation	$ (1
Reclassification of selling and distribution costs to conform with Depomed s presentation	
	$ (3

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(C) Total adjustment to selling, general and administrative costs is comprised of:

Reclassification of selling and distribution costs to cost of sales to conform with Depomed s presentation	$ (
Removal of acquisition costs for Historical Depomed	(2,4
	$ (2,5

(D) Adjustment to record the amortization of the acquired NUCYNTA U.S. Product Rights on a straight line basis over their estimated useful life of approxima 10 years based on Depomed s purchase accounting.

(E) Adjustment to reflect interest expense, including the amortization of debt issuance costs and original issue discount, related to new debt financing by Depo in connection with the NUCYNTA Acquisition.

(F) To adjust income tax provision as if the U.S. NUCYNTA Business had been acquired as of January 1, 2014, based on an assumed Federal and State incom rate of 38%.

(G) Intangible amortization expense of $54,149 in Depomed s pro forma historical statement of operations has been reclassified to cost of sales to conform to Horizon s presentation. The $54,149 adjustment includes $725 of intangible asset amortization relating to the NUCYNTA Acquisition.

(H) Due to lack of sufficient information to make the reclassification of selling, general and administrative expenses of $99,047 in Depomed s pro forma state of operations to general and administrative expenses and selling and marketing expenses, Horizon reclassified the entire amount to general and administrati expenses to conform to Horizon s presentation.

(I) Interest income of $118 in Depomed s historical statement of operations has been reclassified to interest expense, net to conform to the Horizon s present

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Reclassifications in Depomed s unaudited pro forma condensed combined statement of operations for the year ended December 31 2014 are as follows (in thousands):

	Historical Depomed (before conforming reclassifications)	Historical NUCYNTA	Adjustments		Depomed (after NUCYNTA Acquisition)	Reclassifications		Depome (after NUCYNT Acquisiti and conformi reclassificat
Net product revenue	$ 390,363	$ 172,238	$ (1,120)	6(J)	$ 561,481	$		$ 561,
Cost of sales	15,146	53,968	(2,445)	6(K)	66,669	109,673	6(P)	176,
Gross profit	375,217	118,270	1,325		494,812	(109,673)		385,
Operating Expenses:								
Research and development	7,116	24,027			31,143			31,
Selling, general and administrative	121,126	44,812	(722)	6(L)	165,216	(165,216)	6(Q)	
Amortization of intangible asset	10,161		99,512	6(M)	109,673	(109,673)	6(P)	
Sales and marketing								
General and administrative						165,216	6(Q)	165,
Total operating expenses	138,403	68,839	98,790		306,032	(109,673)		196,
Operating loss	236,814	49,431	(97,465)		188,780			188,
Other (Expense) Income, Net:								
Interest expense	(9,275)		(63,548)	6(N)	(72,823)			(72,
Non-cash interest expense on PDL liability	(14,646)				(14,646)			(14,
Other income, net	215				215			
Total other expense, net	(23,706)		(63,548)		(87,254)			(87,
Income (loss) before expense (benefit) for income taxes	213,108	49,431	(161,013)		101,526			101,
Expense (benefit) for income taxes	81,346		(42,401)	6(O)	38,945			38,
Net Income	$ 131,762	$ 49,431	$ (118,612)		$ 62,581	$		$ 62,

(J) Adjustment to remove the royalties received from Janssen by Depomed on net U.S. sales of NUCYNTA ER.
(K) Total adjustment to selling, general and administrative costs is comprised of:

Reclassification of intangible asset amortization to conform with Depomed s presentation	$ (2,9
Reclassification of selling and distribution costs to conform with Depomed s presentation	4
	$ (2,4

(L) Total adjustment to selling, general and administrative costs is comprised of:

Reclassification of selling and distribution costs to cost of sales to conform with Depomed s presentation	$ (
Removal of acquisition costs recorded within Depomed s Statement of Income	(
	$(7

(M) Adjustment to record the amortization of the acquired NUCYNTA U.S. Product Rights on a straight line basis over their estimated useful life of approxima 10 years.

(N) Adjustment to reflect the interest expense, including the amortization of debt issuance costs and original issue discount, on the new debt financing by Depo in connection with the NUCYNTA Acquisition.

(O) To adjust income tax provision as if the U.S. NUCYNTA Business had been acquired as of January 1, 2014, based on an assumed Federal and State incom rate of 38%.

(P) Intangible amortization expense of $109,673 in Depomed s pro forma historical statement of operations has been reclassified to cost of sales to conform to Horizon s presentation. The $109,673 adjustment includes $2,902 of intangible asset amortization relating to the NUCYNTA Acquisition.

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(Q) Due to lack of sufficient information to make the reclassification of selling, general and administrative expenses of $165,216 in Depomed s pro forma stat of operations to general and administrative expenses and selling and marketing expenses, Horizon reclassified the entire amount to general and administrati expenses to conform to Horizon s presentation.

Reclassifications in Depomed s unaudited pro forma condensed combined balance sheet as of June 30, 2015 are as follows (in thousands, except share data):

	Historical Depomed (before conforming reclassifications)	Reclassifications	Note	Historical Depo (after conform reclassificatio
Assets				
Current assets:				
Cash and cash equivalents	$ 94,094	$		$ 94,
Marketable securities	23,906			23,
Accounts receivable, net	59,750	(17,605)	**6(R)**	42,
Receivables from collaborative partners	747			
Inventories, net	10,376			10,
Income taxes receivable	13,891			13,
Prepaid expenses and other current assets	19,798			19,
Deferred tax assets, net	9,601			9,
Total current assets	$ 232,163	$ (17,605)		$ 214,
Long-term assets:				
Marketable securities, long-term	4,559			4,
Property, plant and equipment, net	16,013			16,
Intangibles assets, net	1,062,579			1,062,
Other assets	7,445			7,
Total assets	$ 1,322,759	$ (17,605)		$ 1,305,
Liabilities and Shareholders Equity				
Current liabilities:				
Accounts payable and accrued liabilities	113,925	(113,925)	**6(R)**	
Contingent consideration liability	2,482			2,
Accounts payable		1,684	**6(R)**	1,
Accrued expenses		28,503	**6(R)**	46,
		18,156	**6(S)**	
Accrued trade discounts and rebates		56,585	**6(R)**	56,
Accrued royalties, current portion		9,548	**6(R)**	9,
Interest payable	18,156	(18,156)	**6(S)**	
Other current liabilities	1,098			1,
Total current liabilities	$ 135,661	$ (17,605)		$ 118,
Long-term liabilities:				
Contingent consideration liability	12,238			12,
Senior notes	562,516			562,

Convertible notes		236,315		236,3
Deferred tax liabilities, net, non-current		18,994		18,9
Other long term liabilities		10,937		10,9
Total long-term liabilities	$	841,000	$	$ 841,0
Shareholders equity:				
Common stock		252,635		252,6
Additional paid-in capital		79,067		79,0
Accumulated other comprehensive loss, net of tax		(32)		
Retained Earnings		14,428		14,4
Total shareholders equity	$	346,098	$	$ 346,0
Total liabilities and shareholders equity	$	1,322,759	$ (17,605)	$ 1,305,1

(R) Represents the reclassification of $113,925 of accounts payable and accrued liabilities to accounts payable, accrued expenses, accrued trade discounts and rebates, accrued royalties and accounts receivable to conform to the Horizon s presentation.

(S) Represents the reclassification of accrued interest expense of $18,156 to accrued expenses to conform to Horizon s presentation.

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7. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

A. In connection with the new Horizon debt financing, Horizon currently expects to enter into a $175 million new term loan, which we refer to as the New T Loan. The proceeds of the New Term Loan, in addition to a portion of Horizon s existing cash, are required to complete the Depomed Acquisition, to pa expenses and amounts related to such acquisition and to fund certain short-term cash obligations of the combined company, including working capital. Th pro forma adjustment reflects the following estimated amounts (in thousands):

Principal	$ 175,000
Original Issue Discount (OID)	(1,750)
Debt, net of OID	173,250
Deferred financing fees	(4,000)
Cash proceeds	$ 169,250
Current portion	$ 1,750
Non-current portion	171,500
Total	$ 173,250

B. Represents the liquidation of Depomed s short-term and long-term investments and conversion into cash and cash equivalents.

C. As part of the Depomed Acquisition and for purposes of preparing these unaudited pro forma condensed combined financial statements, Horizon has assu that it will issue 73,367,761 Horizon ordinary shares in connection with the Depomed Acquisition. The estimated share consideration is based on a fixed exchange ratio of 0.95 Horizon ordinary shares for each share of Depomed common stock. The value of Horizon ordinary shares was estimated based on 15-day volume weighted average price of a Horizon ordinary share as of August 12, 2015, which was $34.74 per share, which price per share we refer to the Horizon Historical VWAP.

A 10% increase to the Horizon Historical VWAP would increase the estimated purchase price by $254.9 million, which would resu in $254.9 million of additional goodwill in connection with the Depomed Acquisition. A 10% decrease in the Horizon Historical VWAP would decrease the estimated purchase price by $254.9 million, which would decrease the goodwill in the Depomed Acquisition by $254.9 million. The actual purchase price will be dependent on the price per Horizon ordinary share as of the closin of the Depomed Acquisition and the final valuation could differ significantly from the current estimate.

The offer, if consummated, is likely to result in a Fundamental Change and a Make-Whole Fundamental Change (each as def the supplemental indenture relating to Depomed s outstanding convertible notes). The notes are initially convertible into 51.9852 shares of Depomed common stock per $1,000 principal amount of convertible notes converted. Holders of convertible notes that convert their notes in connection with a Make-Whole Fundamental Change may be entitled to an increase in the conversion rate for notes so converted. The amount of such increase would be determined based on a table set forth in the supplemental indenture. Bas on an assumed effective date of June 30, 2015 and total consideration of $33.00 per share for each share of Depomed common stoc Horizon estimates that the amount of the increase in the conversion rate would be 3.5721 shares of Depomed common stock per $1,000 principal amount of convertible notes converted. If the actual effective date occurs later than the date that Horizon has assu for this purpose, then the amount of the increase in the conversion rate would be reduced as the increase to the conversion rate decreases over time.

For purposes of these unaudited pro forma condensed combined financial statements, Horizon has assumed that the consummation the offer will constitute a Make-Whole Fundamental Change, and, that as a result, all holders of Depomed s outstanding convertib notes will convert their notes in connection with such Make-Whole Fundamental Change and that Depomed would settle all of the conversions in shares of

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Depomed common stock. Should Depomed and Horizon engage in a negotiated transaction, it is possible that neither a Fundamenta Change nor a Make-Whole Fundamental Change would occur, in which case the increase to the conversion rate discussed in the preceding paragraph would not occur. In addition, in the absence of a Make-Whole Fundamental Change, Horizon would expect fe holders of Depomed s convertible notes to convert their notes.

The occurrence of a Fundamental Change would give the holders of Depomed s outstanding convertible notes a right to require Depomed to repurchase such notes at a repurchase price of 100% of the principal amount of such notes to be repurchased plus accr and unpaid interest through, but excluding, the related Fundamental Change Repurchase Date (as defined in the supplemental indenture relating to Depomed s outstanding convertible notes). Based on the estimated conversion value of Depomed s outstandi convertible notes, Horizon does not expect any holders of such notes to require Depomed to repurchase such notes because such holders would appear to receive greater value upon conversion of such notes. Any convertible notes not converted or repurchased would continue to remain outstanding following the Depomed Acquisition.

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(in thousands, except share numbers)

Horizon Historical VWAP	$ 34
Stock Paid Calculation:	
Depomed Convertible Notes	
Principal amount of Depomed convertible notes	$ 345,0
Unadjusted conversion ratio (shares per $1,000 principal amount)	51.9
Principal converted to Depomed shares	17,934,8
Additional Depomed shares per $1,000 principal due to make-whole adjustment	3.5
Additional Depomed shares issued upon conversion due to make-whole adjustment	1,232,3
Depomed Stock	
Depomed shares issuable in respect of Depomed convertible notes	19,167,2
Depomed shares outstanding at June 30, 2015	60,311,9
Less Depomed shares purchased by Horizon through August 19, 2015	(2,250,0
Total Depomed shares to be exchanged for Horizon shares	77,229,2
Horizon Stock Paid	
Depomed shares issued in respect of Depomed convertible notes at 0.95 exchange ratio	18,208,8
Depomed shares outstanding, net of Depomed shares owned by Horizon at 0.95 exchange ratio	55,158,8
Total number of Horizon shares to be issued in respect of Depomed shares	73,367,1
Estimated value of Horizon shares to be issued in respect of Depomed shares	$ 2,548,1
Estimated share issuance costs	$ 4
Estimated value of Horizon shares, net of costs	$ 2,548,3
Stock Paid Sensitivity:	
Horizon Historical VWAP	$ 34
Horizon Historical VWAP plus 10%	$ 38
Total number of Horizon shares to be issued in respect of Depomed shares	73,367,1
Estimated value of Horizon shares to be issued in respect of Depomed shares assuming a 10% increase	$ 2,803,0
Stock Paid Sensitivity:	
Horizon Historical VWAP	$ 34
Horizon Historical VWAP less 10%	$ 31
Total number of Horizon shares to be issued in respect of Depomed shares	73,367,1
Estimated value of Horizon shares to be issued in respect of Depomed shares assuming a 10% decrease	$ 2,293,9
Total consideration paid:	
Estimated value of Horizon shares to be issued in respect of Depomed shares	$ 2,548,1

Cash paid for Depomed shares purchased by Horizon through August 19, 2015	71,8
Cash paid to settle Depomed senior notes at closing of the Depomed Acquisition	575,0
Cash paid to settle make-whole fee under Depomed senior notes	118,
Total estimated value of cash and stock consideration	$ 3,313,7

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D. Represents the cash paid and the corresponding expense that would be recognized within accumulated deficit for the following estimated transaction fees associated with the Depomed Acquisition (in thousands):

Estimated Horizon advisory expenses	$ 19,500
Estimated Horizon legal, accounting and other expenses	8,746
Total	$ 28,246

No estimated costs for Depomed have been included as Horizon does not currently have access to Depomed management in order t obtain information on the advisory, legal, accounting and other costs incurred by Depomed relating to the Depomed Acquisition.

E. The pro forma adjustments reflect the preliminary estimate of (i) the fair value of the consideration paid with respect to the Depomed Acquisition and (ii) preliminary estimate of the fair value of identifiable assets acquired and liabilities assumed, which include Depomed s convertible notes. The assignment the purchase price is preliminary. The final determination of the purchase price allocation will be based on the fair values of the assets acquired, including fair values of the acquired intangible assets, and the liabilities assumed as of the closing of the Depomed Acquisition. As such, the following preliminary purchase price allocation is subject to adjustment and such adjustments may be material (in thousands):

Estimated value of Horizon shares to be issued in respect of Depomed shares	$ 2,548,796
Cash paid for Depomed shares purchased by Horizon	71,813
Cash paid to settle Depomed s outstanding senior notes	693,109
Total estimated value of cash and stock consideration paid by Horizon[(1)]	$ 3,313,718
Book value of assets acquired and liabilities assumed[(2)]	$ 75,682
Valuation step-up adjustments:	
Inventory step-up	32,100
Developed technology	3,350,000
Current deferred tax asset	8,314
Current royalty liability	(50,400)
Current contingent consideration liability	(3,018)
Non-current royalty liability	(569,600)
Non-current contingent consideration liability	(10,262)
Non-current deferred tax liability	(624,008)
Goodwill	1,104,910
	$ 3,313,718

(1) Total estimated value of purchase consideration to be paid by Horizon does not reflect the estimated fair value of the outstanding Depomed share-b awards. See Note 2 for additional details.

(2) Excludes Depomed s $798,831 of debt (net of unamortized discount), $6,668 deferred financing costs related to Depomed s outstanding senior no convertible notes and $1,062,579 of Depomed s historical intangible assets, which Horizon revalued at an estimated value of $3,350,000.

F. Represents the cash to be used to retire Depomed s outstanding senior notes of $575.0 million and $118.1 million of make-whole fees.

(in thousands)

Depomed senior notes, net of debt discount	$ 562,516
Unamortized debt discount	12,484
Principal amount of Depomed senior notes	$ 575,000
Make-whole fees under Depomed senior notes	118,109
Total cash payment to settle Depomed senior notes	$ 693,109
Capitalized deferred financing fees	$ 453

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G. Represents the elimination of Depomed s outstanding convertible notes in connection with the conversion of such notes into Depomed shares. See Note
(in thousands)

Depomed convertible notes, net of debt discount	$ 236,315
Unamortized debt discount	108,685
Principal amount of Depomed convertible notes	$ 345,000
Capitalized deferred financing fees	$ 6,215

H. Represents the elimination of Depomed s stockholders equity.

8. Unaudited Pro Forma Condensed Combined Statement of Operations Six Months Ended June 30, 2015

A. Reflects amortization expense adjustments related to the fair value of identifiable intangible assets recognized in connection with the Hyperion Acquisitio
as follows (in thousands):

Developed Technology	**Fair Value Adjustment**	**Useful Lives (Years)**	**For the Period Ended 5/6/15**
RAVICTI	$ 1,021,600	11	$ 32,060
BUPHENYL	22,600	7	1,115
	$ 1,044,200		$ 33,175
Historical Hyperion amortization expense			(1,248)
Increase to pro forma amortization expense			**$ 31,927**

B. This pro forma adjustment reflects the elimination of the $6.5 million charge to recognize additional cost of goods sold on the stepped up market value of
Hyperion and Vidara inventory as this charge is considered to be nonrecurring in nature.

C. Reflects the elimination of acquisition-related costs attributable to the Vidara Merger and Hyperion Acquisition of $2.5 million and $47.9 million (includ
debt commitment fee of $9.0 million), respectively. The impact of transaction costs already incurred has not been reflected in the unaudited pro forma
combined statement of operations since these costs are expected to be nonrecurring in nature. These charges include a debt commitment fee, financial
advisory fees, legal, accounting, and other professional fees, incurred by the Company directly related to the Vidara Merger and Hyperion Acquisition.

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D. This pro forma adjustment reflects the additional interest expense, amortization of OID and deferred financing fees for the six months ended June 30, 201 related to the Horizon Exchangeable Senior Notes, Horizon Senior Secured Term Loan and Horizon Senior Unsecured Notes. The adjustment also reflect elimination of any historical interest expense for debt that was extinguished as part of the Hyperion Acquisition (in thousands):

Description of Debt	Principal Amount	Interest Rate	Interest Payment	Amortization of OID	Amortization of Deferred Financing Fees	Tota Inter Expe
Horizon Exchangeable Senior Notes	$ 400,000	2.500%	$ 2,465	$ 4,617	$ 29	$ 7,
Horizon Senior Secured Term Loan	$ 400,000	4.500%	6,263	116	377	6,
Horizon Senior Unsecured Notes	$ 475,000	6.625%	10,260	436	80	10,
New interest expense			$ 18,988	$ 5,169	$ 486	$ 24,
Less historical interest expense of Prior Horizon Credit Facility						(10,
Less historical Hyperion interest expense						(
Increase to pro forma interest expense						**$ 13,**

The Horizon Exchangeable Senior Notes and Horizon Senior Unsecured Notes interest rates are fixed and the Horizon Senior Secu Term Loan interest rate is LIBOR plus 3.5% subject to a LIBOR floor of 1.0%. If the interest rate on the Horizon Senior Secured Term Loan were to increase by 0.125%, Horizon s pro forma interest expense would increase by $0.3 million.

E. Reflects the elimination of the loss of $56,808 related to the early repayment of the $300 million borrowing under a credit facility in connection with the Vidara Merger, which we refer to as the Prior Horizon Credit Facility, and the loss of $1,460 on the extinguishment of Hyperion s debt prior to the Hype Acquisition. The impact of these losses on debt extinguishment has not been reflected in the unaudited pro forma combined statement of operations since losses are expected to be nonrecurring in nature.

F. Represents the income tax benefit associated with the additional intangible amortization and interest expense resulting from the Hyperion Acquisition and Depomed Acquisition, using a combined federal and state statutory tax rate of 39%.

G. Reflects amortization expense adjustments related to estimated fair value of identifiable intangible assets recognized in connection with the Depomed Acquisition, as follows (in thousands):

Type of Intangible	Fair Value Adjustment	Useful Lives (Years)	For t Six Mont Ende June 201
Gralise	$ 710,000	7	$ 50,
CAMBIA	320,000	7	22,
Zipsor	140,000	6	11,
Lazanda	90,000	8	5,
NUCYNTA	2,090,000	8	130,

	$ 3,350,000	$ 221,4
Historical amortization expense after giving effect to the NUCYNTA Acquisition		(54,
Increase to pro forma amortization expense		**$ 167,3**

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H. This pro forma adjustment is to reflect the interest expense, amortization of OID and deferred financing fees related to the new Horizon debt financing. T adjustment also reflects the elimination of any historical interest expense for Depomed debt that will be extinguished as part of the Depomed Acquisition thousands):

	Amount	Interest Rate	Interest Payment	Amortization of OID	Amortization of Deferred Financing Fees	Tota Inter Expe
New Term Loan	$ 175,000	4.500%	$ 3,938	$ 146	$ 333	$ 4,4
Less historical Depomed interest expense after giving effect to the NUCYNTA Acquisition						(42,7
Decrease to pro forma interest expense						**$ (38,3**

The New Term Loan is assumed to have an interest rate equal to the Horizon Senior Secured Term Loan, which has an interest rate equal to LIBOR plus 3.5% is subject to a LIBOR floor of 1.0%. If the interest rate on the New Term Loan were to increase by 0.12 Horizon s pro forma six month interest expense would increase by $0.1 million.

9. Unaudited Pro Forma Condensed Combined Statement of Operations Year Ended December 31, 2014

A. Reflects the amortization expense related to the fair value of identifiable intangible assets recognized related to the Vidara Merger, as follows (in thousan

Type of Intangible	Fair Value Adjustment	Useful Lives (Years)	For the Period Ending 9/18/2014
Customer Relationship	$ 8,100	10	$ 580
Developed Technology	560,000	13	30,872
	$ 568,100		$ 31,452
Historical amortization expense			(2,497)
Increase to pro forma amortization expense			**$ 28,955**

B. Reflects the elimination of Vidara Merger costs related to the Vidara Merger of $3.4 million. The impact of transaction costs already incurred has not bee reflected in the unaudited pro forma condensed combined statement of operations since these costs are expected to be nonrecurring in nature. These charg include financial advisory fees, legal, accounting, other professional fees incurred by Vidara directly related to the Vidara Merger.

C. Reflects the elimination of Horizon s transaction costs related to the Vidara Merger of $40.2 million. The impact of transaction costs already incurred ha been reflected in the unaudited pro forma condensed combined statement of operations since these costs are expected to be nonrecurring in nature. These charges include financial advisory fees, legal, accounting, other professional fees incurred by Horizon directly related to the Vidara Merger.

D. Reflects the elimination of Horizon s $5.0 million of commitment fees incurred on a bridge loan commitment prior to executing the Prior Horizon Credit Facility and $3.2 million of commitment fees incurred on the Prior Horizon Credit Facility prior to its funding on September 19, 2014. The impact of these fees is not included in the unaudited pro forma condensed combined statement of operations since this cost is expected to be nonrecurring in nature.

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E. The pro forma adjustment reflects the elimination of $0.5 million related to historical Vidara amortization of deferred financing fees.

F. This pro forma adjustment reflects the interest expense, amortization of OID and deferred financing fees on the Horizon Exchangeable Senior Notes, Hor Senior Secured Term Loan and Horizon Senior Unsecured Notes. The adjustment also reflects the elimination of any historical interest expense for debt t was extinguished as part of the Hyperion Acquisition (in thousands):

Description of Debt	Principal Amount	Interest Rate	Interest Payment	Amortization of OID	Amortization of Deferred Financing Fees	Inter Expe
Horizon Exchangeable Senior Notes	$ 400,000	2.500%	$ 10,000	$ 18,726	$ 117	$ 28,8
Horizon Senior Secured Term Loan	$ 400,000	4.500%	18,000	333	1,082	19,4
Horizon Senior Unsecured Notes	$ 475,000	6.625%	31,468	1,336	247	33,0
New interest expense			$ 59,468	$ 20,395	$ 1,446	$ 81,3
Less historical interest expense of Prior Horizon Credit Facility						(8,4
Less historical Vidara interest expense						(
Less historical Hyperion interest expense						(1,0
Increase to pro forma interest expense						**$ 70,7**

The Horizon Exchangeable Senior Notes and Horizon Senior Unsecured Notes interest rates are fixed and the Horizon Senior Secu Term Loan interest rate is LIBOR plus 3.5% subject to a LIBOR floor of 1.0%. If the interest rate on the Horizon Senior Secured Term Loan was to increase by 0.125%, Horizon s annual pro forma interest expense would increase by $0.5 million.

G. Reflects the elimination of the bargain purchase gain recorded as part of the Vidara Merger.

H. Represents the elimination of income tax benefit associated with the nonrecurring charges associated with the Vidara Merger that have been removed fro the pro forma statement of operations, using a combined federal and state statutory tax rate of 0%. The tax effect of the transaction related costs in the transition period was a blended rate of 0% due to the non-deductibility of certain costs. The tax effect of the incremental amortization expense of Vidara customer-related intangible assets and the amortization of the developed technology step up to estimated fair value was based on a blended statutory tax r of approximately 1% based on jurisdictions where these assets reside. Horizon assumed a 0% tax rate when estimating the tax impacts of the additional expense on incremental debt to finance the Vidara Merger because the debt was an obligation of a U.S. entity and taxed at the estimated combined effecti U.S. federal statutory and state rate; however, the entity had a full valuation allowance. Horizon had assumed a 1.5% tax rate expense when estimating th impacts on the intercompany debt obligation due to Horizon Pharma Finance S.a.r.L from Horizon Pharma Holdings USA, Inc. Horizon had assumed tha intercompany interest expense which is nondeductible under Code Section 163(j) would be a timing matter and would be deductible in future years based future earnings. In connection with the Hyperion Acquisition in May 2015, the incremental debt to finance the Vidara Merger was repaid.

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I. Reflects amortization expense adjustments related to the fair value of identifiable intangible assets recognized related to the Hyperion Acquisition, as foll
(in thousands, except years):

Developed Technology	Fair Value Adjustment	Useful Lives (Years)	For the Period Ended 12/31/2014
RAVICTI	$ 1,021,600	11	$ 92,873
BUPHENYL	22,600	7	3,229
	$ 1,044,200		$ 96,102
Historical Hyperion amortization expense			(4,626)
Increase to pro forma amortization expense			**$ 91,476**

J. Represents the income tax benefit associated with the additional intangible amortization and interest expense resulting from the Hyperion Acquisition and
Depomed Acquisition, using a combined federal and state statutory tax rate of 39%

K. Reflects the elimination of Hyperion interest income as all short-term and long-term investments were converted into cash.

L. Reflects the elimination of the $11.1 million charge to recognize additional cost of goods sold attributable to the stepped-up market value of Vidara inven
from September 19, 2014, the Vidara Merger date, to December 31, 2014 as this charge is considered to be nonrecurring in nature.

M. Represents a total of $14.1 million in option cancellation payments, one-time bonuses and severance payments incurred as a result of the Vidara Merger.

N. Reflects the fair value of identifiable intangible assets and related amortization expense adjustments related to the Depomed Acquisition, as follows (in
thousands, except years):

Developed Technology	Fair Value Adjustment	Useful Lives (Years)	For the Ye Ended December 2014
Gralise	$ 710,000	7	$ 101,4
CAMBIA	320,000	7	45,7
Zipsor	140,000	6	23,3
Lazanda	90,000	8	11,2
NUCYNTA	2,090,000	8	261,2
	3,350,000		$ 442,9
Historical Depomed amortization expense after giving effect to the NUCYNTA Acquisition			(109,6

Increase to pro forma amortization expense	**$ 333,**

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O. Reflects interest expense, amortization of OID and deferred financing fees related to the new Horizon debt financing contemplated in connection with the Depomed Acquisition. The adjustment also reflects the elimination of any historical interest expense for Depomed debt that will be extinguished as part o Depomed Acquisition (in thousands):

	Amount	Interest Rate	Interest Payment	Amortization of OID	Amortization of Deferred Financing Fees	Tota Inter Expe
New Term Loan	$ 175,000	4.500%	$ 7,875	$ 292	$ 667	$ 8,8
Less historical Depomed interest expense after giving effect to the NUCYNTA Acquisition						(70,4
Decrease to pro forma interest expense						**$ (61,5**

The New Term Loan is assumed to have an interest rate equal to the Horizon Senior Secured Term Loan, which has an interest rate equal to LIBOR plus 3.5% subject to a LIBOR floor of 1.0%. If the interest rate on the New Term Loan were to increase by 0.125% Horizon s pro forma annual interest expense would increase by $0.2 million.

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WHERE YOU CAN FIND MORE INFORMATION

Horizon and Depomed file annual, quarterly and special reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information at the SEC s Public Reference Room, located at 100 F Street, N.E., Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the SEC at the above address, at prescribed rates. T SEC also maintains a website that contains reports, proxy statements and other information that Horizon and Depomed file electronically with the SEC. The address of that website is www.sec.gov.

Horizon also files reports and other information with the Irish Companies Registration Office. These reports and other information available from www.cro.ie.

You may also inspect reports, proxy statements and other information about Horizon and Depomed at the offices of NASDAQ, On Liberty Plaza, 165 Broadway, New York, New York 10006.

On September 8, 2015, Horizon filed a registration statement on Form S-4, as amended on September 25, 2015 (Registration Numb 333-206798), to register with the SEC the Horizon ordinary shares to be issued in connection with the offer and the second-step merger. In addition, Horizon has also filed with the SEC a statement on Schedule TO pursuant to Rule 14d-3 under the Exchange A to furnish certain information about the offer. You may obtain copies of the Form S-4 and the Schedule TO (and any amendments t those documents) in the manner described above.

The SEC allows Horizon to incorporate by reference information into this proxy statement, which means that Horizon can disclo important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement, except for any information superseded by information contained directly in t proxy statement. This proxy statement incorporates by reference the documents set forth below that Horizon and Depomed have previously filed with the SEC. These documents contain important information about Horizon and Depomed and their financial condition.

(1) The following documents previously filed by Horizon with the SEC (other than portions of current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and portions of other documents which are furnished, but not filed, with the SEC pursuant to applica rules promulgated by the SEC):

Horizon SEC Filings	Period
Annual Report on Form 10-K	Fiscal Year Ended December 31, 2014, as filed on February 27, 2015 (as amended by the Form 10-K/A filed on March 2, 2015 and by the Form 10- filed on April 10, 2015)
Quarterly Report on Form 10-Q	Quarterly Period Ended March, 31 2015, as filed on May 8, 2015, and Quarterly Period Ended June 30, 2015, as filed on August 7, 2015
Current Reports on Form 8-K	Filed on February 27, 2015 (containing Item 5.02), March 6, 2015, March 2015, March 16, 2015, March 27, 2015, March 30, 2015, March 31, 2015 amended by the Form 8-K/A filed on April 9, 2015), April 13, 2015 (inclu Exhibit 99.3 thereto containing portions of the Annual Report of Hyperion Therapeutics, Inc. on Form 10-K for the year ended December 31, 2014), April 16, 2015, April 22, 2015,

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Horizon SEC Filings	Period
	April 24, 2015, April 29, 2015, May 7, 2015, May 11, 2015 (as amended b the Form 8-K/A filed on July 20, 2015), July 7, 2015 (as amended by the F 8-K/A filed on July 27, 2015), July 21, 2015, August 3, 2015, August 4, 20 August 5, 2015, August 13, 2015, and September 15, 2015
Proxy Statement on Schedule 14A	Filed on April 7, 2015
Registration Statement on Form S-4 (File No. 206798)	Filed on September 8, 2015 (as amended by Amendment No. 1 to Form S- filed on September 25, 2015)

(2) The description of Horizon ordinary shares set forth in Horizon s Current Report on Form 8-K filed with the SEC on Septembe 2014 (which evidences the registration of the Horizon ordinary shares under Section 12(b) of the Exchange Act and includes therei description of the Horizon ordinary shares).

(3) The following information from HPI s definitive proxy statement on Schedule 14A filed with the SEC on August 8, 2014: the audited combined financial statements of Vidara Therapeutics International Limited and subsidiaries and Vidara Therapeutics, Inc. including the combined balance sheets as of December 31, 2013 and 2012, and the related audited combined statements of operatio changes in shareholders equity and cash flows for each of the years in the two-year period ended December 31, 2013, and the not related thereto, and the report of Habif, Arogeti & Wynne, independent registered public accounting firm, included on pages F-1 to F-23.

(4) Hyperion s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 filed with the SEC on May 6, 2015.

(5) Vidara s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 filed with the SEC on August 26, 2014.

(6) The following documents previously filed by Depomed with the SEC (other than portions of current reports furnished under Item 2.02 or Item 7.01 of Form 8-K and portions of other documents which are furnished, but not filed, with the SEC pursuant to applicable rules promulgated by the SEC):

Depomed SEC Filings	Period
Annual Report on Form 10-K (other than the reports of Depomed s independent public accounting firm contained therein which are not incorporated by reference because the consent of Depomed s independent public accounting firm has not yet been obtained)	Fiscal Year Ended December 31, 2014, as filed on February 26, 2015
Quarterly Report on Form 10-Q	Quarterly Period Ended March, 31 2015, as filed on May 11, 2015, and Quarterly Period Ended June 30, 2015, as filed on August 3, 2015
Current Reports on Form 8-K	Filed on January 15, 2015, February 6, 2015, March 12, 2015, April 2, 201 (as amended by the Form 8-K/A filed on June 10, 2015), May 13, 2015, M 19, 2015, July 13, 2015, July 29, 2015, July 30, 2015, August 10, 2015, August 21, 2015, August 31, 2015, September 15, 2015, September 16, 20 and September 17, 2015
Proxy Statement on Schedule 14A	Filed on April 6, 2015

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(7) The description of Depomed common stock set forth in Depomed s registration statements filed by Depomed pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating this description.

(8) The description of Depomed s poison pill rights set forth in Depomed s registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act, including any amendment or report filed with the SEC for the purpose of updating this description

(9) All documents filed by Horizon and Depomed pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date o this proxy statement to the date of the extraordinary general meeting shall also be deemed to be incorporated herein by reference.

Shareholders may obtain any of these documents without charge upon written or oral request to our proxy solicitor, MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, toll-free at (800) 322-2885 or at (212) 929-5500 (call collect), or from SEC at the SEC s website at http://www.sec.gov.

IF YOU WOULD LIKE TO REQUEST DOCUMENTS FROM HORIZON, PLEASE CONTACT MACKENZIE PARTNERS NO LATER THAN FIVE BUSINESS DAYS BEFORE THE DATE OF THE EXTRAORDINARY GENERAL MEETING TO RECEIVE THEM BEFORE THE DATE OF THE EXTRAORDINARY GENERAL MEETING. If you request any incorporated documents, MacKenzie Partners will mail them to you by first-class mail, or other equally prompt means, within one business day receipt of your request.

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NOTE ON DEPOMED INFORMATION

All information concerning Depomed, its business, operations, financial condition and management presented or incorporated by reference in this proxy statement is taken from publicly available information other than the description of Depomed s actions take response to the various Horizon proposals as set forth in the section of this proxy statement titled Background of the Offer. This information may be examined and copies may be obtained at the places and in the manner set forth in the section of this proxy statement titled Where You Can Find More Information. Horizon is not affiliated with Depomed, and Depomed has not permitte Horizon to have access to its books and records. Therefore, non-public information concerning Depomed was not provided to Hori for the purpose of preparing this proxy statement. Although Horizon has no knowledge that would indicate that statements relating Depomed contained or incorporated by reference in this proxy statement are inaccurate or incomplete, Horizon was not involved in preparation of those statements and cannot verify them. None of Horizon or any of its officers or directors assumes any responsibil for the accuracy or completeness of such information or for any failure by Depomed to disclose events or facts which may have occurred or which may affect the significance or accuracy of any such information but which are unknown to Horizon.

Pursuant to Rule 409 under the Securities Act and Rule 12b-21 under the Exchange Act, Horizon is requesting that Depomed provi Horizon with information required for complete disclosure regarding the business, operations, financial condition and management Depomed. Horizon will amend or supplement this proxy statement to provide any and all information Horizon receives from Depomed, if Horizon receives the information before the date of the extraordinary general meeting and Horizon considers it to be material, reliable and appropriate.

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PROXY SOLICITATION

The costs of providing the ability to vote by telephone and over the internet, and the costs in preparing and mailing this proxy statement and form of proxy card, will be paid by us. In addition to soliciting proxies by telephone, internet and mail, employees of Horizon may, at our expense, solicit proxies in person, by telephone, courier service, advertisement, telecopier or other electronic means.

We have retained MacKenzie Partners as our proxy solicitor to assist in the solicitation of proxies. Horizon has agreed to pay MacKenzie Partners customary fees as may be mutually agreed. In addition, Horizon will reimburse MacKenzie Partners for its reasonable disbursements. MacKenzie Partners will be indemnified against certain liabilities and expenses. Horizon will, at its own expense, pay those entities holding Horizon ordinary shares in the names of their beneficial owners for their reasonable expenses in delivering proxy solicitation materials to their beneficial owners, including objecting beneficial owners.

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CERTAIN INFORMATION REGARDING THE PARTICIPANTS

Certain persons listed below are participants in this solicitation.

Horizon Participants

Horizon and Purchaser may be deemed to be participants under SEC rules in this solicitation, in addition to the current directors Horizon as set forth in the Form S-4, and the following executives and employees of Horizon: Robert F. Carey, Executive Vice President, Chief Business Officer; Paul W. Hoelscher, Executive Vice President, Chief Financial Officer; David G. Kelley, Executi Vice President, Company Secretary and Managing Director, Ireland; John J. Kody, Executive Vice President, Chief Commercial Officer; Barry J. Moze, Executive Vice President, Corporate Development; Jeffrey W. Sherman, Executive Vice President, Researc and Development and Chief Medical Officer; Miles McHugh, Senior Vice President and Chief Accounting Officer; John Thomas, Executive Vice President, Corporate Strategy and Investor Relations; Brian Beeler, Executive Vice President and General Counsel Geoffrey M. Curtis, Group Vice President, Communications; and Tina Ventura, Vice President, Investor Relations.

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HOUSEHOLDING OF PROXY MATERIALS

Companies and intermediaries (e.g., brokers) are permitted under the SEC s rules to satisfy the delivery requirements for proxy materials with respect to two or more shareholders sharing the same address by delivering a single management proxy circular and proxy statement addressed to those shareholders. This process, which is commonly referred to as householding, potentially mean extra convenience for shareholders and cost savings for companies.

A number of brokers with account holders who are our shareholders will be householding our proxy materials. A single manage proxy circular and proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. I any time, you no longer wish to participate in householding and would prefer to receive a separate management proxy circular a proxy statement, please notify your broker or Horizon. Direct your written request to Horizon Pharma Public Company Limited, David G. Kelly, Company Secretary, at Connaught House, 1st Floor, 1 Burlington Road, Dublin 4, Ireland or contact David G. Kel at + 353 1 772 2100 (Ireland). Shareholders who currently receive multiple copies of proxy materials at their address and would lik request householding of their communications should contact their broker.

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SHAREHOLDER PROPOSALS

Our shareholders may submit proposals on matters appropriate for shareholder action at shareholder meetings in accordance with R 14a-8 promulgated under the Exchange Act. For such proposals to be included in our proxy materials relating to our 2016 annual general meeting of shareholders, all applicable requirements of Rule 14a-8 must be satisfied and, pursuant to Rule 14a-8, such proposals must be received by us no later than December 9, 2015. However, if our 2016 annual general meeting of shareholders is held between April 11, 2016 and June 10, 2016, then the deadline will be a reasonable time prior to the time that we begin to print mail our proxy materials. Such proposals should be delivered to Connaught House, 1st Floor, 1 Burlington Road, Dublin 4, Ireland

Our memorandum and articles of association provide that shareholder nominations of persons to be elected to the Horizon Board at annual general meeting and the proposal of other business to be considered by the shareholders at an annual general meeting must b made following written notice to our Company Secretary which is executed by a shareholder and accompanied by certain backgrou and other information specified in our memorandum and articles of association. Such written notice and information must be receiv by our Company Secretary at our registered office not earlier than the close of business on November 9, 2015 nor later than Januar 2016; provided, however, that in the event our 2016 annual general meeting of shareholders is not held between April 11, 2016 and June 10, 2016, notice must be delivered no earlier than 150 days prior to nor later than 90 days prior to the date of the 2016 annual general meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Our memorandum and articles of association provide that other resolutions may only be proposed at an annual general meeting if either (i) it is proposed by or at the direction of the Horizon Board; (ii) it is proposed at the direction of the Irish High Court; (iii) it is requisitioned in writing by such number of shareholders of record as is prescribed by, and is made in accordance with, section 178 the Irish Companies Act 2014; or (iv) the chairman of the meeting decides, in his or her absolute discretion, that the proposal may properly be regarded as within the scope of the relevant meeting. In addition, the proxy solicited by the Horizon Board for the 2016 annual general meeting of shareholders will confer discretionary voting authority with respect to (i) any proposal presented by a shareholder at that meeting for which we have not been provided with notice by February 22, 2016 and (ii) if we have received not of such proposal by February 22, 2016, if the 2016 proxy statement briefly describes the matter and how management s proxy hol intend to vote on it, if the shareholder does not comply with the requirements of Rule 14a-4(c)(2) promulgated under the Exchange Act. On any other business which may properly come before the annual general meeting, or any adjournment thereof, and whether procedural or substantive in nature (including without limitation any motion to amend a resolution or adjourn the meeting) not specified in this proxy statement, the proxy will act at his/her discretion.

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AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent registered public accounting firm of Horizon is PricewaterhouseCoopers LLP, One North Wacker Drive, Chicago Illinois 60606. The transfer agent and registrar for the Horizon ordinary shares is Computershare Shareowner Services LLC with it principal office in College Station, Texas.

The independent auditors of Depomed are Ernst & Young LLP, 275 Shoreline Drive #600, Redwood City, California 94065. The transfer agent and registrar for the Depomed common stock is Continental Stock Transfer with its principal office in New York, Ne York.

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MISCELLANEOUS

If any other matters are properly presented for consideration at the extraordinary general meeting, including, among other things, consideration of a motion to adjourn or postpone the extraordinary general meeting to another time or place in order to solicit additional proxies in favor of the recommendation of the Horizon Board, the designated proxyholders intend to vote the shares represented by the proxies appointing them on such matters in their judgment and the authority to do so is included in the proxy.

As of the date this proxy statement, the Horizon Board knows of no other matters which are likely to come before the extraordinary general meeting.

Sincerely,

Timothy P. Walbert

Chairman of the Board, President and Chief Executive Officer

Dublin, Ireland

, 2015

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ANNEX A

PROXY CARD

Admission Ticket

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of
voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW
THE TITLE BAR.

**Proxies submitted by the Internet or telephone mu
be received by 11:59 p.m., Eastern Time, on
, 2015.**

Vote by Internet

Go to **www.envisionreports.com/HZNP**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas. x

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

.

A Proposals **The Board of Directors (the Board) of Horizon Pharma plc (Horizon) recommends you vote FOR Proposal Nos. 1, 2, 3, 4 and 5.**

	For	Against	Abstain
1. Approval of the issuance of up to ordinary shares of Horizon in connection with an acquisition of Depomed, Inc., whether by way of an exchange offer followed by a second-step merger, a one-step merger transaction (on a negotiated basis) or otherwise.	¨	¨	¨
3. If Proposal No. 2 is approved, approval of the grant to the Board of an updated authority under Irish law to allot and issue shares, warrants, convertible instruments and options.	¨	¨	¨
5. Approval of any motion to adjourn the extraordinary general meeting, or any adjournments thereof, to another time and place if necessary or appropriate to, among other things, solicit additional proxies if there are insufficient votes at the time of the extraordinary general meeting to approve Proposal No. 1.	¨	¨	¨

	For	Against	Abs
2. If Proposal No. 1 is approved, approval of the increase in the authorized share capital of Horizon from 40,000 and $30,000 to 40,000 and $40,000 by the creation of an additional 100,000,000 Horizon ordinary shares of nominal value $0.0001 per share.	¨	¨	
4. If Proposal No. 3 is approved, approval of the grant to the Board of an updated power under Irish law to issue shares for cash without first offering those shares to existing shareholders under pre-emptive rights that would otherwise apply to the issuance.	¨	¨	

.

B **Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below**

NOTE: Please sign as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give f
title as such.

Date (mm/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within the b

/ /

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A, B AND C ON BOTH SIDES OF THIS CARD.

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Extraordinary General Meeting Admission Ticket

Extraordinary General Meeting of

Horizon Pharma plc Shareholders

, 2015, Local Time (Ireland)

Connaught House

1st Floor, 1 Burlington Road, Dublin 4, Ireland

Upon arrival, please present this admission ticket and photo identification at the registration desk.

Important notice regarding the Internet availability of proxy materials for the Extraordinary General Meeting of Shareholders.

The Proxy Statement is available at: www.edocumentview.com/hznp

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.**

Proxy HORIZON PHARMA PLC

Notice of Extraordinary General Meeting of Shareholders

Connaught House, 1st Floor, 1 Burlington Road, Dublin 4, Ireland

Proxy Solicited by the Board of Directors for the Extraordinary General Meeting of Shareholders , 2015

The undersigned hereby appoints Timothy P. Walbert and Paul W. Hoelscher, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to attend, speak and vote, as provided on the other side, all the ordinary shares of Horizon Pharma plc that the undersigned is entitled to vote, a in their discretion, to vote upon such other business as may properly come before the Extraordinary General Meeting of Shareholders of Horizon Pharma plc to be held at (local time) on , 2015 or at any adjournment or postponeme thereof, with all powers which the undersigned would possess if present at the Extraordinary General Meeting of Shareholders.

THIS PROXY WILL BE VOTED AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR PROPOSAL NOS. 1, 2, 3, 4 and 5.

(Proposals to be voted appear on reverse side.)

C **Non-Voting Proposals**

Change of Address Please print new address below.

Comments Please print your comments below.

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A, B AND C ON BOTH SIDES OF THIS CARD.

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SCHEDULE I

SECURITIES TRANSACTIONS IN THE PAST 60 DAYS

Depomed Common Stock

Name	Trade Date	Buy/ Sell	No. of Shares / Quantity	Average Price Per Share	Security
Horizon Pharma, Inc.	7/09/2015	Buy	1,000	$ 28.5790	Common St
Horizon Pharma, Inc.	7/24/2015	Buy	250,000	$ 32.5961	Common St
Horizon Pharma, Inc.	7/27/2015	Buy	249,000	$ 32.3571	Common St
Horizon Pharma, Inc.	7/28/2015	Buy	250,000	$ 32.4038	Common St
Horizon Pharma, Inc.	8/13/2015	Buy	350,000	$ 31.5936	Common St
Horizon Pharma, Inc.	8/14/2015	Buy	400,000	$ 31.5932	Common St
Horizon Pharma, Inc.	8/17/2015	Buy	375,000	$ 31.4612	Common St
Horizon Pharma, Inc.	8/18/2015	Buy	250,000	$ 31.8482	Common St
Horizon Pharma, Inc.	8/19/2015	Buy	125,000	$ 31.6389	Common St