

IMPAX LABORATORIES INC

FORM 10QSB

(Quarterly Report of Financial Condition)

Filed 08/06/98 for the Period Ending 06/30/98

Address	30831 HUNTWOOD AVENUE HAYWARD, CA 94544
Telephone	510-240-6000
CIK	0001003642
Symbol	IPXL
SIC Code	2834 - Pharmaceutical Preparations
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	12/31

IMPAX LABORATORIES INC

FORM 10QSB

(Quarterly Report of Financial Condition)

Filed 8/6/1998 For Period Ending 6/30/1998

Address	30831 HAYWARD AVE HAYWARD, California 94544
Telephone	215-289-2220
CIK	0001003642
Industry	Biotechnology & Drugs
Sector	Healthcare
Fiscal Year	12/31

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-27354

Global Pharmaceutical Corporation

(Name of small business issuer in its charter)

Delaware

65-0403311

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Castor & Kensington Aves., Philadelphia, PA 19124-5694

(Address of principal executive offices) (Zip Code)

Issuer's telephone number (215) 289-2220

Not Applicable

(Former name, former address, and former fiscal year,
if changed since last report.)

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 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 ☒ No ☐

As of July 31, 1998, the number of shares outstanding of each of the

issuer's classes of common equity was 4,465,597 shares of common stock (\$0.01
par value).

PART I. FINANCIAL INFORMATION

ITEM I. FINANCIAL STATEMENTS

GLOBAL PHARMACEUTICAL CORPORATION

BALANCE SHEET

(in thousands, except share and per share data)

	June 30, 1998 ----- (unaudited)	December 31, 1997 -----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 979	\$ 4,719
Accounts receivable.....	1,136	215
Inventories.....	569	386
Prepaid expenses and other.....	100	46
	-----	-----
Total current assets.....	2,784	5,366
Property, plant and equipment, net.....	4,223	4,077
Intangible assets, net of accumulated amortization of \$118 and \$59...	1,000	1,118
Deferred financing costs, net.....	33	32
Investments.....	729	729
	-----	-----
Total assets.....	\$ 8,769	\$ 11,322
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt.....	\$ 158	\$ 158
Accounts payable.....	625	673
Accrued expenses.....	591	649
	-----	-----
Total current liabilities.....	1,374	1,480
Long-term debt.....	2,050	2,129
	-----	-----
	3,424	3,609
	-----	-----
Mandatorily redeemable preferred stock:		
Series A mandatorily redeemable convertible preferred stock, 12,400 shares and 13,350 shares, respectively, outstanding, \$.01 par value, redeemable at \$100 per share.....	1,240	1,335
Series B mandatorily redeemable convertible preferred stock, 46,035 shares and 50,000 shares, respectively, outstanding, \$.01 par value, redeemable at \$100 per share	4,603	5,000
	-----	-----
	5,843	6,335
	-----	-----
Stockholders' equity:		
Preferred stock, \$.01 par value, 2,000,000 authorized 58,435 and 63,350 shares issued and outstanding	--	--
Common stock, \$.01 par value, 10,000,000 authorized and 4,465,597 shares and 4,286,871 shares, respectively, issued and outstanding.....	45	43
Additional paid-in capital.....	19,780	19,311
Accumulated deficit.....	(20,323)	(17,976)
	-----	-----
Total stockholders' equity	(498)	1,378
	-----	-----
Total liabilities and stockholders' equity.....	\$ 8,769	\$ 11,322
	=====	=====

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

GLOBAL PHARMACEUTICAL CORPORATION

STATEMENT OF OPERATIONS

(dollars in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	(unaudited)		(unaudited)	
	1998	1997	1998	1997
	----	----	----	----
Net Sales	\$ 1,020	\$ --	\$ 1,918	\$ --
Cost of sales	1,098	--	2,255	--
	-----	-----	-----	-----
Gross margin (loss)	(78)	--	(337)	--
Research and development (see note 2)	655	--	1,247	--
Selling expenses (see note 2)	254	--	385	--
General and administrative (see note 2)	400	1,411	789	2,610
Interest expense	17	7	39	20
Interest income	(36)	(21)	(98)	(63)
Other income	(20)	--	(424)	(120)
Other expense	10	--	72	--
	-----	-----	-----	-----
Net loss	\$ (1,358)	\$ (1,397)	\$ (2,347)	\$ (2,447)
	=====	=====	=====	=====
Net loss per share (basic)	\$ (0.31)	\$ (0.33)	\$ (0.54)	\$ (0.57)
	=====	=====	=====	=====
Net loss per share (diluted)	\$ (0.31)	\$ (0.33)	\$ (0.54)	\$ (0.57)
	=====	=====	=====	=====
Weighted average common shares outstanding	\$4,451,855	\$4,286,871	\$4,370,472	4,286,871
	=====	=====	=====	=====

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

GLOBAL PHARMACEUTICAL CORPORATION

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(dollars and shares in thousands)

	Common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' equity (deficit)
	Number of shares	Par value			
Balances at December 31, 1994.....	1,942	\$ 19	\$ 2,393	\$ (3,028)	\$ (616)
Issuance of common stock:					
Conversion of stockholder loans.....	297	4	2,473	--	2,477
Stock and warrants issued to Merck KGaA.....	150	1	299	--	300
Sale of stock to Merck KGaA.....	--	--	938	--	938
Initial public offering on December 31, 1995.....	1,650	16	11,472	--	11,488
Net loss.....	--	--	--	(4,463)	(4,463)
Balances at December 31, 1995.....	4,039	40	17,575	(7,491)	10,124
Issuance of common stock for over-allotment exercise on January 29, 1996.....	248	3	1,832	--	1,835
Net loss.....	--	--	--	(4,608)	(4,608)
Balances at December 31, 1996.....	4,287	43	19,407	(12,099)	7,351
Issuance of convertible preferred stock.....	--	--	2,547	--	2,547
Accretion of preferred stock dividend.....	--	--	(2,547)	--	(2,547)
Expenses relating to issuance of Series A and Series B Preferred Stock.....	--	--	(96)	--	(96)
Net loss.....	--	--	--	(5,877)	(5,877)
Balances at December 31, 1997.....	4,287	43	19,311	(17,976)	1,378
Conversion of Series A Preferred Stock into common stock.....	35	--	95	--	95
Issuance of Warrants.....	--	--	10	--	10
Conversion of Series B Preferred Stock into common stock.....	144	2	396	--	398
Expenses relating to issuance of Series B Preferred Stock	--	--	(32)	--	(32)
Net loss	--	--	--	(2,347)	(2,347)
Balances at June 30, 1998.....	4,466	\$ 45	\$19,780	\$ (20,323)	\$ (498)
	=====	=====	=====	=====	=====

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

GLOBAL PHARMACEUTICAL CORPORATION

STATEMENT OF CASH FLOWS

(dollars in thousands)

	Six Months Ended	
	June 30,	
	1998	1997
Cash flows from operating activities:		
Net loss.....	\$ (2,347)	\$ (2,447)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	358	191
Expenses paid through issuance of warrants	10	--
Change in assets and liabilities:		
(Increase) in accounts receivable.....	(921)	--
(Increase) in inventory.....	(183)	(112)
(Increase) in prepaid expenses and other assets	(55)	(20)
(Decrease) in accounts payable and accrued expenses	(104)	(345)
Net cash used for operating activities	(3,242)	(2,733)
Cash flows from investing activities:		
Purchases of property, plant and equipment.....	(386)	(301)
Net cash used for investing activities.....	(386)	(301)
Cash flows from financing activities:		
Long-term debt repayments.....	(80)	(45)
Issuance of stock and warrants:		
Costs associated with issuance of Series B Preferred Stock.....	(32)	--
Net cash used for financing activities	(112)	(45)
Net (decrease) in cash and cash equivalents.....	(3,740)	(3,079)
Cash and cash equivalents, beginning of period.....	\$ 4,719	\$ 4,044
Cash and cash equivalents, end of period.....	979	965
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	\$ 39	\$ 20

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

GLOBAL PHARMACEUTICAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

Six Months Ended
June 30, 1998 and June 30, 1997

When used in this discussion, the words "believes", "anticipates", "expects", and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected.

The Company's business and results of operations are affected by a wide variety of factors that could materially and adversely affect the Company and its actual results, including, but not limited to, the ability to obtain and maintain governmental approvals, the ability to adequately fund its operating requirements, the impact of competitive products and pricing, product demand and market acceptance, new product development, reliance on key strategic alliances, the availability of raw materials and the regulatory environment. As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis (including, to the extent appropriate governmental approvals are not obtained, the inability to manufacture and sell products), which could materially and adversely affect its business, financial condition, operating results, and stock price. An investment in the Company involves various risks, including those referred to above and those which are detailed from time-to-time in the Company's other filings with the Securities and Exchange Commission.

These forward-looking statements speak only as of the date hereof. The Company undertakes no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Note 1: The financial statements included herein have been prepared by the

Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-KSB. The results of operations for the six months ended June 30, 1998, are not necessarily indicative of the results of operations expected for the year ending December 31, 1998.

In the opinion of management, the information contained in this report reflects all adjustments necessary, which are of a normal recurring nature, to present fairly the results for the interim periods presented.

Note 2: The amount reported as general and administrative expenses for the

three months and six months ended June 30, 1997, when the Company was still a developmental stage company, was \$1,411,000 and \$2,610,000, respectively, and included operational, research and development and selling expenses.

ITEM II. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

During the three months ended June 30, 1998, the Company commenced shipments of the following new products: Mephobarbital 32 mg, 50 mg and 100 mg tablets, a sedative, and Lipram (Pancrelipase) 10,000 unit capsules. The Lipram 10,000 unit capsule complements the 4,500 unit strength Lipram product which the Company began shipping in 1997. Both Lipram products are marketed and sold under an exclusive agreement with Eurand America, a unit of American Home Products. During July 1998, the Company has commenced shipments of another new product, Promethazine Hydrochloride 25 mg tablets, an antihistamine.

Results of Operations

The Company's net loss for the three months ended June 30, 1998 was \$1,358,000, as compared to a net loss of \$1,397,000 in the same period in 1997.

The net sales for the three months ended June 30, 1998 were \$1,020,000, as compared to zero in the comparable period in 1997, during which time Global was still a development stage company. Upon receipt of FDA notification indicating compliance with Current Good Manufacturing Practices ("cGMP's"), the Company became operational in the quarter ended December 31, 1997.

The cost of sales of \$1,098,000 for the three months ended June 30, 1998 had associated cost of goods sold of \$461,000 and an unabsorbed manufacturing overhead of \$637,000 representing the under capacity utilization of the plant and infrastructure. For the three months ended June 30, 1997, the comparable operational costs were estimated at \$835,000 and were reported as part of the general and administrative expenses.

The research and development costs for the three months ended June 30, 1998 were \$655,000; the research and development costs for the three months ended June 30, 1997 were estimated at \$58,000 and were reported as part of the general and administrative expenses.

The selling expenses for the three months ended June 30, 1998 were \$254,000; the selling expenses for the three months ended June 30, 1997 were estimated at \$68,000 and were reported as part of the general and administrative expenses.

The general and administrative expenses were \$400,000 for the three months ended June 30, 1998 as compared to an estimated \$450,000 for the same period in 1997. The amount reported as general and administrative expenses for the three months ended June 30, 1997, when Global was still a development stage company, was \$1,411,000, and included operational, research and development and selling expenses, as previously indicated.

The interest expense was \$17,000 for the three months ended June 30, 1998 as compared to \$7,000 in the same period of 1997, due to additional borrowings from the Pennsylvania Industrial Development Authority ("PIDA") and the Delaware River Port Authority ("DRPA") through the Philadelphia Industrial Development Corporation ("PIDC").

The interest income was \$36,000 for the three months ended June 30, 1998 as compared to \$21,000 in the same period of 1997 due to an increase in investments in cash equivalents resulting from the Series B Preferred Stock financing.

The Company's net loss for the six months ended June 30, 1998 was \$2,347,000, as compared to a net loss of \$2,447,000 in the same period in 1997.

The net sales for the six months ended June 30, 1998 were \$1,918,000, as compared to zero in the comparable period in 1997, during which time Global was still a development stage company.

The cost of sales of \$2,255,000 for the six months ended June 30, 1998 had associated cost of goods sold of \$912,000 and an unabsorbed manufacturing overhead of \$1,343,000 representing the under capacity utilization of the plant and infrastructure. For the six months ended June 30, 1997, the comparable operational costs were estimated at \$1,544,000 and were reported as part of the general and administrative expenses.

The research and development costs for the six months ended June 30, 1998 were \$1,247,000; the research and development costs for the six months ended June 30, 1997 were estimated at \$108,000 and were reported as part of the general and administrative expenses.

The selling expenses for the six months ended June 30, 1998 were \$385,000; the selling expenses for the six months ended June 30, 1997 were estimated at \$98,000 and were reported as part of the general and administrative expenses.

The general and administrative expenses were \$789,000 for the six months ended June 30, 1998 as compared to an estimated \$860,000 for the same period in 1997. The amount reported as general and administrative expenses for the six months ended June 30, 1997, when Global was still a development stage company, was \$2,610,000, and included operational, research and development and selling expenses, as previously indicated.

The interest expense was \$39,000 for the six months ended June 30, 1998 as compared to \$20,000 in the same period of 1997 due to additional borrowings from the PIDA and the DRPA through the PIDC.

The interest income was \$98,000 for the six months ended June 30, 1998 as compared to \$63,000 in the same period of 1997 due to an increase in investments in cash equivalents resulting from the Series B Preferred Stock financing.

The other income of \$424,000 for the six months ended June 30, 1998 included payments of \$417,000 for the U.S. Ranitidine profit distribution from Genpharm, Inc. ("Genpharm"). The other income of \$120,000 generated during the six months ended June 30, 1997 was due primarily to an amount received from a supplier for a claim relating to unacceptable materials purchased from the supplier.

The other expense of \$72,000 for the six months ended June 30, 1998 represents amounts due to a sales organization for a one time non-repeating profit sharing arrangement for the distribution of one of the Company's products.

Liquidity and Capital Resources

On December 19, 1995, the Company completed its initial public offering ("IPO") of common stock, in which 1,650,000 shares of common stock were sold by the Company for net proceeds of \$11,488,000. An additional 247,500 shares of common stock were sold to the underwriter of the IPO in January 1996, upon the exercise of the underwriters' over-allotment option for net proceeds to the Company of \$1,835,000.

On July 29, 1997 the Company received a \$758,000 loan from PIDA at 3.75% annually fixed for 15 years and a \$350,000 loan from the DRPA via PIDC at 5% annually fixed for 10 years. These loans were partially used to fund capital projects, and are secured by land, building and building improvements. The remaining proceeds of \$729,000 were invested in interest bearing Certificates of Deposit owned by the Company and pledged as additional collateral for these loans.

The Company completed an initial closing of approximately \$1.2 million of its Series A Mandatorily Redeemable Convertible Preferred Stock on August 19, 1997 and a subsequent closing of \$150,000 on September 24, 1997. The Company filed a S-3 Registration Statement covering an aggregate of 1,200,000 shares of common stock, which became effective on October 22, 1997. In addition, the Company completed the closing of \$5 million of its Series B Mandatorily Redeemable Convertible Preferred Stock on December 1, 1997. The Company filed a S-3 Registration Statement covering an aggregate of 1,818,182 shares of common stock, which became effective on February 9, 1998.

On July 23, 1998, the Company entered into a revolving credit facility with GE Capital, providing funding to the Company of up to \$5 million based on levels of accounts receivable and inventory. This credit facility is for 3 years and is expected to be used for working capital needs.

The Company believes that it may require additional financing to fund the expansion of product development activities. The Company expects to be able to obtain such financing through equity financing, collaborative arrangements with corporate partners, or through other sources, although no assurance can be given that any financing will be available to the Company on acceptable terms, if at all.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings: None Applicable.

Item 2. Changes in securities: None Applicable

Item 3. Defaults Upon Senior Securities: None Applicable

Item 4. Submission of Matters to a Vote of Security Holders:

At the Company's Annual Meeting of Stockholders held on May 12, 1998, the following actions were approved, by the votes indicated:

1. Seven directors were elected:

Philip R. Chapman	5,625,847	For	1,900	Against/Withheld	0	Abstaining
	-----		-----		-	
Gary Escandon	5,625,847	For	1,900	Against/Withheld	0	Abstaining
	-----		-----		-	
George F. Keane	5,624,847	For	2,900	Against/Withheld	0	Abstaining
	-----		-----		-	
Michael Markbreiter	5,623,847	For	3,900	Against/Withheld	0	Abstaining
	-----		-----		-	
Max L. Mendelsohn	5,625,847	For	1,900	Against/Withheld	0	Abstaining
	-----		-----		-	
John W. Rowe, M.D.	5,624,847	For	2,900	Against/Withheld	0	Abstaining
	-----		-----		-	
Udi Toledano	5,625,847	For	1,900	Against/Withheld	0	Abstaining
	-----		-----		-	

2. The Company's 1995 Stock Incentive Plan was amended to increase the number of shares of Common Stock issuable thereunder and to provide for an annual grant of stock options to certain non-employee directors.

5,321,437	For	305,010	Against/Withheld	1,300	Abstaining
-----		-----		-----	

3. The appointment of Price Waterhouse LLP as the Company's independent accountants for the year ending December 31, 1998 was ratified.

5,627,547	For	200	Against/Withheld	0	Abstaining
-----		---		-	

Item 5. Other Information: None Applicable

Item 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

10.45 Employment agreement by and between the Company and Barry Edwards dated March 25, 1998.

27. Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements 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.

GLOBAL PHARMACEUTICAL CORPORATION

By: /s/ MAX L. MENDELSON

President and Chief Executive Officer

(Principal
Executive Officer)

By: /s/ CORNEL C. SPIEGLER

Chief Financial Officer,
Vice President--Administration

(Principal Financial
and Accounting
Officer)

EMPLOYMENT AGREEMENT

AGREEMENT made as of March 25, 1998 by and between GLOBAL PHARMACEUTICAL CORPORATION, a Delaware corporation (hereinafter referred to as the "Corporation"), and Barry Edwards (hereinafter referred to as "Executive").

In consideration of the mutual promises set forth herein the parties hereto agree as follows:

ARTICLE I. Term of Employment

A. Upon the terms and subject to the conditions set forth herein, the Corporation will employ Executive on the terms provided in this Agreement from April 20, 1998 (the "Effective Date") until the date the employment of the Executive shall terminate pursuant to Article IV hereof. (The period during which Executive is employed hereunder is referred to herein as the "term of employment.") Executive shall work for the Corporation during the term of employment in accordance with, and subject to the term and conditions of, this Agreement.

ARTICLE II. Duties

During the term of employment Executive will:

- (a) use his best efforts to promote the interests of the Corporation, and shall devote his full time and efforts to its business and affairs;
- (b) serve as the Executive Vice President, reporting solely to the Corporation's Chief Executive Officer and Board of Directors; and
- (c) perform such duties consistent with, and customarily provided in connection with, the office described in subsection (b) above which will include but not be

limited to responsibility for preparing and implementing a Business Development plan, launching new products, acquisition and licensing of new products and/or technologies, and other sales, marketing and business development activities as the Corporation may from time to time assign to him, and Executive shall not engage in any duties or pursuits which may interfere with or be inimical or contrary to the best interest of the Corporation.

ARTICLE III. Compensation

A. The Corporation will compensate Executive for the duties performed by him hereunder by payment of a salary (the "Salary") at the rate of \$145,000 per annum. The Salary shall be payable in equal installments, which the Corporation shall pay at semi-monthly intervals or, at the Corporation's election, more frequently, and shall be subject to such payroll deductions as are required by law. The Salary paid to the Executive will be reviewed annually by the Board of Directors in conjunction with the recommendation of the President, and may be increased at the discretion of the Corporation's Board of Directors or Compensation Committee, which shall take into account the performance of the Executive, the productivity of the Corporation and other factors which it deems relevant.

ARTICLE IV. Term: Termination

A. Unless terminated sooner as hereinafter provided, the initial term of employment of Executive under this Agreement shall be for a period of three (3) years from the Effective Date hereof (the "Initial Term"). The term of employment of Executive shall continue thereafter for an additional one (1) year period commencing on the third anniversary of the Effective Date, unless either party has notified the other no later than three (3) months prior to

that third anniversary that he or it does not wish to continue the term of Executive under this Agreement or unless Executive's employment is terminated sooner as hereinafter provided. Thereafter, Executive's term of employment under this Agreement shall continue for additional one (1) year periods, unless either party has notified the other no later than three (3) months prior to the end of any of those additional one (1) year periods that he or it does not wish to continue Executive's term of employment under this Agreement or unless Executive's term of employment is terminated sooner as hereinafter provided.

B. The Corporation may terminate the employment of Executive hereunder

(i) for Cause (as defined below) at any time and without prior notice or (ii) for any other reason on two (2) weeks notice in writing to Executive.

1. If the Corporation terminates Executive's employment for Cause or pursuant to Article IV.D. hereof, then the Corporation shall, within fifteen

(15) days after the termination date, pay Executive all accrued and unpaid Salary and benefits (including accrued but unused vacation time) through the termination date.

2. If the Corporation terminates Executive's employment other than for Cause or pursuant to Article IV.D. hereof, then in lieu of any other payments otherwise required hereunder, the Corporation shall, subject to Executive's compliance with Article V hereof, pay Executive, as liquidated damages and not as a penalty, (a) within fifteen (15) days after the termination date, all accrued and unpaid Salary and benefits (including accrued but unused vacation time) through the termination date and (b) the lesser of (i) an amount equal to his Salary payments at the time of the termination, in accordance with the Corporation's then payment policy, and benefits provided for herein during the six-month period following the termination date, and (ii) the entire amount of the Salary remaining due and payable from the date of such termination to the scheduled expiration of this Agreement; provided, however, that if such termination occurs prior to the first anniversary of the Effective Date, then in addition to the items referred to in subsections (a) and (b) above, Executive shall be entitled to continue to receive, in accordance with the Corporation's then payment policy, an amount equal to his Salary payments and, to the extent Executive is not otherwise employed, health benefits, until the first anniversary of the Effective Date.

3. The phrase "Cause" means any of the following:

(a) breach by Executive of any provision of Article V of this Agreement;

(b) breach of any other provision of this Agreement by Executive (other than any such breach resulting from Executive's incapacity due to physical or mental illness, which shall be governed by Article IV.D. hereof), including without limitation the failure to satisfactorily perform his duties as provided herein, if that breach is not remedied within thirty (3) days after written notice to Executive describing the acts alleged to constitute Cause;

(c) any act of fraud, misappropriation, embezzlement or similar willful and malicious conduct by Executive against the Corporation; or

(d) indictment of Executive for a felony or any conviction of, or guilty plea by Executive to, a crime involving moral turpitude if that crime of moral turpitude tends or would reasonably tend to bring the Corporation into disrepute.

C. Executive may terminate his employment hereunder at any time for any reason upon two (2) weeks notice to the Corporation.

1. If Executive terminates his employment without "Good Reason" (as defined below), then the Corporation shall, within fifteen (15) days after the termination date, pay Executive all accrued and unpaid Salary and benefits (including accrued but unused vacation time) through the termination date.

2. If Executive terminates his employment with "Good Reason", then the Corporation shall, subject to Executive's compliance with Article V hereof, (i) pay Executive, within fifteen (15) days after the termination date, all accrued and unpaid Salary and benefits (including accrued but unused vacation time) through the termination date and (ii) continue to pay Executive an amount equal to Executive's Salary and benefits, in accordance with the Corporation's then payment policy, during the six-month period following the termination date.

3. The phrase "Good Reason" means a material breach of this Agreement or the intentional disregard or violation of the Food, Drug and Cosmetic Act as amended in any material respect (other than through the actions of the Executive) by the Corporation, which has not been cured within thirty (30) days after written notice thereof from the Executive.

D. If Executive dies or becomes incapacitated, his employment hereunder shall terminate on the date of his death or incapacitation, as the case may be. For purposes hereof, the term "incapacitated" shall mean such mental or physical illness as shall render Executive incapable of substantially performing his duties hereunder on a regular basis at the Corporation's offices for a period of three (3) consecutive months or for a period of six (6) months in any twelve-month period, all as determined by a physician or psychiatrist, as the case may be, selected by the Corporation.

ARTICLE V.
Covenants

A. While Executive is employed hereunder by the Corporation and during any time thereafter that the Corporation shall continue to pay to Executive his Salary and benefits, he shall not, without prior written consent of the Corporation, engage, directly or indirectly, in any other trade, business or employment, or have any interest, direct or indirect, in any other business, firm or corporation; provided, however, that he may continue to own or may hereafter acquire (i) any securities of any class of any publicly-owned company or (ii) any passive investment in a privately held entity which is not engaged in the pharmaceutical business.

B. Executive shall treat as confidential and keep secret the affairs of the Corporation (including specifically the terms and conditions of this Agreement) and shall not at any time during the term of employment or thereafter, without prior written consent of the Corporation, or unless required by law, divulge, furnish, or make known or accessible to, or use for the benefit of, anyone other than the Corporation and its subsidiaries and affiliates any information of a confidential or proprietary nature related in any way to the business of the Corporation or its subsidiaries or affiliates or their clients. Executive shall be entitled to disclose the terms of this Agreement to potential employers of Executive and to lending institutions from whom Executive seeks to borrow.

C. All records, papers and documents kept or made by Executive relating to the business of the Corporation or its subsidiaries or affiliates or their clients shall be and remain the property of the Corporation.

D. All articles invented by Executive, processes discovered by him, trademarks, designs, advertising copy and art work, display and promotion materials and, in general, everything of value conceived or created by him pertaining to the business of the Corporation or any of its subsidiaries or affiliates during the term of employment, and any and all rights of every nature whatever relating thereto, shall immediately become the property of the Corporation, and Executive shall assign, transfer and deliver all patents, copyrights, royalties, designs and copy, and any and all interests and rights whatever thereto and thereunder to the Corporation, without further compensation, upon notice to him from the Corporation.

E. Following the termination of Executive's employment hereunder (including the expiration of this Agreement) for any reason, Executive shall not, for a period of two (2) years from such termination solicit any employee of the Corporation to leave such employ or to enter the employ of Executive or of any corporation or enterprise with which Executive is then associated or solicit any customer of the Corporation to terminate its relationship with the Corporation.

F. During the one-year period following Executive's termination of employment by Executive without Good Reason or by the Corporation for Cause (the "Restricted Period"), Executive shall not render any services, directly or indirectly, as an employee, officer, consultant or in any other capacity, to any individual, firm, corporation or partnership engaged in any business or activity which is competitive with any activity or business engaged in by the Corporation during his employment by the Corporation (such activities being herein called the "Corporation's Business"). During the Restricted Period, Executive shall not, without prior written consent of the Corporation, hold an equity interest in any firm, partnership or corporation which competes with the Corporation's Business, except that beneficial ownership by Executive (including ownership by any one or more members of his immediate family and any entity under his direct or indirect control) of less than five percent (5%) of the outstanding shares of capital stock of any corporation which may be engaged in any of the same lines of business as the Corporation's Business, if such stock is listed on a national securities exchange or publicly traded in an over-the-counter market, shall not constitute a breach of the covenants contained in this Article V.

G. The provisions contained in this Article V as to the time periods, scope of activities, persons or entities affected, and territories restricted shall be deemed divisible so that, if any provision contained in this Article V is determined to be invalid or unenforceable, such provisions shall be deemed modified so as to be valid and enforceable to the full extent lawfully permitted.

H. During the term of this Agreement, the Corporation shall maintain a Directors' and Officers' insurance policy providing such coverage for the Directors and Officers of the Corporation as the Corporation's Board of Directors shall reasonably determine,

ARTICLE VI.
Bonuses

A. The Corporation shall pay Executive a \$10,000 sign-on bonus, which shall be paid thirty (30) days from the Effective Date.

B. The Executive is eligible to participate in an Incentive Bonus Program of up to 24% of the Executive's base salary in accordance with pre-established individual, corporate and business goals. Fifty percent (50%) of the Incentive Bonus will be paid for the Executive achieving Net Profit Before Taxes objectives and fifty percent (50%) of the Incentive Bonus will be paid for the Executive achieving Net Sales and Gross Margin goals established by the Corporation.

C. The Board of Directors of the Corporation may consider, and nothing herein shall preclude the Corporation's Board of Directors from, awarding Executive any other bonuses based on performance as they may, at any time or from time to time, determine.

ARTICLE VII.
Stock Option Award

A. The Corporation will grant to Executive an option to purchase 50,000 shares of the Corporation's common stock (the "Award") at a price per share equal to the fair market value of the Corporation's common stock on the date of acceptance of the employment offer by Executive, which so long as Executive remains in the continuous employ of the Corporation on a given vesting date, shall vest in Executive in accordance with the following schedule: (i) one-fourth of the Award shall vest on the Effective date, and (ii) one-fourth of the Award shall vest on the date one (1) year from the Effective Date, and (iii) the remaining one-half of the Award shall vest in increments of one-twenty fourth per month for the twenty-four (24) months then following.

B. The option shall be granted pursuant to, and shall be subject to the terms of, the stock option plan adopted by the Corporation.

ARTICLE VIII.
Other Employment Benefits

A. The Corporation shall provide Executive with medical and hospitalization insurance coverage and retirement plans which in each case are no less favorable to Executive than those plans provided to the Corporation's senior executive officers generally (it being understood that to the extent the plans provide coverage for dependents of employees, Executive shall be entitled to such coverage for his dependents under the same terms as senior executives generally). The Corporation shall also provide Executive with life insurance coverage at standard premium rates having a death benefit payable to a beneficiary selected by the Executive equal to \$250,000 and disability insurance at standard premium rates which provides salary replacement benefits, not to exceed \$250,000 in the aggregate, in the event Executive becomes incapacitated.

B. During the term of employment, Executive shall be entitled to three weeks paid vacation each year and to participate in or receive benefits under any other employee benefit plan, arrangement or perquisite made available by the Corporation now or in the future to its senior executive officers generally, subject to and on a basis consistent with the terms, conditions and overall administration of such plans, arrangements and perquisites; provided, however, that Executive shall not be entitled to carry over unused vacation time in any given year to subsequent years.

C. The Corporation shall reimburse Executive for all reasonable expenses incurred by the Executive for promoting the business of the Corporation, including expenses for travel and similar items from time to time upon presentation by Executive of an itemized account of such expenditures, all in accordance with the Corporation's policies for incurrence and reimbursement. To the extent permitted by law, the Corporation will not withhold Philadelphia city wage taxes for the days the Executive travels out of town on business.

D. The Corporation will provide Executive with a car allowance of \$5,000.00 per annum, payable monthly.

ARTICLE IX.
Key Man Insurance

A. The Corporation may, in its sole and absolute discretion, at any time after the date hereof, apply for and procure as owner for its own benefit life insurance on Executive, in such amount and in such form or forms as the Corporation may determine. Executive shall, at the Corporation's request, subject to such medical examinations, supply such information and execute such documents as may be required by the insurance company or companies to whom the Corporation has applied for such insurance.

ARTICLE X.
Assignment

A. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Corporation. Neither this Agreement nor any rights hereunder shall be assignable by Executive and any such purported assignment by him shall be void.

ARTICLE XI.
Entire Agreement

A. This Agreement constitutes the entire understanding between the Corporation and Executive concerning his employment by the Corporation or any of its subsidiaries and supercedes any and all previous agreements between Executive and the Corporation or any of its subsidiaries concerning such employment. This Agreement may not be changed orally.

ARTICLE XII.

Applicable Law

A. The Agreement shall be governed by and construed in accordance with the laws of the State of Pennsylvania.

GLOBAL PHARMACEUTICAL CORPORATION

By:

Max L. Mendelsohn, President & CEO

Barry Edwards

ARTICLE 5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET (UNAUDITED) AND THE CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 1998 (UNAUDITED) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

MULTIPLIER: 1,000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	JUN 30 1998
CASH	979
SECURITIES	0
RECEIVABLES	1,136
ALLOWANCES	0
INVENTORY	569
CURRENT ASSETS	2,784
PP&E	5,622
DEPRECIATION	1,399
TOTAL ASSETS	8,769
CURRENT LIABILITIES	1,374
BONDS	0
COMMON	45
PREFERRED MANDATORY	5,843
PREFERRED	0
OTHER SE	(498)
TOTAL LIABILITY AND EQUITY	8,769
SALES	1,918
TOTAL REVENUES	1,918
CGS	2,255
TOTAL COSTS	2,255
OTHER EXPENSES	2,421
LOSS PROVISION	0
INTEREST EXPENSE	39
INCOME PRETAX	(2,347)
INCOME TAX	0
INCOME CONTINUING	0
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(2,347)
EPS PRIMARY	(.54)
EPS DILUTED	(.54)

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