

LANNETT CO INC  
Form DEF 14A  
December 08, 2015  
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

- Filed by the Registrant
- Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only  
(as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

LANNETT COMPANY, INC.

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required

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| 3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): |
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

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| 1) | Amount Previously Paid:                       |
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| 4) | Date Filed:                                   |
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**Proxy Statement**  
**2016 Annual Meeting of**  
**Stockholders**

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**Lannett Company, Inc.  
13200 Townsend Road  
Philadelphia, PA 19154  
215-333-9000  
www.Lannett.com**

**December 8, 2015**

**Dear Lannett Company, Inc. Stockholders:**

**It is my pleasure to invite you to the Annual Meeting of Stockholders of Lannett Company, Inc. which will be held on January 21, 2016 at 9:00 am EST, at 13200 Townsend Road, Philadelphia, PA 19154.**

**The purpose of the meeting is to (i) elect six members of our Board of Directors, (ii) vote to ratify the selection of Grant Thornton, LLP as our independent auditors, (iii) vote to ratify Article XI of our Amended and Restated Bylaws designating the Court of Chancery of the State of Delaware as the exclusive forum for certain legal actions, and (iv) to transact such other business as may properly come before the Annual Meeting.**

**Your vote is important. Whether you plan to attend the meeting or not, we encourage you to read this Proxy Statement, in its entirety, and vote your shares. Please sign, date and return the enclosed proxy card as soon as possible in the postage-paid envelope provided.**

**We look forward to seeing you at the Annual Meeting should you be able to attend.**

**Thank you.**

**December 8, 2015**  
**Philadelphia, Pennsylvania**

**/s/ Arthur P. Bedrosian**  
**Arthur P. Bedrosian**  
**Chief Executive Officer**

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LANNETT COMPANY, INC.

9000 STATE ROAD

PHILADELPHIA, PENNSYLVANIA 19136

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JANUARY 21, 2016

TO THE STOCKHOLDERS OF LANNETT COMPANY, INC.

The annual meeting (the Annual Meeting ) of the Stockholders of Lannett Company, Inc., a Delaware Corporation, (the Company or Lannett ) will be held on January 21, 2016 at 9:00 a.m., local time, at the Company 's facility located at **13200 Townsend Road, Philadelphia, Pennsylvania 19154**, for the following purposes:

1. To elect six (6) members of the Board of Directors (the Board ) to serve until the next Annual Meeting of Stockholders;
2. To ratify the selection of Grant Thornton, LLP as independent auditors for the fiscal year ending June 30, 2016;
3. To ratify Article XI of the Company 's Amended and Restated Bylaws designating the Court of Chancery of the State of Delaware as the exclusive forum for certain legal action.
4. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

**THESE MATTERS ARE MORE FULLY DESCRIBED IN THE PROXY STATEMENT ACCOMPANYING THIS NOTICE.**

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Only stockholders of record at the close of business on December 4, 2015 are entitled to notice and to vote at the 2016 Annual Meeting.

It is important that your shares be represented and voted at the Annual Meeting. Please vote by completing and returning the enclosed proxy card as promptly as possible in the postage-paid envelope provided so that, whether you intend to be present at the Annual Meeting or not, your shares can be voted.

*By Order of the Board of Directors*

December 8, 2015  
Philadelphia, Pennsylvania

/s/ Jeffrey Farber  
Jeffrey Farber  
Chairman of the Board

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LANNETT COMPANY, INC.

PROXY STATEMENT FOR  
ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JANUARY 21, 2016

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**ATTENDANCE AND VOTING MATTERS**

**DATE, TIME, AND PLACE OF MEETING**

This Proxy Statement is provided to you by the Board of Lannett in connection with the Annual Meeting. The Annual Meeting will be held on January 21, 2016 at 9:00 a.m., local time, at the Company's facility located at **13200 Townsend Road, Philadelphia, Pennsylvania 19154**, or at any adjournments or postponements of the Annual Meeting for the purposes set forth in the accompanying Notice of Annual Meeting. We intend to mail this Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders on or about December 18, 2015 to all stockholders of the Company entitled to vote at the Annual Meeting.

**VOTING METHODS**

You may vote on matters to come before the Annual Meeting in three ways:

- You may come to the Annual Meeting and cast your vote in person; or
- You may vote by internet or phone by following the instructions set forth on the proxy card; or
- You may vote by signing and returning the enclosed proxy card by mail. If you do so, the individuals named on the card will vote your shares in the manner you indicate. You may revoke your proxy at any time prior to the Annual Meeting by sending written notice to the Secretary of the Company at 13200 Townsend Road, Philadelphia, Pennsylvania 19154, or by attending the meeting.

If you come to the Annual Meeting to cast your vote in person and you are holding your stock in a brokerage account ( street name ), you will need to bring a legal proxy obtained from your broker.

You are entitled to cast one vote for each share of Lannett common stock owned on the record date, December 4, 2015. As of the record date, there were 36,541,304 shares of Lannett common stock outstanding. Stockholders are not entitled to cumulative voting in the election of directors.

**QUORUM**

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A quorum of stockholders is necessary to hold a valid meeting for the transaction of business. If the holders of a majority of Lannett common stock are present at the meeting, in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum.

### **VOTE NECESSARY FOR ACTION**

Directors are elected by a plurality vote of shares present at the Annual Meeting. Each other action to be considered by the stockholders will be approved by the affirmative vote of at least a majority of the shares present in person or by proxy at the meeting and entitled to vote on the matter. For any proposal, an abstention will have the same effect as a vote against the proposal. Broker non-votes will not be voted for or against any of these proposals and will have no effect on any of these proposals.

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**BOARD OF DIRECTORS**

**The Role of the Board and Risk Oversight**

The Board is responsible for overall corporate governance as well as for management and the strategic direction of the Company as a whole. The corporate governance guidelines are available at [www.lannett.com](http://www.lannett.com). The Board and various committees of the Board meet regularly to discuss operating and financial reports presented by the Company including but not limited to the Chief Executive Officer, Chief Financial Officer, President, and other members of management.

Assessing and managing risk is the responsibility of management; however the Board, through the Audit Committee, provides oversight and reviews various details regarding the Company's risk mitigation efforts. The Board is engaged in the Company's strategic planning efforts, which include evaluating the objectives and risks associated with these initiatives.

Through the Board's committees, the Board maintains broad oversight over various functions within the Company. The Audit Committee, under its charter, reviews and discusses risk exposures and the steps management has taken to monitor and mitigate each risk. The Compensation Committee in tandem with the Governance and Nominating Committee monitor risks associated with succession planning and the attraction and retention of talent, as well as risks related to the design of compensation programs within the Company.

The Board has adopted a Code of Business Conduct and Ethics (the "code of ethics"). The code of ethics applies to all employees including the Company's Chief Executive Officer, Chief Financial Officer, President, Corporate Controller, and other finance employees. The code of ethics is publicly available on our website at [www.lannett.com](http://www.lannett.com). If the Company makes any substantive amendments to the code of ethics or grants any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, President, or Corporate Controller, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

The Board has established effective anti-hedging and anti-pledging policies. We have an insider trading policy - which among other restrictions - prohibits employees, officers and Directors, including Named Executive Officers ( "NEOs") from entering into short sales, calls or any other hedging transaction involving Lannett securities. In addition, effective 2015, the Board has adopted a policy that prohibits Directors and NEOs from pledging Lannett stock. None of our Directors or NEOs has pledged Lannett stock as collateral for a personal loan or other obligations.

The members of the Board are expected to attend all Board meetings whether in person or via teleconference. Additionally, members of the Board are expected to attend the Annual Meeting of Stockholders.

The Board met five times during the fiscal year ended June 30, 2015 ( "Fiscal 2015"). In addition to meetings of the Board, directors attended meetings of individual Board committees. Each of the directors attended at least 75% of the Board meetings and meetings of Board committees of which they were a member during Fiscal 2015. All directors, with the exception of Mr. Paonessa who was not a director at the time, were present at the 2015 Annual Meeting.

This past year the Board sought to improve its ratio of independent Directors to non-independent Directors, as well as continue to add industry experts to its ranks. In July 2015, the Board progressed on both criteria by appointing Mr. Albert Paonessa, III, a generic pharmaceutical industry expert as its newest independent Director. The Board's intention is to continue to improve the ratio of independent Directors to non-independent Directors, as well as continue to add industry experts to its ranks.

Additionally, over this past year the Board has been actively engaged in C-Suite leadership succession planning and leadership development. To complement its in-house capabilities, the Board and the Company have entered into partnering and retention discussions with a Top 3 MBA/Executive Education program and a leading global executive recruitment and development firm. The Board's intention is to employ the services of these firms to maximize our C-Suite leadership succession planning and leadership development.

In July 2015, the Board rescinded Article XII of the Company's Amended and Restated Bylaws, and by doing so, has removed the provision in its bylaws which sought to shift the legal fees associated with certain types of shareholder litigation to the plaintiff-shareholder if the shareholder's lawsuit was unsuccessful.

#### **Board Leadership Structure**

The Company's Corporate Governance Guidelines provide that a majority of our directors should meet New York Stock Exchange ( NYSE ) independence requirements. The director will not be considered independent unless the Board determines that the director

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meets the NYSE independence requirements and has no relationship that in the opinion of the Board, would interfere with the exercise of independent judgement in carrying out the responsibilities of the director.

Our Board leadership structure is one under which Jeffrey Farber serves as Chairman of the Board. We currently have five other directors, including Arthur P. Bedrosian, Chief Executive Officer. Four of the six directors currently serving on the Board of Directors are independent as defined by the NYSE. The Board has four committees: the Audit Committee, Compensation Committee, Governance and Nominating Committee, and Strategic Planning Committee. In addition, the non-management members of the Board of Directors meet regularly without management directors or management personnel present.

The Board believes that the role of Chairman of the Board and Chief Executive Officer should be separate and that the Chairman should not be an employee of the Company. The Board believes that this separation benefits the stockholders in the form of increased oversight. As further oversight, the independent Board members also meet throughout the year in executive sessions where neither management personnel nor other non-independent directors are present. In the Company's case, this would exclude both Jeffrey Farber, Chairman of the Board and Arthur P. Bedrosian, Chief Executive Officer.

Lead Independent Director

In October 2015, to further improve independent oversight, the Board established the policy of having a Lead Independent Director to be elected by and from the independent Directors - if the Chairman of the Board is not an independent Director. As our current Chairman of the Board is not an independent Director, the independent Directors elected an independent Director, David Drabik, to be the Lead Independent Director for an initial term of one year subject to annual review by the independent Directors and subject to being reelected as a director.

The role of the Lead Independent Director includes:

- Collaborating with the Chairman of the Board to set and approve the Board agenda;
- The authority to call and chair executive sessions of the independent Directors;
- Briefing the Chairman of the Board on issues discussed in executive sessions;
- Serving as liaison between the Chairman of the Board and the independent Directors; and
- Serving as liaison between the Chief Executive Officer and the independent Directors outside of formal Board meetings.

Overall, we believe that the separation of the Chairmanship and Chief Executive Officer positions, our strong committee system, and regular non-management director and independent director meetings allow for effective Board oversight of management.

**Communicating with the Board of Directors**

Interested persons may contact the non-management directors by sending written comments to 13200 Townsend Road, Philadelphia, Pennsylvania 19154 Attn: Board of Directors. The original communication as addressed or a summary of the submissions will be forwarded to the directors for discussion in the next directors meeting. If a summary of the communication is provided, the original communication will be maintained on file and available for the directors review upon request.

**Board Committees**

The Board has four standing committees - Audit Committee, Compensation Committee, Governance and Nominating Committee and Strategic Planning Committee. There were ten Audit Committee meetings, three Strategic Planning Committee meetings, seven Governance and Nominating Committee meetings, and three Compensation Committee meetings held during Fiscal 2015. The following table shows the directors who are currently members of each Board Committee:

<b>Name</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Governance and Nominating Committee</b>	<b>Strategic Planning Committee</b>
Jeffrey Farber	-	-	-	Member
Arthur P. Bedrosian, J.D.	-	-	-	Chairman
David Drabik	Member	Member	Chairman	Member
Paul Taveira	Member	Chairman	Member	-
James M. Maher	Chairman	Member	Member	-
Albert Paonessa, III	-	Member	-	Member

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The **Audit Committee** has responsibility for overseeing the Company's financial reporting process on behalf of the Board. In addition, Audit Committee responsibilities include selection of the Company's independent auditors, conferring with the independent auditors regarding their audit of the Company's consolidated financial statements, pre-approving and reviewing the independent auditors' fees and considering whether non-audit services are compatible with maintaining their independence, and considering the adequacy of internal financial controls. The Audit Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.lannett.com](http://www.lannett.com). The charter describes the nature and scope of the Audit Committee's responsibilities. All members of the Audit Committee are independent directors as defined by the rules of the NYSE. See Report of the Audit Committee.

*Financial expert on Audit Committee:* The Board has determined that James M. Maher, current director and chairman of the audit committee, is the audit committee financial expert as defined in section 3(a)(58) of the Exchange Act and the related rules of the Commission.

The **Compensation Committee** establishes and regularly reviews the Company's compensation philosophy, strategy, objectives and ethics and determines the compensation of the executive officers of the Company. For a discussion on the Committee's process and factors used in determining executive compensation refer to Compensation Discussion and Analysis starting on page 13. The Committee also administers the Company's equity compensation plans. The Compensation Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.lannett.com](http://www.lannett.com). All members of the Compensation Committee are independent directors as defined by the rules of the NYSE.

*Compensation Committee Interlocks and Insider Participation*

No member of the Compensation Committee during Fiscal 2015 or as of the date of this Proxy Statement is or has been an officer or employee of the Company and no executive officer of the Company served on the compensation committee or board of any company that employed any member of the Company's Compensation Committee or Board.

The **Governance and Nominating Committee** is responsible for identifying and evaluating individuals qualified to become Board members and for recommending such individuals for nomination. All candidates must possess an unquestionable commitment to high ethical standards and have a demonstrated reputation for integrity. Other factors considered in identifying and evaluating candidates include an individual's business experience, education, civic and community activities, knowledge and experience with respect to the issues impacting the pharmaceutical industry and public companies, as well as the ability of the individual to devote the necessary time to service as a director. Although the Committee does not have a formal diversity policy, it believes diversity is an important factor in determining the composition of the Board.

Once a person has been identified by the Governance and Nominating Committee as a potential candidate, the Governance and Nominating Committee performs a robust review, which includes collection of outside information, to include publicly available information and all other relevant information available to determine if the person should be considered further. Once this determination has been made the person is contacted. If the person expresses a willingness and interest to be considered to serve on the Board, the Governance and Nominating Committee will request further information from the candidate including resumes, references and other relevant information. A formal interview process is then held. The Governance and Nominating Committee will then consider all information, qualifications, and accomplishments, including comparisons to other potential candidates before making its final decision.

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The Governance and Nominating Committee will also consider candidates recommended by stockholders. All nominees will be evaluated in the same manner, regardless of whether they were recommended by the Governance and Nominating Committee, or recommended by a stockholder. To have a candidate considered by the Governance and Nominating Committee, a stockholder must submit the recommendation in writing and must include the following information:

- The name of the stockholder and evidence of the person's ownership of Company stock, including the number of shares owned and the length of ownership; and
- The name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company and the person's consent to be considered as a director nominee if recommended by the Governance and Nominating Committee to the Board and nominated by the Board to be included in the proxy statement for election at the Annual Meeting.

The stockholder recommendation and information described above must be sent to the Company at 13200 Townsend Road, Philadelphia, Pennsylvania 19154, and must be received not less than 120 days prior to the anniversary date of the Company's most recent Annual Meeting.

The Governance and Nominating Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.lannett.com](http://www.lannett.com). All members of the Governance and Nominating Committee are independent directors as defined by the rules of the NYSE.



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The **Strategic Planning Committee** oversees the Company's medium and long-term business strategies, including the decisions regarding new product initiatives, joint ventures and alliances, new markets and other matters related to the Company's long-term planning process. The Strategic Planning Committee operates pursuant to a written charter adopted by the Board, which is available on the Company's website at [www.lannett.com](http://www.lannett.com).

**Executive Sessions of Independent Directors**

In accordance with the rules and regulations of the NYSE, non-management independent directors meet at regularly scheduled executive sessions without management participation. At least once a year, an executive session is held with only independent Directors. Executive sessions are chaired by the Lead Independent Director.

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**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is comprised of three independent directors (as defined in section 303(A) of the NYSE listing company manual) and maintains a written charter in accordance with rules of the NYSE.

Management is primarily responsible for the Company's financial statements and related internal controls over financial reporting. The independent registered public accounting firm is responsible for performing an audit of the Company's consolidated financial statements and related internal controls over financial reporting. The Audit Committee's responsibility is to monitor the Company's financial reporting and internal control processes and to review the performance and independence of the Company's independent registered public accounting firm.

Management has represented to the Audit Committee that the Company's consolidated financial statements were prepared, in all material respects, in accordance with accounting principles generally accepted in the United States, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm.

The Audit Committee has received from its independent registered public accounting firm written communications regarding the matters required to be discussed with the Audit Committee. These matters included information regarding the scope and results of their audit of the Company's financial statements, including with respect to (i) their responsibilities under generally accepted auditing standards, (ii) significant accounting policies, (iii) management judgments and estimates, (iv) any significant accounting adjustments, (v) any disagreements with management and (vi) any difficulties encountered in performing the audit. The Committee discussed these matters with the Company's independent registered public accounting firm, with and without management present.

The Company's independent registered public accounting firm also provided to the Audit Committee the written disclosures required by the Public Company Accounting Oversight Board, and the Audit Committee discussed the firm's independence with the independent registered public accounting firm. The Audit Committee also pre-approved all fiscal 2015 audit and non-audit services and fees and concluded that the non-audit services performed and related fees did not impair the independence of the independent registered public accounting firm.

Based upon the Audit Committee's discussions and reviews referred to above, the Audit Committee recommended that the audited consolidated financial statements be included in Lannett's Annual Report on Form 10-K for the fiscal year ended June 30, 2015 as filed with the Securities and Exchange Commission.

Audit Committee:

James M. Maher (Chairman)  
David Drabik  
Paul Taveira



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The following table sets forth, as of October 31, 2015, information regarding the security ownership of the directors and certain executive officers of the Company and persons known to the Company to be beneficial owners of more than five (5%) percent of the Company's common stock, which has been determined in accordance with Rule 13d-3 under the Exchange Act. Although grants of restricted stock under the Company's 2006, 2011 and 2014 Long Term Incentive Plans ( LTIPs ) generally vest equally over a three year period from the grant date, the restricted shares are included below because the voting rights with respect to such restricted stock are acquired immediately upon grant.

Name and Address of Beneficial Owner / Director / Executive Officer	Office	Excluding Options (*)			Percent of Class	Including Options (**)	
		Shares Held Directly	Shares Held Indirectly	Total Shares		Number of Shares	Percent of Class
John M. Abt 13200 Townsend Road Philadelphia, PA 19154	VP of Quality	4,479	0	4,479(1)	0.01%	4,479(1)	0.01%
Arthur P. Bedrosian 13200 Townsend Road Philadelphia, PA 19154	Chief Executive Officer	604,595	12,500	617,095(2)	1.69%	1,079,587(2),(3)	2.92%
Michael Bogda  13200 Townsend Road  Philadelphia, PA 19154	President	3,470	0	3,470(4)	0.01%	28,470(4),(5)	0.08%
Mahendra Dedhiya 13200 Townsend Road Philadelphia, PA 19154	VP of Scientific Affairs	183	0	183	0.00%	183	0.00%
David Drabik 13200 Townsend Road Philadelphia, PA 19154	Director	19,223	0	19,223	0.05%	19,223	0.05%
Robert Ehlinger 13200 Townsend Road Philadelphia, PA 19154	Chief Information Officer	122,916	0	122,916(6)	0.34%	191,339(6),(7)	0.52%
Jeffrey Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman of the Board, Director	2,402,093	2,260,327	4,662,420(8)	12.76%	4,687,420(8),(9)	12.82%
David Farber 13200 Townsend Road Philadelphia, PA 19154		1,940,870	2,442,455	4,383,325(10)	12.00%	4,383,325(10)	12.00%
Jeffrey and Jennifer Farber Family Foundation 2354 Bellingham Drive Troy, MI 48083		1,603,498	0	1,603,498(11)	4.39%	1,603,498(11)	4.39%
David and Nancy Farber Family Foundation 2354 Bellingham Drive Troy, MI 48083		1,593,499	0	1,593,499(12)	4.36%	1,593,499(12)	4.36%

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Farber Family LLC 2354 Bellingham Drive Troy, MI 48083		<b>528,142</b>	<b>0</b>	<b>528,142(13)</b>	<b>1.45%</b>	<b>528,142(13)</b>	<b>1.45%</b>
Farber Investment LLC 2354 Bellingham Drive Troy, MI 48083		<b>38,000</b>	<b>0</b>	<b>38,000(14)</b>	<b>0.10%</b>	<b>38,000(14)</b>	<b>0.10%</b>
Martin Galvan 13200 Townsend Road Philadelphia, PA 19154	VP of Finance, CFO and Treasurer	<b>35,397</b>	<b>0</b>	<b>35,397(15)</b>	<b>0.10%</b>	<b>150,730(15),(16)</b>	<b>0.41%</b>
James M. Maher 13200 Townsend Road Philadelphia, PA 19154	Director	<b>16,723</b>	<b>0</b>	<b>16,723</b>	<b>0.05%</b>	<b>16,723</b>	<b>0.05%</b>

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Albert Paonessa, III 13200 Townsend Road Philadelphia, PA 19154	Director	<b>530</b>	<b>0</b>	<b>530</b>	<b>0.00%</b>	<b>530</b>	<b>0.00%</b>
Kevin R. Smith 13200 Townsend Road Philadelphia, PA 19154	SVP of Sales and Marketing	<b>13,986</b>	<b>0</b>	<b>13,986(17)</b>	<b>0.04%</b>	<b>49,319(17),(18)</b>	<b>0.13%</b>
Paul Taveira 13200 Townsend Road Philadelphia, PA 19154	Director	<b>19,723</b>	<b>0</b>	<b>19,723</b>	<b>0.05%</b>	<b>19,723</b>	<b>0.05%</b>
All directors and executive officers as a group (12 persons)		<b>3,243,318</b>	<b>2,272,827</b>	<b>5,516,145</b>	<b>15.10%</b>	<b>6,247,726</b>	<b>16.77%</b>

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\* Percent of class calculation is based on 36,527,543 outstanding shares of common stock at October 31, 2015.

\*\* Assumes that all options exercisable within sixty days have been exercised.

(1)Includes 3,140 unvested shares received pursuant to a restricted stock awards granted in March 2015 and July 2015.

(2)Includes 12,500 shares owned by Arthur P. Bedrosian's wife and daughter. Mr. Bedrosian disclaims beneficial ownership of these shares. Includes 20,214 unvested shares received pursuant to a restricted stock awards granted in April 2014, July 2014, and July 2015.

(3)Includes 16,667 vested options to purchase common stock at an exercise price of \$8.00 per share, 20,325 vested options to purchase common stock at an exercise price of \$6.89 per share, 75,000 vested options to purchase common stock at an exercise price of \$4.03 per share, 30,000 vested options to purchase common stock at an exercise price of \$2.80, 75,000 vested options to purchase common stock at an exercise price of \$6.94 per share, 89,500 vested options to purchase common stock at an exercise price of \$3.55, 64,000 vested options to purchase common stock at an exercise price of \$4.16, 60,000 vested options to purchase common stock at an exercise price of \$13.86, and 32,000 vested options to purchase common stock at an exercise price of \$34.77.

(4)Includes 3,470 unvested shares received pursuant to a restricted stock awards granted in July 2015.

(5)Includes 25,000 vested options to purchase common stock at an exercise price of \$46.34 per share.

(6)Includes 2,830 unvested shares received pursuant to a restricted stock awards granted in July 2015.

(7)Includes 6,757 vested options to purchase common stock at an exercise price of \$3.55, 35,000 vested options to purchase common stock at an exercise price of \$4.16, 23,333 vested options to purchase common stock at an exercise price of \$13.86, and 3,333 vested options to purchase common stock at an exercise price of \$34.77.

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(8)Includes 1,603,498 shares held by the Jeffrey Farber Family Foundation which is managed by Jeffrey Farber. Jeffrey Farber disclaims beneficial ownership of these shares. Includes 528,142 shares held by Farber Family LLC ( FLLC ) which is managed by Jeffrey and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of these shares. Includes 73,408 shares held by Jeffrey Farber as custodian for his children, 17,279 shares held as joint custodian with David Farber for a relative, and also includes 38,000 shares held by Farber Investment Company ( FIC ). Jeffrey Farber and David Farber each beneficially own 25% of FIC and each disclaim beneficial ownership of all but 9,500 shares held by FIC.

(9)Includes 20,000 vested options to purchase common stock at an exercise price of \$4.55, and 5,000 vested options to purchase common stock at an exercise price of \$6.89.

(10)Includes 1,593,499 shares held by the David and Nancy Family Foundation. David Farber disclaims beneficial ownership of these shares. Includes 528,142 shares held by FLLC which is managed by Jeffrey and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of these shares. Includes 265,535 shares held by David Farber as custodian for his children and 17,279 shares held as joint custodian with Jeffrey Farber for a relative. Also includes 38,000 shares held by FIC. Jeffrey Farber and David Farber each beneficially own 25% of FIC and each disclaim beneficial ownership of all but 9,500 shares held by FIC.

(11)Jeffrey and Jennifer Farber Family Foundation is managed by Jeffrey Farber.

(12)David and Nancy Farber Family Foundation is managed by David and Nancy Farber.

(13)Farber Family LLC is managed by Jeffrey Farber and David Farber.

(14)Farber Investment LLC is beneficially owned 25% each by Jeffrey and David Farber and 50% by Larry Farber.

(15)Includes 10,707 unvested shares received pursuant to a restricted stock awards granted in April 2014, July 2014 and July 2015.

(16)Includes 40,000 vested options to purchase common stock at an exercise price of \$4.73 per share, 32,000 vested options to purchase common stock at an exercise price of \$4.16 per share, 33,333 vested options to purchase common stock at an exercise price of \$13.86, and 10,000 vested options to purchase common stock at an exercise price of \$34.77.

(17)Includes 11,550 unvested shares received pursuant to restricted stock awards granted in April 2014, July 2014 and July 2015.

(18)Includes 11,667 vested options to purchase common stock at an exercise price of \$4.16, 15,000 vested options to purchase common stock at an exercise price of \$13.86 and 8,666 vested options to purchase common stock at an exercise price of \$34.77.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors, officers, and persons who own more than 10% of a registered class of the Company's equity securities to file with the SEC reports of ownership and changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater-than-10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on review of the copies of such reports furnished to the Company or written representations that no other reports were required, the Company believes that during Fiscal 2015 all filing requirements applicable to its officers, directors and greater-than-10% beneficial owners under Section 16(a) of the Exchange Act were complied with in a timely manner, except for a Form 4 for Paul Taveira related to a grant of restricted stock on July 23, 2014; a Form 4 for Paul Taveira related to a purchase of shares on December 17, 2014; a Form 4 for David Farber related to a sale of shares on January 26, 2015; and a Form 3 for John Abt on March 30, 2015.



Table of Contents**DIRECTORS AND OFFICERS**

The directors and executive officers of the Company are set forth below:

	<b>Age</b>	<b>Position</b>
<b><u>Directors:</u></b>		
Jeffrey Farber	55	Chairman of the Board
Arthur P. Bedrosian	69	Director
David Drabik	47	Director
Paul Taveira	56	Director
James M. Maher	63	Director
Albert Paonessa, III	55	Director
<b><u>Officers:</u></b>		
Arthur P. Bedrosian	69	Chief Executive Officer
Michael Bogda	54	President
Martin P. Galvan	63	Vice President of Finance, Chief Financial Officer and Treasurer
Kevin R. Smith	55	Senior Vice President of Sales and Marketing
John M. Abt	50	Vice President of Quality
Dr. Mahendra Dedhiya	66	Vice President of Scientific Affairs
Robert Ehlinger	58	Vice President of Logistics and Chief Information Officer

**Jeffrey Farber** - See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Farber.

**Arthur P. Bedrosian** See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Bedrosian

**David Drabik** See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Drabik.

**Paul Taveira** See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Taveira.

**James M. Maher** See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Maher.

**Albert Paonessa, III** See Proposal No. 1 - Election of Directors for matters pertaining to Mr. Paonessa.

**Michael Bogda** joined the Company as President, in December 2014. Prior to joining the Company, Mr. Bogda served as Teva Pharmaceuticals Executive Vice President Americas Technical Operations from 2011 to 2014 and Executive Vice President US Technical Operations from 2009 to 2011, overseeing production, sourcing and supply chain, among other responsibilities. Before that, he held a number of positions of increasing responsibility for Barr Pharmaceuticals from 2000 to 2008, rising to President and Chief Operating Officer. Prior to his tenure at Barr Pharmaceuticals, Mr. Bogda served as Vice President Operations for Copley Pharmaceuticals. He earned a Master of Business Administration Degree from the Wharton School of the University of Pennsylvania, and a Master of Science degree in Chemical Engineering and a Bachelor of Science degree in Chemical Engineering from Rutgers University.

**Martin P. Galvan, CPA** was appointed as the Company's Vice President of Finance, Chief Financial Officer and Treasurer in August 2011. Most recently, he was Chief Financial Officer of CardioNet, Inc., a medical technology and service company. From 2001 to 2007, Mr. Galvan was employed by Viasys Healthcare Inc., a healthcare technology company that was acquired by Cardinal Health, Inc. in June 2007. Prior to the acquisition, he served as Executive Vice President, Chief Financial Officer and Director

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Investor Relations. From 1999 to 2001, Mr. Galvan served as Chief Financial Officer of Rodel, Inc., a precision surface technologies company in the semiconductor industry. From 1979 to 1998, Mr. Galvan held several positions with Rhone-Poulenc Rorer Inc., a pharmaceutical company, including Vice President, Finance – The Americas; President & General Manager, RPR Mexico & Central America; Vice President, Finance, Europe/Asia Pacific; and Chief Financial Officer, United Kingdom & Ireland. Mr. Galvan began his career with the international accounting firm Ernst & Young LLP. He earned a Bachelor of Arts degree in economics from Rutgers University and is a member of the American Institute of Certified Public Accountants.

**Kevin R. Smith** joined the Company in January 2002 as Vice President of Sales and Marketing. Prior to this, from 2000 to 2001, he served as Director of National Accounts for Bi-Coastal Pharmaceutical, Inc., a pharmaceutical sales representation company. Prior to this, from 1999 to 2000, he served as National Accounts Manager for Mova Laboratories Inc., a pharmaceutical manufacturer. Prior to this, from 1991 to 1999, Mr. Smith served as National Sales Manager at Sidmak Laboratories, a pharmaceutical manufacturer. Mr. Smith has extensive experience in the generic sales market, and brings to the Company a vast network of customers, including retail chain pharmacies, wholesale distributors, mail-order wholesalers and generic distributors. Mr. Smith has a Bachelor of Science Degree in Business Administration from Gettysburg College.

**John M. Abt** joined the Company in March 2015 as Vice President of Quality. Prior to joining the Company, Mr. Abt held senior level positions in both quality and operations and has extensive knowledge in pharmaceutical manufacturing, quality, strategy, business improvement and site transformation. He most recently served as Teva Pharmaceuticals – Vice President Global Quality Strategy, overseeing the development and implementation of strategy and associated initiatives for the global quality organization. Before that, he held a number of leadership positions of increasing responsibility in operations, continuous improvement, quality systems and compliance. He earned his Masters of Administrative Science in Business Management from John Hopkins University and a Bachelor of Science in Biochemistry from Niagara University.

**Dr. Mahendra Dedhiya** joined the Company as Vice President of Scientific Affairs in June 2015. Prior to joining the Company, Dr. Dedhiya served as Silarx Pharmaceuticals – Executive Vice President of Scientific Affairs from 2014 to 2015, overseeing research and development and regulatory affairs among other responsibilities. Before that, he held a number of positions of increasing responsibility for Forest Pharmaceuticals from 2001 to 2014, rising to Executive Director. Prior to his tenure at Forest Pharmaceuticals, Dr. Dedhiya served as Director of Product Development at Roxane Laboratories and held a number of positions at other Pharmaceutical Companies. He earned a Doctor of Philosophy degree from the University of Michigan in Pharmaceutics, a Master of Science degree in Medicinal Chemistry from the University of Rhode Island, a Bachelor of Science from University of Poona and MBA from University of Bridgeport.

**Robert Ehlinger** joined the Company in July 2006 as Chief Information Officer. In June 2011, Mr. Ehlinger was promoted to Vice President of Logistics and Chief Information Officer. Prior to joining Lannett, Mr. Ehlinger was the Vice President of Information Technology at MedQuist, Inc., a healthcare services provider, where his career spanned 10 years in progressive operational and technology roles. Prior to MedQuist, Mr. Ehlinger was with Kennedy Health Systems as their Corporate Director of Information Technology supporting acute care and ambulatory care health

information systems and biomedical support services. Earlier on, Mr. Ehlinger was with Dowty Communications where he held various technical and operational support roles prior to assuming the role of International Distribution Sales Executive managing the Latin America sales distribution channels. Mr. Ehlinger received a Bachelor's of Arts degree in Physics from Gettysburg College in Gettysburg, PA.

To the best of the Company's knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any director, executive officer, or significant employee during the past five years.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This Compensation Discussion and Analysis ( CD&A ) describes our 2015 Executive Compensation Program. It provides an overview of the compensation for the following NEOs and how the Compensation Committee of the Board of Directors (the Committee ) made its decisions for our 2015 fiscal year (July 1, 2014 June 30, 2015).

<b>NEO</b>	<b>Title/Role</b>
Arthur P. Bedrosian	Chief Executive Officer (CEO)
Michael Bogda	President
Martin P. Galvan	Vice President of Finance, Chief Financial Officer and Treasurer
William Schreck	Chief Operating Officer*
Kevin Smith	Senior Vice President of Sales and Marketing

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\* On September 11, 2015, Mr. Schreck retired from the Company.

*Where We Are Today*

At our annual shareholders meeting in January 2012, our shareholders supported a triennial cycle for say-on-pay advisory votes relating to our Executive Compensation Program for NEOs. At that time, and again in January 2015, we provided our shareholders with the opportunity to approve, or to vote against, the compensation of our NEOs, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act ( Dodd-Frank Act ). At our January 2015 meeting, approximately 96% of the shareholders who voted on the say-on-pay proposal supported our program.

Although this vote is non-binding, its outcome, along with shareholder feedback and the competitive business environment, plays an important role in how the Committee makes decisions about the program s structure. To this end, during the past few years, the Committee conducted periodic reviews of the Executive Compensation Program, monitored industry practices and sought feedback from some of our largest investors. During the same time, the Company experienced outstanding financial performance and significant increases in stock price and total shareholder return.

The following pages of this CD&A highlight performance results since Fiscal 2012 that have had a direct impact on the compensation paid to our NEOs over the same period of time. It looks specifically at the performance measures used in the short-term and long-term incentive awards under the Executive Compensation Program that the Committee believes drive shareholder value. It also describes recently approved changes for Fiscal 2016 to further align our Executive Compensation Program with our objectives and best competitive practice.

*A Word About Risk*

The Committee believes that incentive plans, along with the other elements of the Executive Compensation Program, provide appropriate rewards to our NEOs to keep them focused on our goals. The Committee also believes that the program's structure, along with its oversight, continues to provide a setting that does not encourage the NEOs to take excessive risks in their business decisions.

**Executive Summary**

*Business Highlights*

Fiscal 2015 marked another extraordinary year for Lannett. Compared with Fiscal 2014 results, when we experienced the strongest growth in profitability in the Company's history, we increased net sales by 49%, operating income by 157%, and diluted earnings per share (EPS) by 149%. Additionally, our stock price increased by approximately 20% during the 12-month period ending June 30, 2015 and by 1,302% over the past three years. We also further strengthened our balance sheet to help fund future growth opportunities. Our results demonstrate our leadership team's commitment to stability, growth and focus on long-term profitability and creating shareholder value.

In addition to our financial results, we continued to make important advances in product development and mix, market share, and in our regulatory approval process, allowing us to efficiently and safely place our products that span a variety of categories (e.g., thyroid deficiencies, cardiovascular, pain management) on the market. Following the recent acquisition of Silarx, we currently have 83 products available to the market, with an additional 29 Abbreviated New Drug Applications (ANDAs) pending regulatory approval. We also have 47 product candidates in development, and continue to capitalize on our strategic partnerships.

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Key financial performance highlights include:

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*Peer Group average excludes former peers Astex Pharmaceuticals, Cornerstone Therapeutics, Hi-Tech Pharmacal Co., and Santurus, Inc., which were acquired prior to 6/30/2015, and includes Aceto Corporation and Impax Laboratories, Inc., which the Committee approved as additions to the peer group in Fiscal 2015.*

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*2015 Executive Compensation Program Changes*

As our Company grows, the Committee is committed to the evolution and improvement of our Executive Compensation Program to ensure alignment with our business strategy and shareholder interests, as well as best competitive practices. The Committee made the following adjustments to the program's core compensation elements for Fiscal 2015:

<b>What's Changed</b>	<b>How It's Changed</b>	<b>Explanation</b>
Short-Term Incentives (Annual Bonus)	<ul style="list-style-type: none"> <li>• Added adjusted EPS as a corporate financial performance metric, in addition to adjusted operating income and net sales.</li> <li>• Increased weighting on corporate financial metrics from 75% to 90% (95% for the CEO) of total award opportunity.</li> <li>• Reduced weighting on individual performance from 25% to 10% (5% for the CEO).</li> </ul>	<p>The Committee believes the selected performance metrics and weightings reinforce key business objectives and strategic priorities for Fiscal 2015, and further strengthen the alignment between pay and Company performance and long-term shareholder value creation. The Committee also believes these changes further encourage a focus on profitable growth and Company-wide collaboration.</p>
Long-Term Incentives	<ul style="list-style-type: none"> <li>• Established target award opportunities equal to 100% of salary for all NEOs, with grants for Fiscal 2015 performance to be provided through an equal value mix of stock options and restricted stock.</li> <li>• Grant levels will be tied to Company performance, and can range from 0% to 150% of target awards based on actual results versus pre-established goals.</li> <li>• Grants under this revised program occurred in July 2015, following the determination of actual performance results for Fiscal 2015.</li> </ul>	<p>The Committee chose to link equity grant levels to Company performance to strengthen alignment with shareholder interests. The balanced emphasis on stock options and restricted stock focuses executives on long-term shareholder value creation while also reinforcing the Company's leadership retention strategy.</p>
Stock Ownership Guidelines	<ul style="list-style-type: none"> <li>• Adopted mandatory stock ownership guidelines ranging from 1.5X to 3X salary for executive officers, including NEOs, and 3X the annual Board retainer for non-employee directors.</li> <li>• Executives and non-employee directors have 5 years to achieve guidelines and must hold 50% of all net after-tax shares</li> </ul>	<p>The Committee chose to establish stock ownership guidelines and holding requirements to further align executive officer and non-employee director interests with those of shareholders.</p>



from equity grants until ownership requirements are met (or 100% if guidelines still have not been achieved after 5 years).

*Special Recognition Award: Restricted Stock*

Granting restricted stock gives our NEOs a meaningful equity stake in our business. The actual value of the award depends on our stock price when the shares vest, further aligning the interests of our NEOs with those of our shareholders over the long term. It also supports our need to retain key talent. For Fiscal 2014, in addition to the regular stock options and restricted stock granted to the NEOs, the Committee approved a one-time, special restricted stock award in recognition of performance that far exceeded the Committee's expectations. This special recognition award vests three years from the date of grant and has two parts. The first part of the award, equal to 25% of the total award, was granted in April 2014 to recognize year-to-date contributions. The remaining 75% was granted in July 2014 and is included in the Summary Compensation Table and Grants of Plan-Based Awards Table for Fiscal 2015. Please see page 21 for details.

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**Overview of the Executive Compensation Program**

*Our Philosophy*

A fundamental objective of our Executive Compensation Program is to focus our executives on creating long-term shareholder value. All aspects of our program are rooted in this goal and designed around the following guiding principles:

- **Pay for performance:** A significant portion of compensation should be variable and directly linked to corporate and individual performance goals and results.
- **Competitiveness:** Compensation should be sufficiently competitive to attract, motivate and retain an executive team fully capable of driving exceptional performance.
- **Alignment:** The interests of executives should be aligned with those of our shareholders through equity-based compensation and performance measures that help to drive shareholder value over the long term.

To support these guiding principles, our program includes the following compensation elements:

<b>Pay Element</b>	<b>Form</b>	<b>Purpose</b>
Base Salary	Cash (Fixed)	Provides a competitive level of compensation that reflects position responsibilities, strategic importance of the position and individual experience.
Short-Term Incentives (Annual Bonus)	Cash (Variable)	Provides a cash-based award that recognizes the achievement of corporate goals in support of the annual business plan, as well as specific, qualitative and quantitative individual goals for the most recently completed fiscal year.
Long-Term Incentives	Equity (Variable)	Provides incentives for management to execute on financial and strategic growth goals that drive long-term shareholder value creation and support the Company's retention strategy.

*Target Compensation Mix*

The charts below show that most of our NEO's target compensation for fiscal year 2015 is variable (63% for our CEO and an average of 61% for our other NEOs). Variable pay includes the target value of short-term cash incentives (STI), stock options, and restricted stock. The target pay mix excludes one-time equity grants (e.g., special recognition and new hire grants) to NEOs in fiscal year 2015.

Based upon fiscal year 2015 compensation as reported in the Summary Compensation Table on page 25, variable pay represents 84% of total pay for our CEO and 81% of average total pay for our other NEOs. This mix reflects our continued strong performance in Fiscal 2015 and includes the special recognition grant and a new hire grant for our President.

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*How Compensation Decisions Are Made*

- **The Role of the Compensation Committee.** The Committee, composed entirely of independent directors, is responsible for making executive compensation decisions for the NEOs. The Committee works closely with its independent compensation consultant, Pearl Meyer & Partners (PM&P) and management to examine pay and performance matters throughout the year. The Committee's charter, which sets out its objectives and responsibilities, can be found at our website at [www.lannett.com](http://www.lannett.com) under Investor Relations.

The Committee has authority and responsibility to establish and periodically review our Executive Compensation Program and compensation philosophy. Importantly, the Committee also has the sole responsibility for approving the corporate performance goals upon which compensation for the CEO is based, evaluating the CEO's performance and determining and approving the CEO's compensation, including equity-based compensation, based on the achievement of his goals. The Committee also reviews and approves compensation levels for other NEOs, taking into consideration recommendations from the CEO.

In making its determinations, the Committee considers market data and advice from PM&P, as well as budgets, reports, performance assessments and other information provided by management. It also considers other factors, such as the experience, skill sets, and contributions of each NEO towards our overall success. However, the Committee is ultimately responsible for all compensation-related decisions for the NEOs and may exercise its own business judgment when evaluating performance results and making compensation decisions.

*Timing of Committee Meetings and Grants; Option and Share Pricing*

The Committee meets as necessary to fulfill its responsibilities, and the timing of these meetings is established during the year. The Committee holds special meetings from time to time as its workload requires. Annual equity grants typically occur after the completion of fiscal year end performance results. Historically, annual grants of equity awards have typically been approved at a meeting of the Committee in August/September of each year to reward prior fiscal year performance. Going forward, equity grants will occur in the July/August time frame, reflecting the Company's status change to a large accelerated filer (with an expedited filing date requirement) as a result of our strong growth and significant increase in equity market capitalization. The Committee approved additional grants relating to Fiscal 2014 results, provided in two installments in April 2014 and July 2014, to recognize our exceptional performance. Individual grants (for example, associated with the timing of a new NEO or promotion to an NEO position) may occur at any time of year. The exercise price of each stock option and fair value of restricted stock awarded to our NEOs is the closing price of our common stock on the date of grant.

- **The Role of the CEO.** The CEO does not play any role in the Committee's determination of his own compensation. However, he presents the Committee with recommendations for each element of compensation including base salaries and short- and long-term incentive awards for the other NEOs, as well as for non-executive employees who are eligible for equity grants. The CEO bases these recommendations upon his assessment of each individual's performance, as well as market practice. The Committee has full discretion to modify the recommendations of the CEO in the course of its approvals.

- **The Role of the Independent Consultant.** The Committee consults, as needed, with an outside compensation consulting firm. As it makes decisions about executive compensation, the Committee reviews data and advice from its consultant about current

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compensation practices and trends among publicly-traded companies in general and comparable generic pharmaceutical companies in particular. The Committee also reviews recommendations from its outside consultant and makes recommendations to the Board about the compensation for non-employee directors.

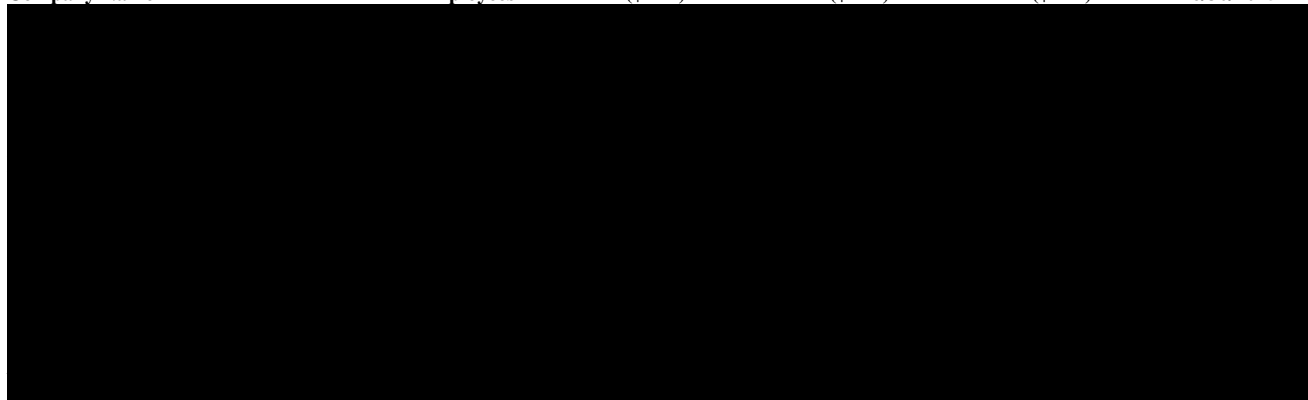
In late Fiscal 2013, PM&P was retained by the Committee, as its independent consultant, to review the competitiveness of the Executive Compensation Program. PM&P provided the Committee with compensation data with respect to similarly sized biopharmaceutical and life sciences companies and consulted with the Committee about a variety of issues related to competitive compensation practices and incentive plan designs. PM&P was also retained by the Committee in Fiscal 2014 and Fiscal 2015 to provide ongoing advice relating to the Executive Compensation Program and our compensation program for non-employee directors. The Committee assessed the independence of PM&P pursuant to the SEC rules and concluded that no conflict of interest exists that would prevent PM&P from independently advising the Committee.

*Peer Group & Benchmarking*

The Committee evaluates industry-specific and general market compensation practices and trends to ensure the Executive Compensation Program is appropriately competitive. When making decisions about the program for Fiscal 2015, the Committee considered publicly-available data, as well as a market study conducted by PM&P in June 2013. Using this information, the Committee compared our compensation program to the compensation practices of other companies which the Committee believes are comparable to us in terms of size, scope and business complexity (the peer group). A number of peer companies included in the 2013 study were subsequently acquired and as a result were removed from the peer group.

Given Lannett's significant growth over the past several years as well as ongoing industry consolidation, the Committee approved the addition of Aceto Corporation and Impax Laboratories, Inc. to the peer group in fiscal year 2015. These additional companies compete with us for business and executive talent, and were added to the peer group to round out the sample size. As shown below, Lannett continues to rank in the upper half of the peer group in terms of revenues, profitability, and equity market capitalization.

Company Name	Fiscal Year End # of Employees	Equity Market Cap. 6/30/2015 (\$mm)	Fiscal Year End Operating Income (\$mm)	Fiscal Year End Sales (\$mm)	Cumulative 3 YR TSR 6/30/2015
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**2015 Executive Compensation Program Decisions**

*Base Salary*

We attribute much of our success to our highly-experienced executive management team, and the strength of their leadership has been clearly demonstrated by our exceptional performance results. In order to remain competitive among our industry peers, the Committee believes it must set compensation at market-competitive levels that reflect the executive's experience, role and responsibilities. In Fiscal 2014, the Committee approved increases to bring NEO base salaries to the 50th percentile of comparable organizations, as reported in PM&P's June 2013 market pay analysis. In Fiscal 2015, the Committee approved 3.0% salary increases for each NEO (other than Mr. Bogda):

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NEO		2014 Annual Base Salary		2015 Annual Base Salary	% Change
Arthur P. Bedrosian	\$	539,000	\$	555,170	3%
Michael Bogda		N/A	\$	480,000	N/A*
Martin P. Galvan	\$	317,000	\$	326,510	3%
William Schreck	\$	346,000	\$	356,380	3%
Kevin Smith	\$	278,000	\$	286,340	3%

\*Mr. Bogda was hired in fiscal year 2015.

*Short-Term Incentives (Annual Bonus)*

The Company's NEOs participate in an annual bonus program, which is designed to recognize yearly performance achievements focused primarily on operating results and profitable growth. Actual payouts can range from 0% (below threshold) to 200% (superior performance) of target and are paid in cash. The Committee sets each NEO's threshold, target and maximum bonus opportunity as a percentage of base salary, as follows:

Title	Annual Bonus Opportunity As a % of Salary		
	Threshold (25% of Target)	Target (100% of Target)	Superior (200% of Target)
CEO	18.75%	75%	150%
Other NEOs	15%	60%	120%

Expressed as percentages of salary, Fiscal 2015 award opportunities for NEOs (other than Mr. Bogda, who was hired in Fiscal 2015) were the same as those established in Fiscal 2014.

The overall annual bonus plan for Fiscal 2015 is comprised of two components:

- **Corporate Financial & Operational Goals: 90% (95% for the CEO) of the total target award opportunity** is tied to operating results versus budget to promote a focus on Company-wide profitable growth and collaboration:

Performance Metric	Weighting (Out of 100%)	
	CEO	Other NEOs
Adjusted operating income	50%	50%
Adjusted earnings per share (EPS)	25%	20%
Revenue (Net sales)	20%	20%
Individual Objectives	5%	10%



For Fiscal 2015, the Committee added adjusted EPS as a corporate performance metric. The Committee also increased the emphasis on financial and operational goals (which were collectively weighted at 75% of the target award opportunity in Fiscal 2014) to further align short-term incentives with overall corporate performance. Adjusted operating income is defined as operating income excluding bonus and stock-based compensation expense, as further adjusted for certain non-recurring items. Adjusted EPS is defined as diluted EPS excluding bonus and stock-based compensation expense, as further adjusted for certain non-recurring items. Any adjustments are reviewed and approved by the Committee.

- **Individual Objectives: 10% (5% for the CEO) of the total target award opportunity** is based on the achievement of pre-established quantitative and qualitative individual goals, to promote individual accountability and line of sight. Fiscal 2015 goals were tied to various strategic, financial and operational objectives, taking into consideration each NEO's job function and responsibilities. For competitive harm reasons, Lannett does not disclose specific details on individual goals and strategic objectives, although major accomplishments in Fiscal 2015 for each NEO are listed on page 20.

Table of Contents*2015 Short-Term Incentives (Annual Bonus): Results and Payouts*

- **Corporate Financial & Operational Results (Collectively Weighted 90% to 95% of Target Award).** For Fiscal 2015, the Committee established financial performance goals ranging from 80% of budget (threshold) to 120% of budget (superior):

Performance Metric	Weighting (Out of 100%)	Threshold	Performance Goals		Actual
			Target	Superior	
Adjusted operating income (\$ millions)	50%	\$ 150.3	\$ 187.9	\$ 225.4	\$ 245.2
Adjusted earnings per share (EPS)	20% (25% for CEO)	\$ 2.52	\$ 3.15	\$ 3.78	\$ 4.37
Revenue (Net sales) (\$ millions)	20%	\$ 288.2	\$ 360.2	\$ 432.3	\$ 406.8

Actual Fiscal 2015 results exceeded Superior performance levels for adjusted operating income and adjusted EPS, and were between Target and Superior levels for net sales. Actual adjusted operating income and adjusted EPS for Fiscal 2015 excluded certain acquisition-related expenses totaling \$4.5 million.

- **Individual Results (Collectively Weighted 5% of Target Award for the CEO and 10% for other NEOs).**

NEO	Performance Highlights
Arthur P. Bedrosian	<ul style="list-style-type: none"> <li>• Achieved actual versus planned operating income, earnings per share and net sales</li> <li>• Continued work on the CEO succession plan with Human Resources</li> </ul>
Michael Bogda	<ul style="list-style-type: none"> <li>• Led and managed C-Suite leadership/succession planning with Human Resources</li> <li>• Enhanced current organization to support both planned and M&amp;A growth</li> <li>• Assessed R&amp;D efforts and strengthened Product Selection process</li> <li>• Performed assessment of Quality Culture, EHS and developed actionable plan to remediate gaps if uncovered</li> </ul>
Martin P. Galvan	<ul style="list-style-type: none"> <li>• Finalized expansion of dosage and API plants</li> <li>• Delivered accurate financial reports on a required monthly, quarterly and annual basis as an accelerated filer with the SEC</li> <li>• Enhanced financial performance through the management of receivables, automating bill-backs, charge-backs and rebate processes</li> <li>• Contributed to the achievement of Company annual operating plan targets</li> </ul>

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- William Schreck
  - Assembled and mentored an executive M&A team
  - Completed operational manufacturing suite at our Townsend Road facility
  - Identified and completed due diligence related to the purchase of a new facility for future expansion
- Kevin Smith
  - Contributed to the achievement of Company annual operating plan targets
  - Exceeded Company sales and operating income goals
  - Increased market share on existing products
  - Managed C-Topical brand sales initiative

**Total Annual Bonus**

Based on our exceptional performance results and significant individual contributions, the NEOs earned awards between target and maximum levels on the corporate operational component and maximum amounts for the individual component under the annual bonus program. Overall awards for NEOs were equal to approximately 193% of target amounts. Total awards for each of the NEOs were as follows:

NEO	Operational Results Portion of the Bonus (90% to 95%)	Individual Results Portion of the Bonus (5% to 10%)	Total Actual Bonus
Arthur P. Bedrosian	\$ 760,938	\$ 41,638	\$ 802,576
Michael Bogda	\$ 290,223	\$ 33,600	\$ 323,823
Martin P. Galvan	\$ 338,432	\$ 39,181	\$ 377,613
William Schreck	\$ 369,392	\$ 42,766	\$ 412,158
Kevin Smith	\$ 296,795	\$ 34,361	\$ 331,156

Short-term incentive awards earned in Fiscal 2015 were generally comparable with Fiscal 2014 levels, reflecting our extraordinary performance results in both years and no change in award opportunities for NEOs. These awards were capped at 200% of target levels. Mr. Bogda's payout was pro-rated, based on his December 1, 2014 hire date.

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*Long-Term Incentives*

Prior to Fiscal 2014, stock options were used as the primary long-term incentive award vehicle for NEOs, with grants provided on a periodic, discretionary basis. In 2014, the Committee granted a combination of stock options and restricted stock, to further align executive and shareholder interests, enhance key employee retention, encourage long-term shareholder value creation and recognize each NEO's contributions towards our extraordinary performance results. The Committee continued this approach for grants made in fiscal year 2015, which included a combination of stock options and restricted stock.

- **Stock options.** To recognize Fiscal 2014 performance