

LANNETT CO INC
Form PRE 14A
December 06, 2013
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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
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Check the appropriate box:

- Preliminary Proxy Statement
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 Definitive Proxy Statement
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LANNETT COMPANY, INC.
(Name of Registrant as Specified in Its Charter)

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

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4) Date Filed:

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Lannett Company, Inc.

13200 Townsend Road

Philadelphia, PA 19154

215-333-9000

www.Lannett.com

December , 2013

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 , 2014 at 9:00am EST, at 13200 Townsend Road, Philadelphia, PA 19154.

The purpose of the meeting is to elect five members of our Board of Directors, vote to ratify the selection of Grant Thornton, LLP as our independent auditors, approve the 2014 Long-Term Incentive Plan, amend the Certificate of Incorporation, as amended, to increase the shares of common stock authorized to be issued from 50 million to 100 million, and 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 , 2013
Philadelphia, Pennsylvania

/s/ Arthur P. Bedrosian
Arthur P. Bedrosian
President and Chief Executive Officer

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LANNETT COMPANY, INC.

9000 STATE ROAD

PHILADELPHIA, PA 19136

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD JANUARY , 2014

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 , 2014 at 9:00 a.m., local time, at the Company s facility located at **13200 Townsend Road, Philadelphia, PA 19154**, for the following purposes:

1. To elect five (5) 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, 2014;
3. To approve the 2014 Long-Term Incentive Plan;
4. To amend the Certificate of Incorporation, as amended, to increase the shares of common stock authorized to be issued from 50 million to 100 million; and
5. 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 11, 2013 are entitled to notice and to vote at the 2014 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 , 2013
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 , 2014

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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 _____, 2014 at 9:00 a.m., local time, at the Company's facility located at 13200 Townsend Road, Philadelphia, PA 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 on or about December _____, 2013 to all Stockholders of the Company entitled to vote at the Annual Meeting.

VOTING METHODS

You may vote on matters to come before the meeting in two ways:

- You may come to the Annual Meeting and cast your vote in person;
- 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, PA 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 11, 2013. As of the record date, there were _____ shares of Lannett common stock outstanding. Stockholders are not entitled to cumulative voting in the election of directors.

QUORUM

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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PROPOSAL NO. 1 ELECTION OF DIRECTORS

NOMINEES

The Company's Bylaws provide that the number of directors of the Company may be determined by the Stockholders, or in the absence of such determination, by the Board. Currently, there are six members of the Board. The Board nominates the five persons named below whom are currently serving on the Board, for election to the Board. As of the date of this Proxy Statement, the Board of Directors is not aware that any nominee is unable to serve or will decline to serve as a director. The five nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of the Company until the next Annual Meeting or until their earlier resignation or removal.

The following list identifies the nominees for election to the Board and sets forth certain information regarding each nominee. All nominees are currently serving as directors of the Company. A majority of the directors on the Board are independent, as defined by the rules of the New York Stock Exchange (NYSE). Those directors are referred to as independent below.

Jeffrey Farber, 53, was elected a director of the Company in May 2006 and was appointed Chairman of the Board of Directors in July 2012. Jeffrey Farber joined the Company in August 2003 as Secretary. Since 1994, Mr. Farber has been President and the owner of Auburn Pharmaceutical (Auburn), a national generic pharmaceutical distributor. Prior to starting Auburn, Mr. Farber served in various positions at Major Pharmaceutical (Major), where he was employed for over 15 years. At Major, Mr. Farber was involved in sales, purchasing and eventually served as President of the mid-west division. Mr. Farber also spent time working at Major's manufacturing division Vitarine Pharmaceuticals where he served on its Board of Directors. Mr. Farber graduated from Western Michigan University with a Bachelors of Science Degree in Business Administration and participated in the Pharmacy Management Graduate Program at Long Island University. Mr. Farber is the son of William Farber, the Chairman Emeritus of the Board of Directors of the Company.

The Governance and Nominating Committee concluded that Mr. Farber is qualified and should continue to serve, due, in part, to his significant experience in the generic drug industry and his ongoing role as the owner of a highly regarded and successful generic drug distributor. His skills include a thorough knowledge of the generic drug marketplace and drug supply chain management.

Arthur P. Bedrosian, J.D., 68, was promoted to President of the Company in May 2002 and CEO in January of 2006. Previously, he served as the Company's Vice President of Business Development from January 2002 to April 2002. Mr. Bedrosian was elected as a director in February 2000 and served to January 2002. Mr. Bedrosian was re-elected a director in January 2006. Mr. Bedrosian has operated generic drug manufacturing, sales, and marketing businesses in the healthcare industry for many years. Prior to joining the Company, from 1999 to 2001, Mr. Bedrosian served as President and Chief Executive Officer of Trinity Laboratories, Inc., a medical device and drug manufacturer. Mr. Bedrosian also operated Pharmaceutical Ventures Ltd, a healthcare consultancy, Pharmeral, Inc. a drug representation company selling generic drugs, and Interl Corporation, a computer consultancy to Fortune 100 companies. Mr. Bedrosian holds a Bachelor of Arts Degree in Political Science from Queens College of the City University of New York and a Juris Doctorate from Newport University in California.

The Governance and Nominating Committee concluded that Mr. Bedrosian is qualified to serve as a director, in part, because his experience as our President and Chief Executive Officer has been instrumental in the Company's growth and provides the board with a compelling

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understanding of our operations, challenges and opportunities. In addition, his background includes over 40 years in the generic pharmaceutical industry that encompasses a broad background and knowledge in the underlying scientific, sales, marketing and supply chain management which brings special expertise to the board in developing our business strategies. His recent qualification to FINRA's list of arbitrators recognizes his expertise and experience.

David Drabik, 45, was elected a director of the Company in January 2011. Mr. Drabik is a National Association of Corporate Directors Governance Fellow. Since 2002, Mr. Drabik has been President of Cranbrook & Co., LLC (Cranbrook), an advisory firm primarily serving the private equity and venture capital community. At Cranbrook, Mr. Drabik assists and advises its clientele on originating, structuring, and executing private equity and venture capital transactions. From 1995 to 2002, Mr. Drabik served in various roles and positions with UBS Capital Americas (and its predecessor UBS Capital LLC), a New York City based private equity and venture capital firm that managed \$1.5 billion of capital. From 1992 to 1995, Mr. Drabik was a banker with Union Bank of Switzerland's Corporate and Institutional Banking division in New York City. Mr. Drabik graduated from the University of Michigan with a Bachelors of Business Administration degree.

The Governance and Nominating Committee concluded that Mr. Drabik is well qualified and should be nominated to serve as a director due, in part to his understanding and involvement in investment banking. As a global investment banking professional with extensive experience advising senior management, his skills include business analytics, financing and a strong familiarity with SEC documentation. Mr. Drabik is an independent director.

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Paul Taveira, 54, was elected a director of the Company in May 2012. Mr. Taveira has been Chief Executive Officer of A&D Environmental Services Inc., an environmental and industrial services company, since 2009. He currently serves on their Board of Directors. From 2007 to 2009, Mr. Taveira was a Managing Partner of Precision Source LLC, a manufacturer of precision parts for various industries across the United States. From 1997 to 2007, Mr. Taveira held several positions at PSC Inc., a national provider of environmental services, including President, Vice President and Regional General Manager. From 1987 to 1997, Mr. Taveira held several management positions with Clean Harbors Inc., an international provider of environmental and energy services. Mr. Taveira graduated from Worcester State University with a Bachelor of Science degree in Biology.

The Governance and Nominating Committee concluded that Mr. Taveira is well qualified and should be nominated to serve as a director due, in part to his understanding and experience as a Chief Executive Officer and director of A&D Environmental Services Inc. Mr. Taveira is an independent director.

James M. Maher, 61, was appointed as a director of the Company in June 2013. He spent his entire professional career with PricewaterhouseCoopers, LLP (PwC). After nearly 40 years with PwC, 30 years as a partner, he retired in June 2012. Most recently, Maher served as the managing partner of PwC's U.S. assurance practice, comprised of more than 1,100 partners and 12,000 staff. Previously, he served as the regional assurance leader for the metro assurance practice. During his tenure at PwC, Maher worked closely with senior management at several multinational companies, dealing extensively with significant acquisitions, divestitures, initial public offerings and secondary offerings. Maher earned a bachelor's degree in Accounting from C.W. Post Campus of Long Island University (now LIU Post).

The Governance and Nominating Committee concluded that Mr. Maher is well qualified and should be nominated to serve as a director, due to his extensive experience at PricewaterhouseCoopers. Additionally, Mr. Maher has significant experience in dealing with acquisitions, divestitures, initial public offerings and secondary offerings. Mr. Maher is an independent director.

To the best of the Company's knowledge, there are no material proceedings to which any nominee is a party, or has a material interest adverse to the Company. 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 nominee during the past five years.

THE BOARD RECOMMENDS THAT LANNETT STOCKHOLDERS VOTE **FOR** THESE NOMINEES. UNLESS MARKED TO THE CONTRARY, PROXIES RECEIVED FROM STOCKHOLDERS WILL BE VOTED IN FAVOR OF THESE NOMINEES.

Table of Contents**PROPOSAL NO. 2 RATIFICATION OF GRANT THORNTON, LLP AS INDEPENDENT AUDITORS**

The Board and the Audit Committee has appointed Grant Thornton, LLP (Grant Thornton) as the Company s independent auditors for the fiscal year ending June 30, 2014. Under the corporate governance requirements of the Sarbanes-Oxley Act of 2002, and Section 10A (m)(2) of the Securities Exchange Act of 1934, as amended, which states The audit committee of each issuer, in its capacity as a committee of the board of directors, shall be directly responsible for the appointment, compensation, and oversight of the work of any registered public accounting firm employed by the issuer (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and each such registered public accounting firm shall report directly to the audit committee we are not required to have the stockholders ratify the selection of Grant Thornton as our independent auditors. We are doing so because we believe it is good corporate practice to do so. If the stockholders do not ratify the selection of Grant Thornton, the Board and the Audit Committee may reconsider whether or not to retain Grant Thornton. Additionally, even if the selection is ratified, the Board and the Audit Committee in their sole discretion may change independent auditors at any time throughout the fiscal year. Representatives from Grant Thornton are expected to be present at the Annual Meeting and will be available to respond to appropriate questions.

Grant Thornton, LLP served as the independent auditors of the Company during Fiscal 2013, 2012 and 2011. No relationship exists other than the usual relationship between independent public accountant and client. The following table identifies the fees incurred for services rendered by Grant Thornton, LLP in Fiscal 2013, 2012 and 2011.

(In thousands)	Audit Fees	Audit-Related	Tax Fees (1)	All Other Fees (2)	Total Fees
Fiscal 2013:	\$ 375	\$	\$ 103	\$ 14	\$ 492
Fiscal 2012:	\$ 338	\$	\$ 107	\$	\$ 445
Fiscal 2011:	\$ 324	\$	\$ 144	\$	\$ 468

(1) Tax fees include fees paid for preparation of annual federal, state and local income tax returns, quarterly estimated income tax payments, and various tax planning services.

(2) Other fees include fees paid for review of various correspondences, miscellaneous studies, etc.

The non-audit services provided to the Company by Grant Thornton, LLP were pre-approved by the Company s Audit Committee. Prior to engaging its auditor to perform non-audit services, the Company s Audit Committee reviews the particular service to be provided and the fee to be paid by the Company for such service and assesses the impact of the service on the auditor s independence.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

THE BOARD RECOMMENDS THAT LANNETT STOCKHOLDERS VOTE **FOR** THIS PROPOSAL. UNLESS MARKED TO THE CONTRARY, PROXIES RECEIVED FROM STOCKHOLDERS WILL BE VOTED IN FAVOR OF THIS PROPOSAL.

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PROPOSAL NO. 3 APPROVAL OF THE 2014 LONG-TERM INCENTIVE PLAN

In recognition of the changing regulatory and business environment facing the Company today, the Board has determined there is a need for a greater variety of performance based executive compensation incentive alternatives. Accordingly the Board recommends approval of the Lannett 2014 Long-Term Incentive (the Plan). See Exhibit I for a complete copy of the Plan.

The purpose of the Plan is to enable management of the Company, key employees, directors and independent consultants to (i) own shares of common stock in the Company, (ii) participate in the shareholder value which has been created, (iii) have a mutuality of interest with other shareholders and (iv) enable the Company to attract, retain and motivate key management level employees of particular merit.

The Compensation Committee will administer the Plan with respect to awards of options and restricted stock to the Chief Executive Officer. The Board will administer the Plan with respect to all other participants and will select officers, certain other key contributing employees, directors of the Company and certain independent consultants for participation. The Plan authorizes the plan administrator to grant both stock and/or cash-based awards through (i) incentive and non-qualified stock options and/or (ii) restricted stock, and/or long-term performance awards to participants. With respect to the stock options and stock grants, 3,000,000 shares will be set aside under the plan for stock option grants and/or restricted stock awards. At the time of an award grant, the Committee will determine the type of award to be made and the specific conditions upon which an award will be granted (i.e. term, vesting, performance criteria, etc.). The terms of the awards will be based on what the Committee determines is the most effective performance compensation approach to meet the Company's strategic needs.

Stockholder approval will permit the Compensation Committee and the Board to manage the Plan and to grant awards under the Plan. The above description is qualified in its entirety by reference to the Plan, a copy of which is attached as Exhibit I .

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE **FOR** THIS PROPOSAL TO APPROVE THE 2014 LONG-TERM INCENTIVE PLAN.

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PROPOSAL NO. 4 APPROVAL OF INCREASE IN SHARES AUTHORIZED TO BE ISSUED

The Board has unanimously adopted a resolution to amend our Certificate of Incorporation, as amended, to increase the number of shares of common stock, par value \$.001 per share, that we are authorized to issue from 50,000,000 to 100,000,000 shares and has directed that the proposed amendment be submitted to our stockholders for their approval and adoption. The amendment will replace Section 4 of our current Certificate of Incorporation, as amended, with the following language:

The corporation is authorized to issue capital stock to the extent of: One Hundred Million (100,000,000) Shares of Common Stock, \$.001 Par Value.

On November 30, 2013, the total shares of common stock issued and reserved for issuance pursuant to long-term and other incentive compensation plans totaled 35,283,264. The preceding amount includes 435,913 shares held in treasury. The aggregate amount of common stock issued and reserved for issuance consisted of the following amounts as of November 30, 2013:

- 35,283,264 shares of common stock issued.
- 1,434,189 shares of common stock reserved for issuance pursuant to the 2011 Long-Term Incentive Plan.
- 1,159,940 shares of common stock reserved for issuance pursuant to the 2006 Long-Term Incentive Plan.
- 463,002 shares of common stock reserved for issuance pursuant to the 2003 Long-Term Incentive Plan.
- 710,405 shares of common stock reserved for issuance pursuant to the 2003 Employee Stock Purchase Plan.

As of November 30, 2013, the Company has only 10,949,200 unreserved shares for issuance. The Board believes that this does not provide the Company with enough flexibility to finance Company initiatives such as raising capital, providing equity incentives to employees, directors and consultants, establishing strategic partnerships, asset purchases, or company acquisitions. Although there is currently no plan or commitment to issue additional shares of common stock, the Board believes that it is in the best interest of the Company and our stockholders to have a sufficient number of authorized but unissued shares of common stock available for issuance in the future for such purposes.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE **FOR** THIS PROPOSAL TO APPROVE THE INCREASE IN SHARES AUTHORIZED TO BE ISSUED.

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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 direction of the Company as a whole. The Board and various committees of the Board meet regularly to discuss operating and financial reports presented by members of the Company including but not limited to the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and other members of management.

Assessing and managing risk is the responsibility of management; however the Board 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 financial 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, Corporate Controller, and other finance employees. The code of ethics is publicly available on our website at 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, 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 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 four times during the fiscal year ended June 30, 2013 ("Fiscal 2013"). 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 2013. All directors were present at the 2013 Annual Meeting.

Board Leadership Structure

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, President and Chief Executive Officer. Four of the six directors currently serving on the Board of Directors are

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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 President 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.

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, PA 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.

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The Board has four standing committees - Audit Committee, Compensation Committee, Governance and Nominating Committee and Strategic Planning Committee. There were nine Audit Committee meetings, two Strategic Planning Committee meetings, ten Governance and Nominating Committee meetings, ten Compensation Committee meetings and two Independent Directors meeting held during Fiscal 2013. The following table shows the directors who are currently members of each Board Committee:

Name	Audit Committee	Compensation Committee	Governance and Nominating Committee	Strategic Planning Committee
Jeffrey Farber	-	-	-	Member
Arthur P. Bedrosian, J.D.	-	-	-	Chairman
Dr. Kenneth Sinclair	Chairman	Member	Member	-
David Drabik	Member	Member	Chairman	Member
Paul Taveira	Member	Chairman	Member	-
James M. Maher	Member	Member	-	-

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, 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. 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 Dr. Sinclair, current director of Lannett, 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 21. 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. 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 year 2013 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 to recommend such individuals for nomination. All candidates must possess an unquestionable commitment to high ethical standards and have a demonstrated reputation for integrity. Other facts considered 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 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.

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

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stockholder. To have a candidate considered by the Governance and Nominating Committee, as 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 named as a director if selected by the Governance and Nominating Committee and nominated by the Board.

The stockholder recommendation and information described above must be sent to the Company at 13200 Townsend Road, Philadelphia, PA 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. All members of the Governance and Nominating Committee are independent directors as defined by the rules of the NYSE.

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.

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 one of the independent directors on a rotating basis.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee is currently comprised of four independent directors (as defined in section 303(A) of the NYSE listing company manual) and operates under a written charter adopted by the Board of Directors in accordance with rules of the NYSE.

Management is responsible for the Company's internal controls and the financial reporting process, in compliance with Sarbanes-Oxley Section 404 requirements. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America, and to issue an opinion on the financial statements. The Audit Committee's responsibility is to monitor and oversee these processes.

Management represented to the Audit Committee that the Company's consolidated financial statements were prepared 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 auditors. Management has confirmed to the Audit Committee that such financial statements (i) have been prepared with integrity and objectivity and are the responsibility of management and (ii) have been prepared in conformity with generally accepted accounting principles.

The Audit Committee discussed with the independent auditor matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). SAS 61 requires the Company's Independent Auditors to provide the Committee with additional 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 with the Company's independent auditors, with and without management present, the evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

The Company's independent auditors also provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditors that firm's independence. Grant Thornton, LLP, Lannett's independent auditors, stated in the written disclosures that in its judgment it is, in fact, independent. The Audit Committee concurred in that judgment of independence.

Based upon the Audit Committee's discussion with management and the independent auditors and the Audit Committee's review of the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended, and the Board of Directors approved, that the audited consolidated financial statements be included in Lannett's Annual Report on Form 10-K for the fiscal year ended June 30, 2013 as filed with the Securities and Exchange Commission.

Audit Committee:

Kenneth Sinclair, Ph. D. (Chairman)

David Drabik
Paul Taveira
James M. Maher

Table of Contents**PRINCIPAL STOCKHOLDERS**

The following table sets forth, as of October 31, 2013, 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. Although grants of restricted stock under the Company's 2006 and 2011 Long Term Incentive Plans (LTIPs) vest over various periods subsequent to 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	Shares Held Directly	Excluding Options (*)		Percent of Class	Including Options (**)	
			Shares Held Indirectly	Total Shares		Number of Shares	Percent of Class
Arthur P. Bedrosian 13200 Townsend Road Philadelphia, PA 19154	President and Chief Executive Officer	627,152	37,150	664,302(1)	1.91%	1,010,301(1),(2)	2.88%
David Drabik 13200 Townsend Road Philadelphia, PA 19154	Director	31,875	0	31,875	0.09%	31,875	0.09%
Robert Ehlinger 13200 Townsend Road Philadelphia, PA 19154	VP of Logistics and Chief Information Officer	33,172	0	33,172(3)	0.10%	138,096(3),(4)	0.40%
William Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman Emeritus	3,335,626	0	3,335,626(5)	9.59%	3,360,626(5),(6)	9.66%
Jeffrey Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman of the Board, Director	404,345	4,706,829	5,111,174(7)	14.70%	5,148,674(7),(8)	14.79%
David Farber 6884 Brook Hollow Ct West Bloomfield, MI 48322		75,000	4,851,578	4,926,578(9)	14.17%	4,939,078(9),(10)	14.20%
Farber Properties 1775 John R Road Troy, MI 48083		4,050,000	0	4,050,000(11)	11.65%	4,050,000(11)	11.65%
Farber Family LLC 1775 John R Road Troy, MI 48083		528,142	0	528,142(12)	1.52%	528,142(12)	1.52%
Farber Investment LLC 1775 John R Road Troy, MI 48083		38,000	0	38,000(13)	0.11%	38,000(13)	0.11%
Martin Galvan 13200 Townsend Road Philadelphia, PA 19154	VP of Finance, Chief Financial Officer and Treasurer	26,500	0	26,500(14)	0.08%	63,832(14),(15)	0.18%
	Director	4,375	0	4,375	0.01%	4,375	0.01%

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James M. Maher
13200 Townsend Road
Philadelphia, PA 19154

Ernest J. Sabo 13200 Townsend Road Philadelphia, PA 19154	VP of Regulatory Affairs and Chief Compliance Officer	24,033	0	24,033(16)	0.07%	117,126(16),(17)	0.34%
William F. Schreck 13200 Townsend Road Philadelphia, PA 19154	Chief Operating Officer	47,021	0	47,021(18)	0.14%	290,019(18),(19)	0.83%
Kenneth Sinclair 13200 Townsend Road Philadelphia, PA 19154	Director	39,375	0	39,375	0.11%	39,375	0.11%
Kevin R. Smith 13200 Townsend Road Philadelphia, PA 19154	VP of Sales and Marketing	27,969	0	27,969(20)	0.08%	170,968(20),(21)	0.49%

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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
Paul Taveira 13200 Townsend Road Philadelphia, PA 19154	Director	12,875	0	12,875	0.04%	12,875	0.04%
All directors and executive officers as a group (11 persons)		1,278,692	4,743,979	6,022,671	17.32%	7,027,516	19.64%

(1) Includes 37,150 shares owned by Arthur P. Bedrosian's wife. Mr. Bedrosian disclaims beneficial ownership of these shares. Includes 45,903 shares of common stock held through employee stock purchase plan. Also includes 22,500 unvested shares received pursuant to a restricted stock award granted in October 2013.

(2) Includes 30,000 vested options to purchase common stock at an exercise price of \$16.04 per share, 25,000 vested options to purchase common stock at an exercise price of \$8.00 per share, 30,000 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, and 75,000 vested options to purchase common stock at an exercise price of \$6.94 per share, 59,666 vested options to purchase common stock at an exercise price of \$3.55, and 21,333 vested options to purchase common stock at an exercise price of \$4.16.

(3) Includes 7,000 unvested shares received pursuant to a restricted stock award grant in October 2013.

(4) Includes 10,425 vested options to purchase common stock at an exercise price of \$5.05 per share, 7,500 vested options to purchase common stock at an exercise price of \$6.89 per share, 15,000 vested options to purchase common stock at an exercise price of \$4.03 per share, 15,000 vested options to purchase common stock at an exercise price of \$6.94 per share, 12,000 vested options to purchase common stock at an exercise price of \$5.02, 33,333 vested options to purchase common stock at an exercise price of \$3.55, and 11,666 vested options to purchase common stock at an exercise price of \$4.16.

(5) Includes 402,565 shares jointly held by William Farber and William Farber's spouse, Audrey Farber, and 26,250 shares held in William Farber's IRA account.

(6) Includes 25,000 vested options to purchase common stock at an exercise price of \$16.04 per share.

(7) Includes 4,050,000 shares held by Farber Properties Group LLC (FPG). FPG is managed and jointly owned by Jeffrey Farber and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of 2,025,000 shares held by FPG. Includes 528,142 shares held by Farber Family LLC (FFLC) 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.

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- (8) Includes 12,500 vested options to purchase common stock at an exercise price of \$16.04, 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.
- (9) Includes 4,050,000 shares held by FPG. FPG is managed and jointly owned by Jeffrey Farber and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of 2,025,000 shares held by FPG. 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. Indirect shares include 218,157 shares held by David Farber as custodian for his children and 17,279 shares held as joint custodian 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.
- (10) Includes 12,500 vested options to purchase common stock at an exercise price of \$16.04 per share.
- (11) Farber Properties Group, LLC is managed and jointly owned by Jeffrey Farber and David Farber.
- (12) Farber Family LLC is managed by Jeffrey Farber and David Farber as trustees.
- (13) Farber Investment LLC is beneficially owned 25% each by Jeffrey and David Farber and 50% by Larry Farber.
- (14) Includes 22,500 unvested shares received pursuant to a restricted stock award granted in October 2013.
- (15) Includes 26,666 vested options to purchase common stock at an exercise price of \$4.73 per share and 10,666 vested options to purchase common stock at an exercise price of \$4.16 per share.
- (16) Includes 7,800 unvested shares received pursuant to a restricted stock award granted in October 2013.
- (17) Includes 3,260 vested options to purchase common stock at an exercise price of \$7.48 per share, 4,000 vested options to purchase common stock at an exercise price of \$5.18 per share, 7,500 vested options to purchase common stock at an exercise price of \$6.89 per share, 50,000 vested options to purchase common stock at an exercise price of \$6.94 per share, 16,667 vested options to purchase common stock at an exercise price of \$3.55, and 11,666 vested options to purchase common stock at an exercise price of \$4.16 per share.
- (18) Includes 10,000 unvested shares received pursuant to a restricted stock award granted in October 2013.
- (19) Includes 12,000 vested options to purchase common stock at an exercise price of \$5.18 per share, 15,000 vested options to purchase common stock at an exercise price of \$6.89 per share, 50,000 vested options to purchase common stock at an exercise price of \$4.03 per share, 16,000 vested options to purchase common stock at an exercise price of \$2.80 per share, 15,000 vested options to purchase common stock at an exercise price of \$7.53 per share, 60,000 vested options to purchase common stock at an exercise price of \$6.94 per share, 16,666 vested options to purchase common stock at an exercise price of \$5.02, 46,666

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vested options to purchase common stock at an exercise price of \$3.55, and 11,666 vested options to purchase common stock at an exercise price of \$4.16 per share.

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(20) Includes 10,050 unvested shares received pursuant to a restricted stock award granted in October 2013.

(21) Includes 20,000 vested options to purchase common stock at an exercise price of \$16.04 per share, 12,000 vested options to purchase common stock at an exercise price of \$5.18 per share, 50,000 vested options to purchase common stock at an exercise price of \$4.03 per share, 16,000 vested options to purchase common stock at an exercise price of \$2.80, 33,333 vested options to purchase common stock at an exercise price of \$3.55, and 11,666 vested options to purchase common stock at an exercise price of \$4.16 per share.

* Percent of class calculation is based on 34,772,490 outstanding shares of common stock at October 31, 2013.

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

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 2013 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 Form 4s related to a grant of restricted stock to directors on July 17, 2012; Form 4s related to officers' withholding of shares for taxes pursuant to a restricted stock vesting on October 26, 2012; a Form 4 relating to purchase of common stock by Mr. Taveira on March 14, 2013; and Form 5s for Jeffrey Farber, David Farber and William Farber.

Table of Contents**DIRECTORS AND OFFICERS**

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

<u>Directors:</u>	Age	Position
William Farber	82	Chairman Emeritus
Jeffrey Farber	53	Chairman of the Board
Arthur P. Bedrosian	68	Director
Kenneth Sinclair Ph.D.	67	Director
David Drabik	45	Director
Paul Taveira	54	Director
James M. Maher	61	Director
<u>Officers:</u>		
Arthur P. Bedrosian	68	President and Chief Executive Officer
Martin P. Galvan	61	Vice President of Finance, Chief Financial Officer and Treasurer
William F. Schreck	65	Chief Operating Officer
Kevin R. Smith	53	Vice President of Sales and Marketing
Ernest J. Sabo	65	Vice President of Regulatory Affairs and Chief Compliance Officer
Robert Ehlinger	56	Vice President of Logistics and Chief Information Officer

William Farber was elected as Chairman of the Board of Directors in August 1991. From April 1993 to the end of 1993, Mr. Farber was the President and a director of Auburn Pharmaceutical Company. From 1990 through March 1993, Mr. Farber served as director of Purchasing for Major Pharmaceutical Corporation. From 1965 through 1990, Mr. Farber was the Chief Executive Officer of Michigan Pharmacal Corporation. Mr. Farber was previously a registered pharmacist in the State of Michigan for more than 40 years until his retirement from active employment in the pharmaceutical industry. On June 1, 2011, Mr. Farber retired from his position as Chairman of the Board and was appointed Chairman Emeritus.

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

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

Kenneth Sinclair, Ph.D. was elected a director of the Company in September 2005. Dr. Sinclair is currently Professor of Accounting in the College of Business and Economics at Lehigh University, where he began his academic career in 1972. Dr. Sinclair had served as Chair of Lehigh's Accounting Department from 1988 to 1994 and 1998 to 2007 and also as Senior Advisor to the Dean from 2007 to 2013. He has taught a variety of accounting courses, including financial and managerial accounting at both the undergraduate and graduate level. He has been recognized for his teaching innovation, held leadership positions with professional accounting organizations and served on numerous academic and advisory committees. He has received a number of awards and honors for teaching and service, and has researched and written on a myriad of subjects related to accounting. He has also been heavily involved with strategic planning at both the College and Department level at Lehigh. Dr. Sinclair earned a Bachelor of Business Administration degree in Accounting, a Master of Science degree in Accounting and a Doctorate Degree in Business Administration with a concentration in Accounting from the University of Massachusetts.

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

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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.

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 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.

William F. Schreck joined the Company in January 2003 as Materials Manager. In May 2004, he was promoted to Vice President of Logistics. In August 2009, Mr. Schreck was promoted to Senior Vice President and General Manager. In January 2011, Mr. Schreck was promoted to Chief Operating Officer. Prior to this, from 1999 to 2001, he served as Vice President of Operations at Nature's Products, Inc., an international nutritional and over-the-counter drug product manufacturing and distribution company. From 2001 to 2002 he served as an independent consultant for various companies. Mr. Schreck's prior experience also includes comprehensive executive management positions at Ivax Pharmaceuticals, Inc., a division of Ivax Corporation, Zenith-Goldline Laboratories and Rugby-Darby Group Companies, Inc. Mr. Schreck has a Bachelor of Arts Degree from Hofstra University.

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.

Ernest J. Sabo joined the Company in March 2005 as Director of Quality Assurance. In May 2008, Mr. Sabo was promoted to Vice President of Regulatory Affairs and Chief Compliance Officer. Prior to this, he served at Wyeth Pharmaceuticals as Manager of QA Compliance from 2001 to 2003 and as Associate Director of QA Compliance from 2003 to 2005. Mr. Sabo held former positions as Director of Validation, Quality Assurance, Quality Control and R&D at Delavau/Accucorp, Inc. from 1993 thru 2001. He has over 30 years of experience in the pharmaceutical industry, his background spans from Quality Assurance, Quality Control, Cleaning/Process Validation and Manufacturing turn-key operations. Mr. Sabo holds a Bachelor of Arts in Biology from Trenton State College (now known as The College of New Jersey).

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

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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.

Table of Contents**EXECUTIVE COMPENSATION****SUMMARY COMPENSATION TABLE**

The following table summarizes all compensation paid to or earned by the named executive officers (NEOs or Named Executive Officers) of the Company for Fiscal Years 2013, 2012 and 2011.

Name and Principal Position (a)	Fiscal Year (b)	Salary (c)	Stock Awards (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation (g)	All Other Compensation (i)	Total (j)
Arthur P. Bedrosian President and Chief Executive Officer	2013	\$ 437,513	\$ 25,300	\$ 150,810	\$ 588,784	\$ 62,587	\$ 1,264,994
	2012	425,096	20,250	171,315	198,908	22,542	838,111
	2011	416,763				22,556	439,319
Martin P. Galvan VP of Finance, Chief Financial Officer, And Treasurer (1)	2013	270,193		75,405	368,076	20,041	733,715
	2012	235,577		107,364	116,320	14,873	474,134
	2011						
William F. Schreck Chief Operating Officer	2013	255,856		82,474	344,319	21,985	704,634
	2012	250,000		205,292	116,320	18,263	589,875
	2011	219,231				19,592	238,823
Ernest J. Sabo VP of Regulatory Affairs and Chief Compliance Officer	2013	173,983		82,474	234,137	15,708	506,302
	2012	170,000		95,707	79,098	15,642	360,447
	2011	153,616				18,077	171,693
Kevin R. Smith VP of Sales and Marketing	2013	218,965		82,474	294,673	26,682	622,794
	2012	212,755		95,707	99,549	22,013	430,024
	2011	207,722				21,888	229,610

(1) Martin P. Galvan was appointed and assumed the role of Vice President of Finance, Chief Financial Officer, and Treasurer on August 8, 2011.

All Other Compensation

The following summarizes the components of column (i) of the Summary Compensation Table:

Name and Principal	Fiscal	Company Match Contributions	Auto	Pay in Lieu of	Excess Life	Termination
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Position	Year	401(k) Plan	Allowance	Vacation	Insurances	Related	Total
Arthur P. Bedrosian President and Chief Executive Officer	2013	\$ 8,433	\$ 13,500	\$ 39,760	\$ 894	\$	\$ 62,587
	2012	8,280	13,500		762		22,542
	2011	8,294	13,500		762		22,556
Martin P. Galvan VP of Finance, Chief Financial Officer and Treasurer (1)	2013	8,601	10,800		640		20,041
	2012	4,327	10,177		369		14,873
	2011						
William F. Schreck Chief Operating Officer	2013	7,592	10,800	2,968	625		21,985
	2012	7,067	10,800		396		18,263
	2011	8,327	10,800		465		19,592
Ernest J. Sabo VP of Regulatory Affairs and Chief Compliance Officer	2013	4,283	10,800		625		15,708
	2012	4,446	10,800		396		15,642
	2011	6,812	10,800		465		18,077
Kevin R. Smith VP of Sales and Marketing	2013	8,794	13,500	4,234	154		26,682
	2012	8,375	13,500		138		22,013
	2011	8,250	13,500		138		21,888

(1) Martin P. Galvan was appointed and assumed the role of Vice President of Finance, Chief Financial Officer, and Treasurer on August 8, 2011.

Table of Contents**Aggregated Options/SAR Exercises and Fiscal Year-end Options/SAR Values****GRANTS OF PLAN-BASED AWARDS**

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Option Awards Price of Fair Value of Options (\$/sh) (k)	Grant Date Price of Fair Value of Stock and Options Awards (i)
		Threshold (\$) (c)	Target (\$) (d)	Maximum (\$) (e)	Threshold (\$) (f)	Target (\$) (g)	Maximum (\$) (h)				
Arthur P. Bedrosian President and Chief Executive Officer	7/17/2012 10/26/2012							5,000			\$ 25,300 150,810
Martin P. Galvan VP of Finance and Chief Financial Officer and Treasurer	10/26/2012								32,000	\$ 4.16	\$ 75,405
William F. Schreck Chief Operating Officer	10/26/2012								35,000	\$ 4.16	\$ 82,474
Ernest J. Sabo VP of Regulatory Affairs and Chief Compliance Officer	10/26/2012								35,000	\$ 4.16	\$ 82,474
Kevin R. Smith VP of Sales and Marketing	10/26/2012								35,000	\$ 4.16	\$ 82,474

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OUTSTANDING EQUITY AWARDS AT JUNE 30, 2013

Name (a)	Option Awards					Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (j)
	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested (\$) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	
Arthur P. Bedrosian President and Chief Executive Officer	33,000			\$ 17.36	10/23/2013				
	30,000			\$ 16.04	5/11/2014				
	25,000			\$ 8.00	1/18/2016				
	30,000			\$ 6.89	11/27/2016				
	75,000			\$ 4.03	9/17/2017				
	30,000			\$ 2.80	9/18/2018				
	75,000			\$ 6.94	10/29/2019				
	29,833	59,667		\$ 3.55	8/25/2021				
		64,000	\$ 4.16	10/25/2022					
						\$			
Martin P. Galvan VP of Finance, Chief Financial Officer and Treasurer	13,333	26,667		\$ 4.73	7/15/2021				
		32,000		\$ 4.16	10/25/2022				
						\$			
William F. Schreck Chief Operating Officer	12,000			\$ 5.18	10/25/2015				
	15,000			\$ 6.89	11/27/2016				
	50,000			\$ 4.03	9/17/2017				
	16,000			\$ 2.80	9/18/2018				
	15,000			\$ 7.53	10/27/2019				
	60,000			\$ 6.94	10/29/2019				
	8,333	16,667		\$ 5.02	7/8/2021				
	23,333	46,667		\$ 3.55	8/25/2021				
		35,000	\$ 4.16	10/25/2022					
						\$			
Ernest J. Sabo VP of Regulatory Affairs and Chief Compliance Officer	3,260			\$ 7.48	3/1/2015				
	4,000			\$ 5.18	10/25/2015				
	7,500			\$ 6.89	11/27/2016				
	50,000			\$ 6.94	10/29/2019				
		33,334		\$ 3.55	8/25/2021				
		35,000	\$ 4.16	10/25/2022					
						\$			
Kevin R. Smith	13,000			\$ 17.36	10/23/2013				
	20,000			\$ 16.04	5/11/2014				

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VP of Sales and
Marketing

12,000		\$	5.18	10/25/2015
50,000		\$	4.03	9/17/2017
16,000		\$	2.80	9/18/2018
16,666	33,334	\$	3.55	8/25/2021
	35,000	\$	4.16	10/25/2022

\$

The options above were granted ten years prior to the option expiration date and vest over three years from that grant date.

Table of Contents**Option Exercises and Stock Vested in Fiscal Year 2013**

Name and Principal Position	Options		Stock Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Arthur P. Bedrosian President and Chief Executive Officer	18,000	\$ 8,400	15,000	\$ 66,900
Martin P. Galvan VP of Finance, Chief Financial Officer and Treasurer				
William F. Schreck Chief Operating Officer			5,000	\$ 20,800
Ernest J. Sabo VP of Regulatory Affairs and Chief Compliance Officer	47,666	\$ 315,647	5,000	\$ 20,800
Kevin R. Smith VP of Sales and Marketing	65,000	\$ 318,327	5,000	\$ 20,800

Employment Agreements

The Company has entered into employment agreements with Arthur P. Bedrosian, President and Chief Executive Officer, Martin P. Galvan, VP of Finance, Chief Financial Officer and Treasurer, Kevin R. Smith, VP of Sales and Marketing, William F. Schreck, Chief Operating Officer, Ernest J. Sabo, VP of Regulatory Affairs and Chief Compliance Officer, and Robert Ehlinger, VP of Logistics and Chief Information Officer. Each of the agreements provides for an annual base salary and eligibility to receive a bonus. The salary and bonus amounts of these executives are determined by the review and approval of the Compensation Committee in accordance with the Committee's Charter as approved by the Board of Directors. Additionally, these executives are eligible to receive stock options and restricted stock awards. Under the agreements, these executive employees may be terminated at any time with or without cause, or by reason of death or disability. In certain termination situations, the Company is liable to pay these executives severance compensation as discussed in the table below.

Table of Contents**Potential Payments upon Termination or Change in Control**

The following table assumes that the relevant triggering event occurred on June 30, 2013. The fair market values of share-based compensation (i.e. Stock Options and Restricted Stock) were calculated using the closing price of Lannett Company, Inc. stock (\$11.91) on June 28, 2013, which was the last trading day of Fiscal 2013. The spread, the difference between the fair market value of Lannett Company's stock on June 28, 2013, and the option exercise price, was used for valuing stock options.

Name	Base Salary Continuation	Annual Cash Bonus	Acceleration and Exercisability Of Unvested Stock Option Awards	Acceleration Of Unvested Restricted Stock	Insurance Benefit Continuation	Other Benefits	Total
Arthur P. Bedrosian							
Without Cause/With Good Reason (1) (2)	\$ 1,319,694	\$ 588,784	\$ 994,816	\$	\$ 37,252	\$ 7,276	\$ 2,947,822
For Cause (3) (4)		588,784				7,276	596,060
Retirement / Death / Disability (3)		588,784				7,276	596,060
Change in Control (5)	1,319,694	588,784	994,816		37,252	7,276	2,947,822
Martin P. Galvan							
Without Cause/With Good Reason (1) (2)	\$ 412,500	\$ 368,076	\$ 439,469	\$	\$ 37,260	\$ 3,316	\$ 1,260,621
For Cause (3) (4)		368,076				3,316	371,392
Retirement / Death / Disability (3)		368,076				3,316	371,392
Change in Control (5)	412,500	368,076	439,469		37,260	3,316	1,260,621
William F. Schreck							
Without Cause/With Good Reason (1) (2)	\$ 385,875	\$ 344,319	\$ 776,222	\$	\$ 29,490	\$ 5,160	\$ 1,541,066
For Cause (3) (4)		344,319				5,160	349,479
Retirement / Death / Disability (3)		344,319				5,160	349,479
Change in Control (5)	385,875	344,319	776,222		29,490	5,160	1,541,066
Ernest J. Sabo							
Without Cause/With Good Reason (1) (2)	\$ 262,396	\$ 234,137	\$ 549,922	\$	\$ 14,726	\$ 3,656	\$ 1,064,837
For Cause (3) (4)		234,137				3,656	237,793
Retirement / Death / Disability (3)		234,137				3,656	237,793
Change in Control (5)	262,396	234,137	549,922		14,726	3,656	1,064,837
Kevin R. Smith							
Without Cause/With Good Reason (1) (2)	\$ 330,237	\$ 294,673	\$ 549,922	\$	\$ 36,313	\$ 5,152	\$ 1,216,297
For Cause (3) (4)		294,673				5,152	299,825
Retirement / Death / Disability (3)		294,673				5,152	299,825
Change in Control (5)	330,237	294,673	549,922		36,313	5,152	1,216,297

(1) Each employment agreement ranges from 1-3 years and is automatically renewed unless notice is given by either party. Any non-renewal of the existing employment agreements by the Company and any resignation of the Executive with Good Reason both constitute a termination without Cause. Under the existing employment agreements base salary continuation for a period of 18-36 months, pro-rated cash bonus as if all targets and goals were achieved subject to any

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applicable cap on cash payments, acceleration of exercisability of unvested stock option awards, acceleration of unvested restricted stock, and insurance benefit continuation for a period of 18 months (collectively Severance Compensation) will only be made if the Executive executes and delivers to the Company, in a form prepared by the Company, a release of all claims against the Company and other appropriate parties, excluding the Company's performance obligation to pay Severance Compensation and the Executive's vested rights under the Company sponsored retirement plans, 401(k) plans and stock ownership plans (General Release). Severance Compensation is paid in equal monthly installments over a 12 month period to commence on the 90th day following the Termination Date provided the Executive has not revoked the General Release prior to that date. Earned but unpaid base salary, accrued but unpaid annual bonus (if the Executive otherwise meets the eligibility requirements) and accrued but unpaid paid time off and other miscellaneous items are to be paid in a single lump sum in cash no later than the earlier of: (1) the date required under applicable law; or (2) 60 days following the Termination Date.

(2) Under the existing employment agreements, Good Reason is defined as giving written notice of his resignation within thirty (30) days after Executive has actual knowledge of the occurrence, without the written consent of Executive, of one of the following events: (A) the assignment to Executive of duties materially and adversely inconsistent with Executive's position or a material and adverse alteration in the nature of his duties, responsibilities and/or reporting obligations, (B) a reduction in Executive's Base Salary or a failure to pay any such amounts when due; or (C) the relocation of Company headquarters more than 100 miles from its current location. Good Reason is also defined to include any other reason provided the Executive gives at least thirty (30) days prior written notice to Company.

(3) Under the existing employment agreements, if the Executive is terminated For Cause; by death; by disability; resigns without Good Reason; or retires; earned but unpaid base salary, accrued but unpaid annual bonus (if the Executive otherwise meets the eligibility requirements) and accrued but unpaid paid time off and other miscellaneous items are to be paid in a single lump sum in cash no later than the earlier of: (1) the date required under applicable law; or (2) 60 days following the Termination Date.

(4) For Cause generally means Executive's willful commission of an act constituting fraud, embezzlement, breach of fiduciary duty, material dishonesty with respect to the Company, gross negligence or willful misconduct in performance of Executive duties, willful violation of any law, rule or regulation relating to the operation of the Company, abuse of illegal drugs or other controlled substances or habitual intoxication, willful violation of published business conduct guidelines, code of ethics, conflict of interest or other similar policies, and Executive becoming under investigation by or subject to any disciplinary charges by any regulatory agency having jurisdiction over the Company (including but not limited to the Drug Enforcement Administration (DEA), Food and Drug Administration (FDA) or the Securities and Exchange Commission (SEC)) or if any complaint is filed against the Executive by any such regulatory agency.

(5) Under the existing employment agreements a Change in Control is defined as a change in ownership of the Company, a change in effective control of the Company, or a change in ownership of a substantial portion of the Company's assets. If the Executive is terminated by the Company without Cause or resigns with Good Reason within 24 months of a Change in Control event, the Executive shall be entitled to earned but unpaid base salary, accrued but unpaid annual bonus (if the Executive otherwise meets the eligibility requirements) and accrued but unpaid paid time off and other miscellaneous items. These items are to be paid in a single lump sum in cash no later than the earlier of: (1) the date required under applicable law; or (2) 60 days following the Termination Date. Additionally, the Executive shall be entitled to Severance Compensation to be paid in equal monthly installments over a 12 month period to commence on the 90th day following the Termination Date provided the Executive has not revoked the General Release prior to that date. A written notice that the Executive's employment term is not extended within the 24-month period after a Change in Control shall be deemed a termination without Cause, unless the Executive and the Company execute a new employment agreement.

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Compensation of Directors

Non-employee directors received a retainer of \$3,500 per month as compensation for their services during Fiscal 2013. They also were compensated \$1,000 per Board meeting. There were four (4) Board meetings held during Fiscal 2013. Additional committees of the Board of Directors include the Audit Committee, the Compensation Committee, the Governance and Nominating Committee and the Strategic Planning Committee. Committee members received \$1,000 and the Chairman received \$1,500 per Committee meeting attended. There were nine (9) Audit Committee meetings, two (2) Strategic Planning Committee meetings, ten (10) Governance and Nominating Committee meetings, ten (10) Compensation Committee meetings and two (2) Independent Directors meeting held during Fiscal 2013. Directors are also reimbursed for expenses incurred in attending Board and Committee meetings.

DIRECTOR COMPENSATION

Name	Fees Earned	Stock Awards	Options Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation	All Other Compensation	Total
(a)	(\$) (b)	(\$) (c)	(\$) (d)	(\$) (e)	(\$) (f)	(\$) (g)	(\$) (h)
Ronald A. West (1)	\$						