TELEFONOS DE MEXICO S A B DE C V
Form SC 13D/A
March 17, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 37)*

Teléfonos de México, S.A.B. de C.V. (the Issuer)

(Name of Issuer)

American Depositary Shares (L Share ADSs), each representing 20 Series L Shares (L Shares)

American Depositary Shares (A Share ADSs), each representing 20 Series A Shares (A Shares)

(Title of Class of Securities)

879403780 for L Share ADSs[1]

879403400 for A Share ADSs[2]

(CUSIP Number)

Rafael Robles Miaja

Galicia y Robles, S.C.

Boulevard Manuel Avila Camacho 24

Torre del Bosque

Piso 7

Colonia: Lomas de Chapultepec

México, D.F. 11000, México

(5255) 5540-9225

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

February 16, 2008

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box o.

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See §240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on the following pages)

---

[1] number is for the L Share ADSs only. No CUSIP number exists for the underlying L Shares, since such shares are not traded in the United States.

[2] number is for the A Share ADSs only. No CUSIP number exists for the underlying A Shares, since such shares are not traded in the United States.

1 NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Carlos Slim Helú

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) o

(b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o

6 CITIZENSHIP OR PLACE OF ORGANIZATION

México

NUMBER OF SHARES	7	SOLE VOTING POWER 80,000 A Shares and 10,200,000 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 80,000 A Shares and 10,200,000 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER 92,690,376 A Shares and 9,201,679,340 L Shares (See Item 5)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

92,690,376 A Shares and 9,211,879,340 L Shares (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

21.6% of A Shares and 61.45% of L Shares (See Item 5)

14 TYPE OF REPORTING PERSON*

IN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Carlos Slim Domit		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS* AF (See Item 3)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION México		
NUMBER OF SHARES	7	SOLE VOTING POWER 9,516,264 L Shares (See Item 5)	
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 9,516,264 L Shares (See Item 5)	
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,211,195,604 L Shares (See Item 5)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.45% of L Shares (See Item 5)		
14	TYPE OF REPORTING PERSON* IN		

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Marco Antonio Slim Domit		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS* AF (See Item 3)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION México		
NUMBER OF SHARES	7	SOLE VOTING POWER 9,516,264 L Shares (See Item 5)	
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 9,516,264 L Shares (See Item 5)	
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,211,195,604 L Shares (See Item 5)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.45% of L Shares (See Item 5)		
14	TYPE OF REPORTING PERSON* IN		

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Patrick Slim Domit	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o	
3	SEC USE ONLY	
4	SOURCE OF FUNDS* AF and PF (See Item 3)	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o	
6	CITIZENSHIP OR PLACE OF ORGANIZATION México	

NUMBER OF SHARES	7	SOLE VOTING POWER 10,548,538 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 10,548,538 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,212,227,878 L Shares (See Item 5)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.46% of L Shares (See Item 5)
14	TYPE OF REPORTING PERSON* IN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

5

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) María Soumaya Slim Domit
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o
3	SEC USE ONLY
4	SOURCE OF FUNDS* AF (See Item 3)
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o
6	CITIZENSHIP OR PLACE OF ORGANIZATION México

NUMBER OF SHARES	7	SOLE VOTING POWER 10,016,268 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 10,016,268 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,211,695,608 L Shares (See Item 5)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.45% of L Shares (See Item 5)
14	TYPE OF REPORTING PERSON* IN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Vanessa Paola Slim Domit
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o
3	SEC USE ONLY
4	SOURCE OF FUNDS* AF (See Item 3)
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o
6	CITIZENSHIP OR PLACE OF ORGANIZATION México

NUMBER OF SHARES	7	SOLE VOTING POWER 13,116,268 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 13,116,268 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,214,795,608 L Shares (See Item 5)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.47% of L Shares (See Item 5)
14	TYPE OF REPORTING PERSON* IN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Johanna Monique Slim Domit		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS* AF and PF (See Item 3)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION México		
NUMBER OF SHARES	7	SOLE VOTING POWER 11,375,522 L Shares (See Item 5)	
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 11,375,522 L Shares (See Item 5)	
WITH	10	SHARED DISPOSITIVE POWER 92,610,376 A Shares and 9,201,679,340 L Shares (See Item 5)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 92,610,376 A Shares and 9,213,054,862 L Shares (See Item 5)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* **x**		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 21.6% of A Shares and 61.46% of L Shares (See Item 5)		
14	TYPE OF REPORTING PERSON* IN		

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1 NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Carso Global Telecom, S.A.B. de C.V.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) o

(b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS*

AF and WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o

6 CITIZENSHIP OR PLACE OF ORGANIZATION

México

NUMBER OF SHARES	7	SOLE VOTING POWER
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER 91,994,660 A Shares and 9,032,956,628 L Shares (See Item 5)
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER
WITH	10	SHARED DISPOSITIVE POWER 91,994,660 A Shares and 9,032,956,628 L Shares (See Item 5)

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

91,994,660 A Shares and 9,032,956,628 L Shares (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* x

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

21.4% of A Shares and 60.63% of L Shares (See Item 5)

14 TYPE OF REPORTING PERSON*

HC

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Grupo Financiero Inbursa, S.A.B. de C.V.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS* WC and AF (See Item 3)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION México		
NUMBER OF SHARES		7	SOLE VOTING POWER
BENEFICIALLY OWNED BY		8	SHARED VOTING POWER 615,716 A Shares and 168,722,712 L Shares (See Item 5)
EACH REPORTING PERSON		9	SOLE DISPOSITIVE POWER
WITH		10	SHARED DISPOSITIVE POWER 615,716 A Shares and 168,722,712 L Shares (See Item 5)
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 615,716 A Shares and 168,722,712 L Shares (See Item 5)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.1% of A Shares and 1.13% of L Shares (See Item 5)		
14	TYPE OF REPORTING PERSON* HC		

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1 NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Trust No. F/0008 (the Telmex Trust)

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) o

(b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS*

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o

6 CITIZENSHIP OR PLACE OF ORGANIZATION

México

NUMBER OF SHARES	7	SOLE VOTING POWER 49,600 A Shares and 225,196,240 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 49,600 A Shares and 225,196,240 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

49,600 A Shares and 225,196,240 L Shares (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.0% of A Shares and 1.51% of L Shares (See Item 5)

14 TYPE OF REPORTING PERSON*

EP

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Trust No. F/0395 (the Telnor Trust)		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o		
3	SEC USE ONLY		
4	SOURCE OF FUNDS* WC (See Item 3)		
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o		
6	CITIZENSHIP OR PLACE OF ORGANIZATION México		
NUMBER OF SHARES	7	SOLE VOTING POWER 4,770,000 L Shares (See Item 5)	
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER	
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 4,770,000 L Shares (See Item 5)	
WITH	10	SHARED DISPOSITIVE POWER	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 4,770,000 L Shares (See Item 5)		
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* o		
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.03% of L Shares (See Item 5)		
14	TYPE OF REPORTING PERSON* EP		

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1 NAMES OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Fundación Telmex, A.C. (Fundación Telmex)

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP*

(a) o

(b) o

3 SEC USE ONLY

4 SOURCE OF FUNDS*

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o

6 CITIZENSHIP OR PLACE OF ORGANIZATION

México

NUMBER OF SHARES	7	SOLE VOTING POWER 44,138,700 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 44,138,700 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

44,138,700 L Shares (See Item 5)

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* o

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.30% of L Shares (See Item 5)

14 TYPE OF REPORTING PERSON*

PN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Fundación Carso, A.C. (Fundación Carso)
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP* (a) o (b) o
3	SEC USE ONLY
4	SOURCE OF FUNDS* WC (See Item 3)
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) o
6	CITIZENSHIP OR PLACE OF ORGANIZATION México

NUMBER OF SHARES	7	SOLE VOTING POWER 22,500,000 L Shares (See Item 5)
BENEFICIALLY OWNED BY	8	SHARED VOTING POWER
EACH REPORTING PERSON	9	SOLE DISPOSITIVE POWER 22,500,000 L Shares (See Item 5)
WITH	10	SHARED DISPOSITIVE POWER

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 22,500,000 L Shares (See Item 5)
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES* o
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.15% of L Shares (See Item 5)
14	TYPE OF REPORTING PERSON* PN

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

Item 1. Security and Issuer.

This Amendment No. 37 (the "Thirty-Seventh Amendment") amends the initial Schedule 13D (the "Schedule 13D") filed with the Securities and Exchange Commission (the "Commission"), as subsequently amended, by the Reporting Persons (as defined below), with respect to the L Shares and A Shares of Teléfonos de México, S.A.B. de C.V. (the "Issuer"). Capitalized terms used but not otherwise defined in this Thirty-Seventh Amendment have the meanings ascribed to such terms in the Schedule 13D, as amended.

Item 3. Source and Amount of Funds or Other Consideration.

The aggregate amount of funds required to purchase the 17,450,000 L Shares purchased by GFI through subsidiaries it controls since November 29, 2007 was U.S. $29,163,983. The funds used to purchase these shares were obtained from the working capital of GFI.

The aggregate amount of funds required to purchase the 20,500,000 L Shares purchased by CGT through subsidiaries it controls was U.S. $35,244,638. The funds used to purchase these shares were obtained from the working capital of CGT.

The aggregate amount of funds required to purchase the 10,000,000 L Shares purchased by Carlos Slim Helú was U.S. $16,939,149. The funds used to purchase these shares were obtained from the personal funds of Carlos Slim Helú.

The aggregate amount of funds required to purchase the 9,500,000 L Shares purchased by Carlos Slim Domit was U.S. $15,837,924. The funds used to purchase these shares were obtained from the personal funds of Carlos Slim Domit.

The aggregate amount of funds required to purchase the 9,500,000 L Shares purchased by Marco Antonio Slim Domit was U.S. $15,840,717. The funds used to purchase these shares were obtained from the personal funds of Marco Antonio Slim Domit.

The aggregate amount of funds required to purchase the 9,500,000 L Shares purchased by Patrick Slim Domit was U.S. $15,899,320. The funds used to purchase these shares were obtained from the personal funds of Patrick Slim Domit.

The aggregate amount of funds required to purchase the 10,000,000 L Shares purchased by María Soumaya Slim Domit was U.S. $16,938,838. The funds used to purchase these shares were obtained from the personal funds of María Soumaya Slim Domit.

The aggregate amount of funds required to purchase the 10,000,000 L Shares purchased by Vanessa Paola Slim Domit was U.S. $16,949,839. The funds used to purchase these shares were obtained from the personal funds of Vanessa Paola Slim Domit.

The aggregate amount of funds required to purchase the 10,000,000 L Shares purchased by Johanna Monique Slim Domit was U.S. $16,941,603. The funds used to purchase these shares were obtained from the personal funds of Johanna Monique Slim Domit.

Item 5. Interest in Securities of the Issuer.

(a) The Reporting Persons have, as of March 6, 2008, the following interests in the A Shares and L Shares:

	A Shares[1]		L Shares[2]	
	Number	% of Class	Number	% of Class
Carlos Slim Helú[3]	92,690,376	21.6%	9,211,879,340	61.45%
Carlos Slim Domit[4]	92,610,376	21.6%	9,211,195,604	61.45%
Marco Antonio Slim Domit[5]	92,610,376	21.6%	9,211,195,604	61.45%
Patrick Slim Domit[6]	92,610,376	21.6%	9,212,227,878	61.46%
María Soumaya Slim Domit[7]	92,610,376	21.6%	9,211,695,608	61.45%
Vanessa Paola Slim Domit[8]	92,610,376	21.6%	9,214,795,608	61.47%
Johanna Monique Slim Domit[9]	92,610,376	21.6%	9,213,054,862	61.46%
CGT[10]	91,994,660	21.4%	9,032,956,628	60.63%
GFI[11]	615,716	0.1%	168,722,712	1.13%
Telmex Trust[12]	49,600	0.0%	225,245,840	1.51%
Telnor Trust			4,770,000	0.03%
Fundación Telmex			44,138,700	0.30%
Fundación Carso			22,500,000	0.15%

(1) Based upon 429,117,352 A Shares outstanding as of March 6, 2008, as reported by the Mexican Stock Exchange. Includes A Shares held in the form of A Share ADSs.

(2) Based upon 10,614,483,836 L Shares outstanding as of March 6, 2008, as reported by the Mexican Stock Exchange. The total number of L Shares outstanding also includes L Shares held in the form of L Share ADSs. In addition, other than in the case of GFI, the Telmex Trust, the Telnor Trust, Fundación Telmex and Fundación Carso, L Share totals and percentages assume that all of the A Shares held by the Reporting Persons and 4,282,956,628 AA Shares held by CGT, which may be deemed to be beneficially owned by the Slim Family, have been converted into L Shares. In accordance with the restrictions set forth in Item 4 of the Schedule 13D filed by the Reporting Persons on February 20, 2004, the maximum number of AA Shares that could, as of the date hereof, be converted to L Shares is 4,282,956,628.

(3) Includes 80,000 A Shares and 10,200,000 L Shares (assuming conversion of the 80,000 A Shares) owned directly by Carlos Slim Helú, as well as A Shares and L Shares beneficially owned through GFI and CGT by trusts for the benefit of the Slim Family (the Family Shares).

(4) Includes 9,156,264 L Shares owned directly by Carlos Slim Domit, as well as the Family Shares.

(5) Includes 9,156,264 L Shares owned directly by Marco Antonio Slim Domit, as well as the Family Shares.

(6) Includes 10,548,538 L Shares owned directly by Patrick Slim Domit, as well as the Family Shares.

(7) Includes 10,016,268 L Shares owned directly by María Soumaya Slim Domit, as well as the Family Shares.

(8) Includes 13,116,268 L Shares owned directly by Vanessa Paola Slim Domit and her spouse, as well as the Family Shares.

(9) Includes 11,375,522 L Shares owned directly by Johanna Monique Slim Domit and her spouse, as well as the Family Shares.

(10) Includes A Shares and L Shares owned directly by CGT, as well as A Shares and L Shares beneficially owned through its wholly-owned subsidiaries.

(11) Includes A Shares and L Shares owned directly by GFI, as well as A Shares and L Shares beneficially owned through wholly-owned subsidiaries it controls or other entities that may be deemed to be controlled by the Slim Family.

(b) Because the Slim Family may be deemed to control, directly or indirectly, each of CGT, GFI and the Issuer, the Slim Family may be deemed to share the power to vote or dispose of, or to direct the voting or disposition of, any A Shares or L Shares controlled by such persons (including those beneficially owned by the Telmex Trust, the Telnor Trust, Fundación Telmex and Fundación Carso). Except as otherwise disclosed herein, none of the Reporting Persons shares voting or disposition power with respect to any of the A Shares or L Shares owned by the Reporting Persons.

(c) All transactions in A Shares and L Shares effected by the Reporting Persons for the period beginning 60 days prior to the event which requires the filing of this statement are listed in Schedule I.

(d) All A Shares and L Shares owned by trusts for the benefit of the Slim Family may be deemed to be beneficially owned by each member of the Slim Family that is a beneficiary of such trusts. Thus, beneficial ownership of A Shares and L Shares may be deemed to be shared by each member of the Slim Family. Because the Slim Family may be deemed to control, directly or indirectly, each of CGT, GFI and the Issuer, the Slim Family may be deemed to have the right to receive or the power to direct the receipt of dividends from, or the proceeds of the sale of, any A Shares or L Shares controlled by such persons (including the Telmex Trust, the Telnor Trust, Fundación Telmex and Fundación Carso). Except as disclosed herein, no person other than the Reporting Persons has or will have any right to receive or the power to direct the receipt of dividends from, or the proceeds of the sale of, A Shares or L Shares owned by the Reporting Persons.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

CGT has entered into Forward Share Purchase Transactions pursuant to which it is obligated to buy L Shares (in the form of L Shares ADSs) from a counterparty on the terms specified below. The L Shares that are the subject of each contract listed below were sold to the counterparty at the inception of such contract, but for the purposes of this Statement are treated as beneficially owned by CGT. During the time that the shares are held by the counterparty, CGT pays interest to the counterparty on an amount equal to the total purchase price.

Counterparty	Expiration Date	Number of L Shares	Purchase Price per L Share	Interest Rate
Dresdner Bank A.G.	March 27, 2008	135,318,000	$.739	LIBOR + 0.875%
JP Morgan Chase Bank, N.A.	August 11, 2010	256,986,840	$.7785	LIBOR + 0.625%
BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, S.A. de C.V.	May 18, 2011	97,943,200	$1.0210	LIBOR + 0.250%

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, S.A. de C.V.	May 18, 2011	181,323,680	$1.1030	LIBOR + 0.250%
Santander Central Hispano Benelux S.A. de N.V.	September 13, 2011	83,091,000	$1.2035	LIBOR + 0.20%
Wachovia Bank National Association	September 14, 2011	83,091,000	$1.2035	LIBOR + 0.25%
Santander Central Hispano Benelux S.A. de N.V.	October 17, 2011	74,019,260	$1.351	LIBOR + 0.20%
Santander Central Hispano Benelux S.A. de N.V.	December 7, 2011	149,031,300	$1.342	LIBOR + 0.20%
Santander Central Hispano Benelux S.A. de N.V.	December 19, 2011	144,613,160	$1.383	LIBOR + 0.20%
BNP Paribas, S.A.	December 19, 2011	71,864,900	$1.3915	LIBOR + 0.205;
BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, S.A. de C.V.	February 17, 2012	193,361,280	$1.551	LIBOR + 0.250%
Santander Central Hispano Benelux S.A. de N.V.	April 18, 2012	56,069,540	$1.7835	LIBOR + 0.20%
Santander Central Hispano Benelux S.A. de N.V.	May 14, 2012	54,127,200	$1.8475	LIBOR + 0.20%
BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, S.A. de C.V.	May 17, 2012	114,351,060	$1.7490	LIBOR + 0.25%
BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, S.A. de C.V.	August 17, 2012	121,175,420	$1.6505	LIBOR + 0.25%

Other than as disclosed herein, there are no other contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons and between such persons and any person with respect to A Shares or L Shares.

Item 7. Material to be Filed as Exhibits

The Powers of Attorney filed as exhibits to the Schedule 13D by the Telmex Trust, the Telnor Trust, Fundación Telmex and Fundación Carso with the Commission on February 20, 2004, by CGT on February 25, 2005, and by the Slim Family and GFI on November 23, 2005, are hereby incorporated by reference. The Joint Filing Agreement filed on November 23, 2005, is hereby incorporated by reference. The Trust Agreement (Original Spanish Version) and Trust Agreement (English Translation) filed as exhibits to the Schedule 13D filed by the Reporting Persons with the Commission on May 15, 2001, are hereby incorporated by reference.

SIGNATURE

After reasonable inquiry, and to the best of my knowledge and belief, I certify that the information set forth in this Statement is true, complete and correct.

Carlos Slim Helú

____

Carlos Slim Domit

____

Marco Antonio Slim Domit

____

Patrick Slim Domit

____

María Soumaya Slim Domit

____

Vanessa Paola Slim Domit

____

Johanna Monique Slim Domit

____

CARSO GLOBAL
TELECOM, S.A.B. DE C.V.

____

By: Armando Ibañez Vazquez
Title: Attorney-in-Fact

GRUPO FINANCIERO
INBURSA, S.A.B. DE C.V.

____

By: Raul Humberto Zepeda Ruiz
Title: Attorney-in-Fact

By: /s/ Eduardo Valdés Acra
Eduardo Valdés Acra

Attorney-in-Fact

March 17, 2008

20

BANCO INBURSA S.A.,
INSTITUCION DE BANCA
MULTIPLE, GRUPO FINANCIERO
INBURSA, DIVISION
FIDUCIARIA, AS TRUSTEE
OF TRUST NO. F/0008

____

By: Raul Humberto Zepeda Ruiz
Title: Attorney-in-Fact

BANCO INBURSA S.A.,
INSTITUCION DE BANCA
MULTIPLE, GRUPO FINANCIERO
INBURSA, DIVISION
FIDUCIARIA, AS TRUSTEE
OF TRUST NO. F/0395

____

By: Raul Humberto Zepeda Ruiz
Title: Attorney-in-Fact

FUNDACIÓN TELMEX, A.C.

____

By: Adolfo Cerezo
Title: Attorney-in-Fact

FUNDACIÓN CARSO, A.C.

____

By: Armando Ibañez Vazquez
Title: Attorney-in-Fact

SCHEDULE I

For the period beginning 60 days prior to the event which requires the filing of this statement, the Reporting Persons set forth below effected the following transactions in L Shares on the Mexican Stock Exchange. The prices below reflect the price paid (in US$ based upon the Exchange Rate published by the Banco de México on the trade date) by the purchasers per L Share on the relevant trade date.

Reporting Person	**Type of Transaction**	**Trade Date**	**Number of L Shares**	**Price per L Share**
GFI	Purchase	01/16/08	2,000	1 .66
GFI	Purchase	01/16/08	6,000	1 .66
GFI	Purchase	01/16/08	100,000	1 .66
GFI	Purchase	01/16/08	92,000	1 .66
GFI	Purchase	01/16/08	21,600	1 .66
GFI	Purchase	01/16/08	60,000	1 .66
GFI	Purchase	01/16/08	18,400	1 .66
GFI	Purchase	01/16/08	100,000	1 .66
GFI	Purchase	01/16/08	30,300	1 .66
GFI	Purchase	01/16/08	60,000	1 .66
GFI	Purchase	01/16/08	9,700	1 .66
GFI	Purchase	01/16/08	100,000	1 .67
GFI	Purchase	01/16/08	50,000	1 .67
GFI	Purchase	01/16/08	34,800	1 .67
GFI	Purchase	01/16/08	11,500	1 .67
GFI	Purchase	01/16/08	3,700	1 .67
GFI	Purchase	01/16/08	34,800	1 .67
GFI	Purchase	01/16/08	15,200	1 .67
GFI	Purchase	01/16/08	1,000	1 .66
GFI	Purchase	01/16/08	50,000	1 .67
GFI	Purchase	01/16/08	17,600	1 .66
GFI	Purchase	01/16/08	50,000	1 .66
GFI	Purchase	01/16/08	31,400	1 .66
GFI	Purchase	01/16/08	100,000	1 .66
GFI	Purchase	01/16/08	90,000	1 .66
GFI	Purchase	01/16/08	10,000	1 .66
GFI	Purchase	01/16/08	5,000	1 .66
GFI	Purchase	01/16/08	34,800	1 .66
GFI	Purchase	01/16/08	17,200	1 .66
GFI	Purchase	01/16/08	43,000	1 .66
GFI	Purchase	01/16/08	34,800	1 .66
GFI	Purchase	01/16/08	34,800	1 .66

GFI	Purchase	01/16/08	30,400	1 .66
GFI	Purchase	01/16/08	25,000	1 .66
GFI	Purchase	01/16/08	70,000	1 .66
GFI	Purchase	01/16/08	5,000	1 .66
GFI	Purchase	01/16/08	6,600	1 .66
GFI	Purchase	01/16/08	6,000	1 .66
GFI	Purchase	01/16/08	87,400	1 .66
GFI	Purchase	01/17/08	14,600	1 .64
GFI	Purchase	01/17/08	34,800	1 .64
GFI	Purchase	01/17/08	22,000	1 .64
GFI	Purchase	01/17/08	28,600	1 .64
GFI	Purchase	01/17/08	900	1 .64
GFI	Purchase	01/17/08	11,700	1 .64
GFI	Purchase	01/17/08	60,000	1 .64
GFI	Purchase	01/17/08	18,400	1 .64
GFI	Purchase	01/17/08	81,600	1 .64
GFI	Purchase	01/17/08	27,400	1 .64
GFI	Purchase	01/17/08	81,600	1 .64
GFI	Purchase	01/17/08	18,300	1 .64
GFI	Purchase	01/17/08	100	1 .64
GFI	Purchase	01/17/08	46,000	1 .64
GFI	Purchase	01/17/08	34,800	1 .64
GFI	Purchase	01/17/08	10,900	1 .64
GFI	Purchase	01/17/08	8,300	1 .64
GFI	Purchase	01/17/08	22,000	1 .64
GFI	Purchase	01/17/08	16,100	1 .64
GFI	Purchase	01/17/08	33,900	1 .64
GFI	Purchase	01/17/08	66,100	1 .64
GFI	Purchase	01/17/08	33,900	1 .64
GFI	Purchase	01/17/08	28,000	1 .64
GFI	Purchase	01/17/08	34,800	1 .64
GFI	Purchase	01/17/08	11,000	1 .64
GFI	Purchase	01/17/08	9,500	1 .64
GFI	Purchase	01/17/08	22,000	1 .64
GFI	Purchase	01/17/08	100,000	1 .64
GFI	Purchase	01/17/08	22,700	1 .64
GFI	Purchase	01/17/08	7,100	1 .64
GFI	Purchase	01/17/08	13,200	1 .64
GFI	Purchase	01/17/08	50,000	1 .64
GFI	Purchase	01/17/08	200	1 .64
GFI	Purchase	01/17/08	29,500	1 .64

GFI	Purchase	01/17/08	5,900	1 .64
GFI	Purchase	01/17/08	4,000	1 .64
GFI	Purchase	01/17/08	21,300	1 .64
GFI	Purchase	01/17/08	18,800	1 .64
GFI	Purchase	01/17/08	34,800	1 .64
GFI	Purchase	01/17/08	34,800	1 .64
GFI	Purchase	01/17/08	50,000	1 .64
GFI	Purchase	01/17/08	30,400	1 .64
GFI	Purchase	01/17/08	4,600	1 .64
GFI	Purchase	01/17/08	45,400	1 .64
GFI	Purchase	01/17/08	30,000	1 .64
GFI	Purchase	01/17/08	14,900	1 .64
GFI	Purchase	01/17/08	5,100	1 .64
GFI	Purchase	01/17/08	50,000	1 .64
GFI	Purchase	01/17/08	31,700	1 .64
GFI	Purchase	01/17/08	18,300	1 .64
GFI	Purchase	01/17/08	100	1 .64
GFI	Purchase	01/17/08	2,400	1 .64
GFI	Purchase	01/17/08	50,000	1 .64
GFI	Purchase	01/17/08	4,000	1 .64
GFI	Purchase	01/17/08	4,000	1 .64
GFI	Purchase	01/17/08	30,000	1 .64
GFI	Purchase	01/17/08	9,500	1 .64
GFI	Purchase	01/18/08	100,000	1 .63
GFI	Purchase	01/18/08	14,000	1 .62
GFI	Purchase	01/18/08	14,000	1 .62
GFI	Purchase	01/18/08	600	1 .62
GFI	Purchase	01/18/08	18,400	1 .62
GFI	Purchase	01/18/08	3,000	1 .62
GFI	Purchase	01/18/08	2,000	1 .63
GFI	Purchase	01/18/08	48,000	1 .63
GFI	Purchase	01/18/08	2,000	1 .62
GFI	Purchase	01/18/08	4,000	1 .62
GFI	Purchase	01/18/08	2,000	1 .62
GFI	Purchase	01/18/08	2,000	1 .62
GFI	Purchase	01/18/08	17,000	1 .64
GFI	Purchase	01/18/08	2,000	1 .64
GFI	Purchase	01/18/08	12,000	1 .64
GFI	Purchase	01/18/08	9,000	1 .64
GFI	Purchase	01/18/08	50,000	1 .64
GFI	Purchase	01/18/08	140,000	1 .64

GFI	Purchase	01/18/08	20,000	1 .64
GFI	Purchase	01/18/08	40,000	1 .64
GFI	Purchase	01/18/08	100,000	1 .62
GFI	Purchase	01/18/08	100,000	1 .62
GFI	Purchase	01/18/08	92,200	1 .62
GFI	Purchase	01/18/08	10,000	1 .62
GFI	Purchase	01/18/08	9,000	1 .62
GFI	Purchase	01/18/08	65,000	1 .63
GFI	Purchase	01/18/08	26,000	1 .63
GFI	Purchase	01/18/08	74,000	1 .63
GFI	Purchase	01/18/08	10,000	1 .63
GFI	Purchase	01/18/08	13,800	1 .63
GFI	Purchase	01/18/08	100,000	1 .63
GFI	Purchase	01/18/08	20,100	1 .62
GFI	Purchase	01/18/08	79,900	1 .62
GFI	Purchase	01/18/08	31,800	1 .62
GFI	Purchase	01/18/08	68,200	1 .62
GFI	Purchase	01/18/08	85,100	1 .63
GFI	Purchase	01/18/08	14,900	1 .63
GFI	Purchase	01/18/08	40,000	1 .62
GFI	Purchase	01/18/08	14,000	1 .62
GFI	Purchase	01/18/08	18,400	1 .63
GFI	Purchase	01/18/08	27,600	1 .63
GFI	Purchase	01/21/08	10,000	1 .59
GFI	Purchase	01/21/08	2,500	1 .59
GFI	Purchase	01/21/08	700	1 .60
GFI	Purchase	01/21/08	120,000	1 .60
GFI	Purchase	01/21/08	13,800	1 .60
GFI	Purchase	01/21/08	15,500	1 .60
GFI	Purchase	01/21/08	100,000	1 .60
GFI	Purchase	01/21/08	10,000	1 .60
GFI	Purchase	01/21/08	27,500	1 .60
GFI	Purchase	01/21/08	30,000	1 .60
GFI	Purchase	01/21/08	500	1 .60
GFI	Purchase	01/21/08	18,100	1 .60
GFI	Purchase	01/21/08	1,400	1 .60
GFI	Purchase	01/21/08	9,300	1 .60
GFI	Purchase	01/21/08	10,000	1 .60
GFI	Purchase	01/21/08	700	1 .60
GFI	Purchase	01/21/08	1,300	1 .60
GFI	Purchase	01/21/08	18,100	1 .60

GFI	Purchase	01/21/08	30,000	1 .60
GFI	Purchase	01/21/08	20,000	1 .60
GFI	Purchase	01/21/08	600	1 .60
GFI	Purchase	01/21/08	20,000	1 .59
GFI	Purchase	01/21/08	40,000	1 .58
GFI	Purchase	01/21/08	50,000	1 .57
GFI	Purchase	01/21/08	113,500	1 .57
GFI	Purchase	01/21/08	36,500	1 .57
GFI	Purchase	01/21/08	13,500	1 .57
GFI	Purchase	01/21/08	50,000	1 .57
GFI	Purchase	01/21/08	35,000	1 .57
GFI	Purchase	01/21/08	1,500	1 .57
GFI	Purchase	01/21/08	2,200	1 .56
GFI	Purchase	01/21/08	100	1 .56
GFI	Purchase	01/21/08	100	1 .56
GFI	Purchase	01/21/08	100	1 .56
GFI	Purchase	01/21/08	1,500	1 .57
GFI	Purchase	01/21/08	98,500	1 .57
GFI	Purchase	01/21/08	1,500	1 .57
GFI	Purchase	01/21/08	96,000	1 .57
GFI	Purchase	01/21/08	10,000	1 .55
GFI	Purchase	01/21/08	700	1 .55
GFI	Purchase	01/21/08	100	1 .55
GFI	Purchase	01/21/08	14,200	1 .55
GFI	Purchase	01/21/08	25,000	1 .55
GFI	Purchase	01/21/08	25,000	1 .55
GFI	Purchase	01/21/08	25,000	1 .56
GFI	Purchase	01/21/08	10,000	1 .60
GFI	Purchase	01/21/08	20,000	1 .60
GFI	Purchase	01/21/08	5,600	1 .60
GFI	Purchase	01/21/08	10,000	1 .61
GFI	Purchase	01/21/08	200	1 .60
GFI	Purchase	01/21/08	14,200	1 .60
GFI	Purchase	01/21/08	42,800	1 .60
GFI	Purchase	01/21/08	600	1 .60
GFI	Purchase	01/21/08	6,600	1 .60
GFI	Purchase	01/21/08	42,900	1 .60
GFI	Purchase	01/21/08	10,000	1 .60
GFI	Purchase	01/21/08	7,100	1 .60
GFI	Purchase	01/21/08	5,300	1 .60
GFI	Purchase	01/21/08	19,700	1 .60

GFI	Purchase	01/21/08	300	1 .60
GFI	Purchase	01/21/08	10,000	1 .60
GFI	Purchase	01/21/08	39,700	1 .60
GFI	Purchase	01/21/08	80,300	1 .60
GFI	Purchase	01/21/08	19,700	1 .60
GFI	Purchase	01/21/08	18,700	1 .60
GFI	Purchase	01/21/08	400	1 .60
GFI	Purchase	01/21/08	5,900	1 .60
GFI	Purchase	01/21/08	3,800	1 .59
GFI	Purchase	01/21/08	20,000	1 .60
GFI	Purchase	01/21/08	6,200	1 .60
GFI	Purchase	01/22/08	50,000	1 .67
GFI	Purchase	01/23/08	100,000	1 .60
GFI	Purchase	01/23/08	40,000	1 .60
GFI	Purchase	01/23/08	5,600	1 .60
GFI	Purchase	01/23/08	700	1 .60
GFI	Purchase	01/23/08	53,700	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	2,000	1 .61
GFI	Purchase	01/23/08	6,000	1 .61
GFI	Purchase	01/23/08	22,000	1 .61
GFI	Purchase	01/23/08	34,000	1 .61
GFI	Purchase	01/23/08	8,000	1 .61
GFI	Purchase	01/23/08	2,000	1 .61
GFI	Purchase	01/23/08	2,000	1 .61
GFI	Purchase	01/23/08	4,000	1 .61
GFI	Purchase	01/23/08	30,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	30,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .60
GFI	Purchase	01/23/08	21,000	1 .60
GFI	Purchase	01/23/08	59,000	1 .62
GFI	Purchase	01/23/08	27,400	1 .62
GFI	Purchase	01/23/08	3,700	1 .62
GFI	Purchase	01/23/08	25,000	1 .62
GFI	Purchase	01/23/08	100,000	1 .62
GFI	Purchase	01/23/08	4,500	1 .62
GFI	Purchase	01/23/08	60,000	1 .62
GFI	Purchase	01/23/08	4,400	1 .62
GFI	Purchase	01/23/08	25,000	1 .62

GFI	Purchase	01/23/08	40,000	1 .62
GFI	Purchase	01/23/08	8,600	1 .62
GFI	Purchase	01/23/08	1,400	1 .62
GFI	Purchase	01/23/08	10,000	1 .62
GFI	Purchase	01/23/08	40,000	1 .62
GFI	Purchase	01/23/08	8,500	1 .62
GFI	Purchase	01/23/08	41,500	1 .62
GFI	Purchase	01/23/08	35,000	1 .62
GFI	Purchase	01/23/08	15,000	1 .62
GFI	Purchase	01/23/08	40,000	1 .62
GFI	Purchase	01/23/08	10,000	1 .62
GFI	Purchase	01/23/08	10,000	1 .62
GFI	Purchase	01/23/08	1,000	1 .61
GFI	Purchase	01/23/08	6,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	3,000	1 .61
GFI	Purchase	01/23/08	10,000	1 .61
GFI	Purchase	01/23/08	4,200	1 .61
GFI	Purchase	01/23/08	25,500	1 .61
GFI	Purchase	01/23/08	2,000	1 .61
GFI	Purchase	01/23/08	18,300	1 .61
GFI	Purchase	01/23/08	10,800	1 .61
GFI	Purchase	01/23/08	50,000	1 .61
GFI	Purchase	01/23/08	10,000	1 .60
GFI	Purchase	01/23/08	10,000	1 .61
GFI	Purchase	01/23/08	8,000	1 .60
GFI	Purchase	01/23/08	8,000	1 .61
GFI	Purchase	01/23/08	4,000	1 .61
GFI	Purchase	01/23/08	50,000	1 .62
GFI	Purchase	01/23/08	49,200	1 .63
GFI	Purchase	01/23/08	40,000	1 .63
GFI	Purchase	01/23/08	2,000	1 .63
GFI	Purchase	01/23/08	6,000	1 .63
GFI	Purchase	01/23/08	2,000	1 .63
GFI	Purchase	01/23/08	25,600	1 .63
GFI	Purchase	01/23/08	8,000	1 .63
GFI	Purchase	01/23/08	6,300	1 .63
GFI	Purchase	01/23/08	10,100	1 .63
GFI	Purchase	01/23/08	50,000	1 .63
GFI	Purchase	01/23/08	4,600	1 .63
GFI	Purchase	01/23/08	45,400	1 .63

GFI	Purchase	01/23/08	50,000	1 .62
GFI	Purchase	01/23/08	10,300	1 .62
GFI	Purchase	01/23/08	30,000	1 .62
GFI	Purchase	01/23/08	50,000	1 .62
GFI	Purchase	01/23/08	26,500	1 .62
GFI	Purchase	01/23/08	10,000	1 .62
GFI	Purchase	01/23/08	5,000	1 .62
GFI	Purchase	01/23/08	30,000	1 .62
GFI	Purchase	01/23/08	3,200	1 .62
GFI	Purchase	01/23/08	140,000	1 .62
GFI	Purchase	01/23/08	40,000	1 .61
GFI	Purchase	01/23/08	5,000	1 .61
GFI	Purchase	01/23/08	25,300	1 .61
GFI	Purchase	01/23/08	24,700	1 .61
GFI	Purchase	01/23/08	27,000	1 .62
GFI	Purchase	01/23/08	22,000	1 .62
GFI	Purchase	01/23/08	1,000	1 .62
GFI	Purchase	01/23/08	6,000	1 .63
GFI	Purchase	01/23/08	10,000	1 .63
GFI	Purchase	01/23/08	25,600	1 .63
GFI	Purchase	01/23/08	20,000	1 .63
GFI	Purchase	01/23/08	8,400	1 .63
GFI	Purchase	01/23/08	30,000	1 .63
GFI	Purchase	01/23/08	21,600	1 .63
GFI	Purchase	01/23/08	20,000	1 .63
GFI	Purchase	01/23/08	8,400	1 .63
GFI	Purchase	01/23/08	14,000	1 .63
GFI	Purchase	01/23/08	36,000	1 .63
GFI	Purchase	01/23/08	6,000	1 .63
GFI	Purchase	01/23/08	44,000	1 .63
GFI	Purchase	01/23/08	2,000	1 .62
GFI	Purchase	01/23/08	50,000	1 .62
GFI	Purchase	01/23/08	4,000	1 .62
GFI	Purchase	01/23/08	21,800	1 .62
GFI	Purchase	01/23/08	4,000	1 .62
GFI	Purchase	01/23/08	2,000	1 .62
GFI	Purchase	01/23/08	16,200	1 .62
GFI	Purchase	01/23/08	44,600	1 .62
GFI	Purchase	01/23/08	5,400	1 .62
GFI	Purchase	01/23/08	20,000	1 .62
GFI	Purchase	01/23/08	3,700	1 .62

GFI	Purchase	01/23/08	26,300	1 .62
GFI	Purchase	01/23/08	50,000	1 .62
GFI	Purchase	01/23/08	1,600	1 .61
GFI	Purchase	01/23/08	100	1 .61
GFI	Purchase	01/23/08	25,000	1 .62
GFI	Purchase	01/23/08	1,800	1 .62
GFI	Purchase	01/23/08	23,200	1 .62
GFI	Purchase	01/23/08	48,300	1 .61
GFI	Purchase	01/23/08	40,000	1 .61
GFI	Purchase	01/23/08	10,000	1 .61
GFI	Purchase	01/23/08	30,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	20,000	1 .61
GFI	Purchase	01/23/08	30,000	1 .61
GFI	Purchase	01/23/08	40,000	1 .61
GFI	Purchase	01/23/08	10,000	1 .61
GFI	Purchase	01/23/08	34,800	1 .61
GFI	Purchase	01/23/08	15,200	1 .61
GFI	Purchase	01/23/08	50,000	1 .61
GFI	Purchase	01/23/08	50,000	1 .61
GFI	Purchase	01/23/08	50,000	1 .61
GFI	Purchase	02/08/08	47,000	1 .74
GFI	Purchase	02/08/08	3,000	1 .74
GFI	Purchase	02/08/08	9,000	1 .74
GFI	Purchase	02/08/08	20,000	1 .74
GFI	Purchase	02/08/08	20,000	1 .74
GFI	Purchase	02/08/08	1,000	1 .74
GFI	Purchase	02/08/08	10,000	1 .73
GFI	Purchase	02/08/08	40,000	1 .73
GFI	Purchase	02/08/08	3,300	1 .74
GFI	Purchase	02/08/08	5,000	1 .74
GFI	Purchase	02/08/08	41,700	1 .74
Carso Global Telecom	Purchase	02/08/08	132,800	1 .72
Carso Global Telecom	Purchase	02/08/08	467,200	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
	Purchase	02/08/08	500,000	1 .72

Carso Global Telecom				
Carso Global Telecom	Purchase	02/08/08	500,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	23,400	1 .72
Carso Global Telecom	Purchase	02/08/08	4,000	1 .72
Carso Global Telecom	Purchase	02/08/08	25,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	93,800	1 .72
Carso Global Telecom	Purchase	02/08/08	6,200	1 .72
Carso Global Telecom	Purchase	02/08/08	3,700	1 .72
Carso Global Telecom	Purchase	02/08/08	96,300	1 .72
Carso Global Telecom	Purchase	02/08/08	8,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	92,000	1 .72
Carso Global Telecom	Purchase	02/08/08	44,000	1 .73
Carso Global	Purchase	02/08/08	3,600	1 .73

Telecom				
Carso Global Telecom	Purchase	02/08/08	140,000	1 .72
Carso Global Telecom	Purchase	02/08/08	60,000	1 .72
Carso Global Telecom	Purchase	02/08/08	80,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	80,000	1 .72
Carso Global Telecom	Purchase	02/08/08	20,000	1 .72
Carso Global Telecom	Purchase	02/08/08	13,300	1 .72
Carso Global Telecom	Purchase	02/08/08	6,700	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	2,000	1 .72
Carso Global Telecom	Purchase	02/08/08	20,000	1 .72
Carso Global Telecom	Purchase	02/08/08	80,000	1 .72
Carso Global Telecom	Purchase	02/08/08	53,300	1 .72
Carso Global Telecom	Purchase	02/08/08	140,000	1 .72
	Purchase	02/08/08	50,000	1 .72

Carso Global Telecom				
Carso Global Telecom	Purchase	02/08/08	6,700	1 .72
Carso Global Telecom	Purchase	02/08/08	43,300	1 .72
Carso Global Telecom	Purchase	02/08/08	106,700	1 .72
Carso Global Telecom	Purchase	02/08/08	8,000	1 .72
Carso Global Telecom	Purchase	02/08/08	90,000	1 .72
Carso Global Telecom	Purchase	02/08/08	8,000	1 .72
Carso Global Telecom	Purchase	02/08/08	92,000	1 .72
Carso Global Telecom	Purchase	02/08/08	96,800	1 .72
Carso Global Telecom	Purchase	02/08/08	53,200	1 .72
Carso Global Telecom	Purchase	02/08/08	46,800	1 .72
Carso Global Telecom	Purchase	02/08/08	2,000	1 .72
Carso Global Telecom	Purchase	02/08/08	1,200	1 .72
Carso Global Telecom	Purchase	02/08/08	18,800	1 .72
Carso Global Telecom	Purchase	02/08/08	54,000	1 .72
Carso Global	Purchase	02/08/08	140,000	1 .72

Telecom				
Carso Global Telecom	Purchase	02/08/08	500,000	1 .72
Carso Global Telecom	Purchase	02/08/08	287,200	1 .72
Carso Global Telecom	Purchase	02/08/08	70,000	1 .72
Carso Global Telecom	Purchase	02/08/08	30,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	22,500	1 .71
Carso Global Telecom	Purchase	02/08/08	2,000	1 .71
Carso Global Telecom	Purchase	02/08/08	75,500	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .72
Carso Global Telecom	Purchase	02/08/08	28,300	1 .72
Carso Global Telecom	Purchase	02/08/08	4,000	1 .72
Carso Global Telecom	Purchase	02/08/08	6,000	1 .72
Carso Global Telecom	Purchase	02/08/08	4,000	1 .72
Carso Global Telecom	Purchase	02/08/08	7,700	1 .72
Carso Global Telecom	Purchase	02/08/08	50,000	1 .72
	Purchase	02/08/08	25,000	1 .71

Carso Global Telecom				
Carso Global Telecom	Purchase	02/08/08	25,000	1 .71
Carso Global Telecom	Purchase	02/08/08	22,300	1 .71
Carso Global Telecom	Purchase	02/08/08	77,700	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .71
Carso Global Telecom	Purchase	02/08/08	2,000	1 .70
Carso Global Telecom	Purchase	02/08/08	12,000	1 .70
Carso Global Telecom	Purchase	02/08/08	2,000	1 .70
Carso Global Telecom	Purchase	02/08/08	34,000	1 .70
Carso Global Telecom	Purchase	02/08/08	50,000	1 .70
Carso Global Telecom	Purchase	02/08/08	100,000	1 .70
Carso Global Telecom	Purchase	02/08/08	41,800	1 .70
Carso Global	Purchase	02/08/08	8,200	1 .70

Telecom				
Carso Global Telecom	Purchase	02/08/08	41,800	1 .70
Carso Global Telecom	Purchase	02/08/08	8,200	1 .70
Carso Global Telecom	Purchase	02/08/08	100,000	1 .70
Carso Global Telecom	Purchase	02/08/08	100,000	1 .70
Carso Global Telecom	Purchase	02/08/08	5,000	1 .71
Carso Global Telecom	Purchase	02/08/08	95,000	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .71
Carso Global Telecom	Purchase	02/08/08	120,000	1 .71
Carso Global Telecom	Purchase	02/08/08	80,000	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .71
Carso Global Telecom	Purchase	02/08/08	7,100	1 .71
Carso Global Telecom	Purchase	02/08/08	92,900	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .70
	Purchase	02/08/08	6,000	1 .70

Carso Global Telecom				
Carso Global Telecom	Purchase	02/08/08	100,000	1 .70
Carso Global Telecom	Purchase	02/08/08	40,000	1 .71
Carso Global Telecom	Purchase	02/08/08	140,000	1 .71
Carso Global Telecom	Purchase	02/08/08	8,000	1 .71
Carso Global Telecom	Purchase	02/08/08	8,000	1 .71
Carso Global Telecom	Purchase	02/08/08	4,000	1 .71
Carso Global Telecom	Purchase	02/08/08	30,000	1 .70
Carso Global Telecom	Purchase	02/08/08	10,000	1 .70
Carso Global Telecom	Purchase	02/08/08	54,000	1 .70
Carso Global Telecom	Purchase	02/08/08	6,000	1 .70
Carso Global Telecom	Purchase	02/08/08	60,000	1 .70
Carso Global Telecom	Purchase	02/08/08	4,000	1 .70
Carso Global Telecom	Purchase	02/08/08	10,000	1 .70
Carso Global Telecom	Purchase	02/08/08	10,000	1 .70
Carso Global	Purchase	02/08/08	10,000	1 .70

Telecom				
Carso Global Telecom	Purchase	02/08/08	85,900	1 .70
Carso Global Telecom	Purchase	02/08/08	14,100	1 .70
Carso Global Telecom	Purchase	02/08/08	29,700	1 .71
Carso Global Telecom	Purchase	02/08/08	100	1 .71
Carso Global Telecom	Purchase	02/08/08	70,200	1 .71
Carso Global Telecom	Purchase	02/08/08	100,000	1 .71
Carso Global Telecom	Purchase	02/08/08	22,000	1 .71
Carso Global Telecom	Purchase	02/08/08	10,000	1 .71
Carso Global Telecom	Purchase	02/08/08	140,000	1 .71
Carso Global Telecom	Purchase	02/08/08	50,000	1 .71
Carso Global Telecom	Purchase	02/08/08	78,000	1 .71
Carso Global Telecom	Purchase	02/08/08	140,000	1 .71
Carso Global Telecom	Purchase	02/08/08	60,000	1 .71
Carso Global Telecom	Purchase	02/08/08	45,000	1 .71
Carso Global Telecom	Purchase	02/08/08	10,000	1 .71
	Purchase	02/08/08	25,000	1 .71

Carso Global Telecom				
Carso Global Telecom	Purchase	02/08/08	1,000	1 .71
Carso Global Telecom	Purchase	02/08/08	19,000	1 .71
Carso Global Telecom	Purchase	02/08/08	60,000	1 .72
Carso Global Telecom	Purchase	02/08/08	1,000	1 .72
Carso Global Telecom	Purchase	02/08/08	10,000	1 .72
Carso Global Telecom	Purchase	02/08/08	129,000	1 .72
Carso Global Telecom	Purchase	02/08/08	100,000	1 .72
Carso Global Telecom	Purchase	02/08/08	4,000	1 .72
Carso Global Telecom	Purchase	02/08/08	1,000	1 .72
Carso Global Telecom	Purchase	02/08/08	50,000	1 .72
Carso Global Telecom	Purchase	02/08/08	45,000	1 .72
GFI	Purchase	02/08/08	85,000	1 .75
GFI	Purchase	02/08/08	15,000	1 .75
GFI	Purchase	02/08/08	89,000	1 .75
GFI	Purchase	02/08/08	15,000	1 .75
GFI	Purchase	02/08/08	85,000	1 .75
GFI	Purchase	02/08/08	36,000	1 .75
GFI	Purchase	02/08/08	100,000	1 .75
GFI	Purchase	02/08/08	20,000	1 .75
GFI	Purchase	02/08/08	100,000	1 .75
GFI	Purchase	02/08/08	60,000	1 .75

GFI	Purchase	02/08/08	50,000	1 .75
GFI	Purchase	02/08/08	20,000	1 .74
GFI	Purchase	02/08/08	20,000	1 .74
GFI	Purchase	02/08/08	40,000	1 .74
GFI	Purchase	02/08/08	40,000	1 .74
GFI	Purchase	02/08/08	50,000	1 .74
GFI	Purchase	02/08/08	50,000	1 .74
GFI	Purchase	02/08/08	30,000	1 .74
GFI	Purchase	02/08/08	24,000	1 .73
GFI	Purchase	02/08/08	16,000	1 .73
GFI	Purchase	02/08/08	10,000	1 .73
GFI	Purchase	02/08/08	44,500	1 .73
GFI	Purchase	02/08/08	20,000	1 .73
GFI	Purchase	02/08/08	30,000	1 .74
GFI	Purchase	02/08/08	50,000	1 .74
GFI	Purchase	02/08/08	50,000	1 .74
GFI	Purchase	02/08/08	30,000	1 .74
GFI	Purchase	02/08/08	26,400	1 .74
GFI	Purchase	02/08/08	4,000	1 .74
GFI	Purchase	02/08/08	26,000	1 .74
GFI	Purchase	02/08/08	64,100	1 .74
GFI	Purchase	02/08/08	36,300	1 .72
GFI	Purchase	02/08/08	30,000	1 .72
GFI	Purchase	02/08/08	33,700	1 .72
GFI	Purchase	02/08/08	100,000	1 .72
GFI	Purchase	02/08/08	50,000	1 .72
GFI	Purchase	02/08/08	30,000	1 .72
GFI	Purchase	02/08/08	20,000	1 .72
GFI	Purchase	02/08/08	31,800	1 .72
GFI	Purchase	02/08/08	1,000	1 .72
GFI	Purchase	02/08/08	367,200	1 .72
GFI	Purchase	02/11/08	2,000	1 .72
GFI	Purchase	02/11/08	12,000	1 .72
GFI	Purchase	02/11/08	86,000	1 .72
GFI	Purchase	02/11/08	7,800	1 .72
GFI	Purchase	02/11/08	10,000	1 .72
GFI	Purchase	02/11/08	100,000	1 .72
GFI	Purchase	02/11/08	3,500	1 .72
GFI	Purchase	02/11/08	78,700	1 .72
GFI	Purchase	02/11/08	100,000	1 .71
GFI	Purchase	02/11/08	58,000	1 .71

GFI	Purchase	02/11/08	42,000	1 .72
GFI	Purchase	02/11/08	17,900	1 .71
GFI	Purchase	02/11/08	21,000	1 .72
GFI	Purchase	02/11/08	61,100	1 .72
GFI	Purchase	02/11/08	20,200	1 .71
GFI	Purchase	02/11/08	15,800	1 .71
GFI	Purchase	02/11/08	4,700	1 .71
GFI	Purchase	02/11/08	6,000	1 .72
GFI	Purchase	02/11/08	20,000	1 .72
GFI	Purchase	02/11/08	20,000	1 .72
GFI	Purchase	02/11/08	13,300	1 .72
GFI	Purchase	02/11/08	100,000	1 .73
GFI	Purchase	02/11/08	100,000	1 .73
GFI	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	20,000	1 .74
Carso Global Telecom	Purchase	02/11/08	2,000	1 .74
Carso Global Telecom	Purchase	02/11/08	50,000	1 .74
Carso Global Telecom	Purchase	02/11/08	28,000	1 .74
Carso Global Telecom	Purchase	02/11/08	100,000	1 .74
Carso Global Telecom	Purchase	02/11/08	13,000	1 .74
Carso Global Telecom	Purchase	02/11/08	87,000	1 .74
Carso Global Telecom	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	50,000	1 .73
	Purchase	02/11/08	50,000	1 .73

Carso Global Telecom				
Carso Global Telecom	Purchase	02/11/08	100,000	1 .74
Carso Global Telecom	Purchase	02/11/08	48,000	1 .74
Carso Global Telecom	Purchase	02/11/08	20,000	1 .74
Carso Global Telecom	Purchase	02/11/08	20,000	1 .74
Carso Global Telecom	Purchase	02/11/08	12,000	1 .74
Carso Global Telecom	Purchase	02/11/08	100,000	1 .74
Carso Global Telecom	Purchase	02/11/08	60,000	1 .73
Carso Global Telecom	Purchase	02/11/08	20,700	1 .73
Carso Global Telecom	Purchase	02/11/08	19,300	1 .73
Carso Global Telecom	Purchase	02/11/08	10,000	1 .73
Carso Global Telecom	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	10,000	1 .73
Carso Global Telecom	Purchase	02/11/08	60,000	1 .73
Carso Global Telecom	Purchase	02/11/08	2,000	1 .73
Carso Global	Purchase	02/11/08	18,000	1 .73

Telecom				
Carso Global Telecom	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	100,000	1 .73
Carso Global Telecom	Purchase	02/11/08	20,000	1 .73
Carso Global Telecom	Purchase	02/11/08	80,000	1 .73
Carso Global Telecom	Purchase	02/11/08	78,900	1 .72
Carso Global Telecom	Purchase	02/11/08	1,100	1 .72
Carso Global Telecom	Purchase	02/11/08	20,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	8,300	1 .72
Carso Global Telecom	Purchase	02/11/08	91,700	1 .72
Carso Global Telecom	Purchase	02/11/08	49,400	1 .71
	Purchase	02/11/08	4,000	1 .71

Carso Global Telecom				
Carso Global Telecom	Purchase	02/11/08	4,000	1 .71
Carso Global Telecom	Purchase	02/11/08	2,000	1 .71
Carso Global Telecom	Purchase	02/11/08	2,000	1 .71
Carso Global Telecom	Purchase	02/11/08	38,600	1 .71
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	15,500	1 .72
Carso Global Telecom	Purchase	02/11/08	2,000	1 .72
Carso Global Telecom	Purchase	02/11/08	82,500	1 .72
Carso Global Telecom	Purchase	02/11/08	2,000	1 .72
Carso Global Telecom	Purchase	02/11/08	17,900	1 .72
Carso Global Telecom	Purchase	02/11/08	4,000	1 .72
Carso Global Telecom	Purchase	02/11/08	6,000	1 .72
Carso Global Telecom	Purchase	02/11/08	70,100	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global	Purchase	02/11/08	5,500	1 .72

Telecom				
Carso Global Telecom	Purchase	02/11/08	50,000	1 .72
Carso Global Telecom	Purchase	02/11/08	50,000	1 .72
Carso Global Telecom	Purchase	02/11/08	35,000	1 .72
Carso Global Telecom	Purchase	02/11/08	100,000	1 .72
Carso Global Telecom	Purchase	02/11/08	59,500	1 .72
GFI	Purchase	02/11/08	100,000	1 .73
GFI	Purchase	02/11/08	100	1 .73
GFI	Purchase	02/11/08	19,100	1 .73
GFI	Purchase	02/11/08	50,000	1 .74
GFI	Purchase	02/11/08	50,000	1 .74
GFI	Purchase	02/11/08	100,000	1 .74
GFI	Purchase	02/11/08	33,500	1 .73
GFI	Purchase	02/11/08	100	1 .73
GFI	Purchase	02/11/08	46,000	1 .73
GFI	Purchase	02/11/08	101,200	1 .73
GFI	Purchase	02/12/08	100,000	1 .72
GFI	Purchase	02/12/08	100,000	1 .72
GFI	Purchase	02/12/08	100,000	1 .72
GFI	Purchase	02/12/08	36,800	1 .71
GFI	Purchase	02/12/08	60,000	1 .71
GFI	Purchase	02/12/08	3,200	1 .71
GFI	Purchase	02/12/08	47,800	1 .71
GFI	Purchase	02/12/08	52,200	1 .71
GFI	Purchase	02/12/08	8,000	1 .71
GFI	Purchase	02/12/08	20,000	1 .71
GFI	Purchase	02/12/08	16,000	1 .71
GFI	Purchase	02/12/08	16,000	1 .71
GFI	Purchase	02/12/08	16,000	1 .71
GFI	Purchase	02/12/08	8,000	1 .71
GFI	Purchase	02/12/08	8,000	1 .71
GFI	Purchase	02/12/08	4,000	1 .71
GFI	Purchase	02/12/08	4,000	1 .71

GFI	Purchase	02/12/08	26,300	1 .71
GFI	Purchase	02/12/08	4,000	1 .71
GFI	Purchase	02/12/08	4,000	1 .71
GFI	Purchase	02/12/08	28,000	1 .71
GFI	Purchase	02/12/08	30,000	1 .71
GFI	Purchase	02/12/08	4,000	1 .71
GFI	Purchase	02/12/08	3,700	1 .71
GFI	Purchase	02/12/08	5,000	1 .71
GFI	Purchase	02/12/08	45,000	1 .71
GFI	Purchase	02/12/08	30,100	1 .70
GFI	Purchase	02/12/08	19,900	1 .70
GFI	Purchase	02/12/08	20,000	1 .70
GFI	Purchase	02/12/08	6,000	1 .70
GFI	Purchase	02/12/08	36,000	1 .70
GFI	Purchase	02/12/08	4,000	1 .70
GFI	Purchase	02/12/08	34,000	1 .70
GFI	Purchase	02/12/08	83,500	1 .71
GFI	Purchase	02/12/08	16,500	1 .71
Carso Global Telecom	Purchase	02/12/08	18,800	1 .73
Carso Global Telecom	Purchase	02/12/08	11,200	1 .73
Carso Global Telecom	Purchase	02/12/08	37,600	1 .73
Carso Global Telecom	Purchase	02/12/08	7,400	1 .73
Carso Global Telecom	Purchase	02/12/08	42,600	1 .73
Carso Global Telecom	Purchase	02/12/08	5,400	1 .73
Carso Global Telecom	Purchase	02/12/08	50,000	1 .73
Carso Global Telecom	Purchase	02/12/08	8,800	1 .73
Carso Global	Purchase	02/12/08	20,000	1 .73

Telecom				
Carso Global Telecom	Purchase	02/12/08	20,000	1 .73
Carso Global Telecom	Purchase	02/12/08	20,100	1 .73
Carso Global Telecom	Purchase	02/12/08	19,900	1 .73
Carso Global Telecom	Purchase	02/12/08	100	1 .73
Carso Global Telecom	Purchase	02/12/08	4,600	1 .73
Carso Global Telecom	Purchase	02/12/08	7,100	1 .73
Carso Global Telecom	Purchase	02/12/08	20,000	1 .73
Carso Global Telecom	Purchase	02/12/08	20,000	1 .73
Carso Global Telecom	Purchase	02/12/08	2,900	1 .73
Carso Global Telecom	Purchase	02/12/08	19,800	1 .73
Carso Global Telecom	Purchase	02/12/08	6,000	1 .73
Carso Global Telecom	Purchase	02/12/08	32,200	1 .73
Carso Global Telecom	Purchase	02/12/08	50,000	1 .73
Carso Global Telecom	Purchase	02/12/08	18,000	1 .73
Carso Global Telecom	Purchase	02/12/08	30,000	1 .73
	Purchase	02/12/08	2,000	1 .73

Carso Global Telecom				
Carso Global Telecom	Purchase	02/12/08	31,300	1 .74
Carso Global Telecom	Purchase	02/12/08	10,000	1 .74
Carso Global Telecom	Purchase	02/12/08	29,200	1 .74
Carso Global Telecom	Purchase	02/12/08	5,600	1 .74
Carso Global Telecom	Purchase	02/12/08	6,400	1 .74
Carso Global Telecom	Purchase	02/12/08	195,000	1 .74
Carso Global Telecom	Purchase	02/12/08	29,800	1 .74
Carso Global Telecom	Purchase	02/12/08	29,700	1 .74
Carso Global Telecom	Purchase	02/12/08	185,600	1 .74
Carso Global Telecom	Purchase	02/12/08	50,000	1 .74
Carso Global Telecom	Purchase	02/12/08	5,700	1 .74
Carso Global Telecom	Purchase	02/12/08	40,000	1 .74
Carso Global Telecom	Purchase	02/12/08	18,000	1 .74
Carso Global Telecom	Purchase	02/12/08	50,000	1 .73
Carso Global	Purchase	02/12/08	17,200	1 .73

Telecom							
Carso Global Telecom	Purchase	02/12/08	50,000		1 .73		
Carso Global Telecom	Purchase	02/12/08	15,000		1 .73		
Carso Global Telecom	Purchase	02/12/08	17,200		1 .73		
Carso Global Telecom	Purchase	02/12/08	600		1 .74		
Carso Global Telecom	Purchase	02/12/08	20,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	1,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	17,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	25,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	50,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	20,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	25,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	60,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	20,000		1 .74		
Carso Global Telecom	Purchase	02/12/08	20,000	13,642,589	$	2,107	$ 18,326,417
Actual credits issued related to sales recorded in	(3,954,794)		(632,314)		(12,853,342)		(17,440,450)

prior fiscal years					
Reserves or (reversals) charged during Fiscal 2009 related to sales in prior fiscal years			2,107	(2,107)	
Reserves charged to net sales during Fiscal 2009 related to sales recorded in Fiscal 2009	35,391,475	12,141,204	4,315,638	204,119	52,052,436
Actual credits issued related to sales recorded in Fiscal 2009	(29,396,286)	(9,603,458)		(204,119)	(39,203,863)
Reserve Balance as of June 30, 2009	$ 6,089,802	$ 2,537,746	$ 5,106,992	$	$ 13,734,540

Table of Contents

For the Year Ended June 30, 2008

Reserve Category	Chargebacks	Rebates	Returns	Other	Total
Reserve Balance as of June 30, 2007	$ 4,649,478	$ 871,339	$ 113,313	$ 52,234	$ 5,686,364
Actual credits issued related to sales recorded in prior fiscal years	(4,556,488)	(1,741,804)	(4,909,659)		(11,207,951)
Reserves or (reversals) charged during Fiscal 2008 related to sales in prior fiscal years		870,465	5,892,805	(50,000)	6,713,270
Reserves charged to net sales during Fiscal 2008 related to sales recorded in Fiscal 2008	26,126,995	7,999,232	12,546,130	473,423	47,145,780
Actual credits issued related to sales recorded in Fiscal 2008	(22,170,578)	(7,366,918)		(473,550)	(30,011,046)
Reserve Balance as of June 30, 2008	$ 4,049,407	$ 632,314	$ 13,642,589	$ 2,107	$ 18,326,417

Reserve Activity 2010 vs. 2009

The total reserve for chargebacks, rebates, returns and other adjustments increased from $13,734,540 at June 30, 2009 to $15,249,412 at June 30, 2010. The increase in total reserves was due to an increase in the rebates reserve as a result of the timing of credits being processed by the customers and by the Company, an increase in chargeback reserves due primarily to an increase in inventory levels at wholesaler distribution centers, and an increase in the return reserves due to an increase in overall sales.

During Fiscal 2010 approximately $424,000 of the original $10,545,000 return reserve recorded in the fourth quarter of Fiscal 2008 for the Prenatal Multivitamin product was applied to accounts receivable for customers who had returned the Prenatal Multivitamin product during 2010. In addition, the Company reversed approximately $387,000 to net sales in the fourth quarter of Fiscal 2010 as a result of new information that the Company had received regarding the amount of Multivitamin product that remained to be returned to the Company. This adjustment left a balance of approximately $17,000 of Multivitamin returns reserve on the consolidated balance sheet at June 30, 2010.

The following tables compare the year-end reserve balances in fiscal years 2010 and 2009 and the gross sales mix in Fiscal 2010 and Fiscal 2009.

	Fiscal Year Ended June 30,			
	2010	%	2009	%
Chargeback reserve	$ 6,282,127	41%	$ 6,089,802	44%
Rebate reserve	3,566,031	23%	2,537,746	19%
Return reserve	5,401,254	36%	5,106,992	37%
Other reserve		0%		0%

	$	15,249,412	100%	$	13,734,540	100%

	Fiscal Year ended June 30,		Fiscal Fourth Quarter	
	2010	2009	2010	2009
Chain drug stores	32%	37%	31%	33%
Mail Order	4%	4%	4%	3%
Wholesalers	64%	59%	65%	64%
	100%	100%	100%	100%

Reserve Activity 2009 vs. 2008

The total reserve for chargebacks, rebates, returns and other adjustments decreased from $18,326,417 at June 30, 2008 to $13,734,540 at June 30, 2009. The decrease in the reserve balance was primarily the result of our decision to record during the fourth quarter of Fiscal 2008 a $10,545,000 provision for the expected return of 100% of the shipments of Prenatal Multivitamin. Our expectation that all of the product would be returned was based on our inability to have the product specified as a brand equivalent, product complaints and information from our customers regarding their intentions to return the product. Substantially all of these products were returned in Fiscal 2009 leaving a balance of approximately $828,000 in the Multivitamin return reserve at June 30, 2009. Partially offsetting this decrease was an increase primarily due to an increase in sales volume in Fiscal 2009.

Table of Contents

The increase in chargeback and rebate reserves between June 30, 2008 and June 30, 2009 was primarily due to an increase in sales volume in 2009, as well as a change in our sales mix. The following tables compare the year-end reserve balances in fiscal years 2009 and 2008 and the gross sales mix for the fourth quarters and full years in Fiscal 2009 and Fiscal 2008.

	Fiscal Year Ended June 30,			
	2009	%	2008	%
Chargeback reserve	$ 6,089,802	44%	$ 4,049,407	22%
Rebate reserve	2,537,746	19%	632,314	3%
Return reserve	5,106,992	37%	13,642,589	74%
Other reserve		0%	2,107	0%
	$ 13,734,540	100%	$ 18,326,417	100%

	Fiscal Year ended June 30,		Fiscal Fourth Quarter	
	2009	2008	2009	2008
Chain drug stores	37%	34%	33%	35%
Mail Order	4%	4%	3%	4%
Wholesalers	59%	62%	64%	61%
	100%	100%	100%	100%

Accounts Receivable - The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer s current credit worthiness, as determined by a review of current credit information. The Company continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. While such credit losses have historically been within both the Company s expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past.

The Company also regularly monitors accounts receivable (AR) balances by reviewing both net and gross day s sales outstanding (DSO). Net DSO is calculated by dividing gross accounts receivable less the reserve for rebates, chargebacks, returns and other adjustments by the average daily net sales for the period. Gross DSO shows the result of the same calculation without regard to rebates, chargebacks, returns and other adjustments.

The Company monitors both net DSO and gross DSO as an overall check on collections and to assess the reasonableness of the reserves. Gross DSO provides management with an understanding of the frequency of customer payments, and the ability to process customer payments and deductions. The net DSO calculation provides management with an understanding of the relationship of the AR balance net of the reserve liability compared to net sales after charges to the reserves during the period. Standard payment terms offered to customers are consistent with industry practice at 60 days. Net DSO eliminates the effect of timing of processing, which is inherent in the gross DSO calculation.

The following table shows the results of these calculations for the fiscal years ended June 30, 2010, 2009 and 2008:

Fiscal Year Ended June 30,	2010	2009	2008
Net DSO (in days)	77	55	65
Gross DSO (in days)	69	53	70

The level of net DSO at June 30, 2010 is slightly higher than the Company s expectation that DSO will be in the 60 to 70 day range based on 60 day payment terms for most customers. The increase is due to a higher percentage of sales being shipped at the end of the quarter.

Inventories - The Company values its inventory at the lower of cost (determined by the first-in, first-out method) or market, regularly reviews inventory quantities on hand, and records a provision for excess and obsolete inventory based primarily on estimated forecasts of product demand and production requirements. The Company s estimates of future product demand may prove to be inaccurate, in which case it may have understated or overstated the provision required for excess and obsolete inventory. In the future, if the Company s inventory is determined to be overvalued, the Company would be required to recognize such costs in cost of goods sold at the time of such determination. Likewise, if inventory is determined to be undervalued, the Company may have recognized excess cost of goods sold in previous periods and would be required to recognize such additional operating income at the time of sale.

Consolidation of Variable Interest Entity The Company consolidates any Variable Interest Entity (VIE) of which we are the primary beneficiary. The liabilities recognized as a result of consolidating a VIE do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIE. Conversely, assets recognized as a result of

Table of Contents

consolidating a VIE do not represent additional assets that could be used to satisfy claims against our general assets. Reflected in the June 30, 2010 and 2009 balance sheets are consolidated VIE assets of $1.9 million and $1.9 million, respectively, which is comprised mainly of land and a building. VIE liabilities primarily consist of a mortgage on that property in the amount of $1.6 million and $1.7 million at June 30, 2010 and 2009, respectively. This VIE was initially consolidated by Cody, as Cody has been the primary beneficiary. Cody has then been consolidated within Lannett s financial statements since its acquisition in April 2007.

New Accounting Pronouncements -

In December 2007, the FASB issued authoritative guidance which significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, contingencies, acquisition costs, in-process research and development and restructuring costs. In addition, under the guidance, changes in deferred tax asset valuation allowances and acquired income tax uncertainties in a business combination after the measurement period will impact income tax expense. In April 2009, updated guidance was issued to address application issues regarding the accounting and disclosure provisions for contingencies. The authoritative guidance applies prospectively to business combinations for which the acquisition date is on or after the beginning of the fiscal year beginning July 1, 2009. Early application is not permitted. The effect of this authoritative guidance on our consolidated financial statements will depend on the nature and terms of any business combinations that occur after the effective date.

In December 2007, the FASB issued authoritative guidance to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and establishes a single method of accounting for changes in a parent s ownership interest in a subsidiary that do not result in deconsolidation. We adopted this authoritative guidance effective July 1, 2009. As a result of the adoption, the Company presents noncontrolling interests as a component of equity on its consolidated balance sheets. Minority interest expense is now shown below net income under the heading net income attributable to noncontrolling interest . Prior year financial statements have been reclassified to reflect the adoption of this guidance. The adoption of this guidance did not have any other significant impact on our consolidated financial statements.

In April 2008, the FASB issued authoritative guidance which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The guidance is intended to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. We adopted this authoritative guidance effective July 1, 2009. The adoption of this guidance did not have a significant impact on our consolidated financial statements.

In June 2009, the FASB issued authoritative guidance for determining whether an entity is a variable interest entity and modifies the methods allowed for determining the primary beneficiary of a variable interest entity. This guidance requires an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. It also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. The authoritative guidance is effective for the annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and annual reporting periods thereafter. We do not expect the adoption of this authoritative guidance to have a significant impact on our consolidated financial statements.

In January 2010, the FASB issued authoritative guidance which requires reporting entities to make new disclosures about recurring or nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. The authoritative guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for Level 3 reconciliation disclosures which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. We do not anticipate that this update will have a material impact on our consolidated financial statements.

Table of Contents

Results of Operations Fiscal 2010 compared to Fiscal 2009

Net sales increased 5% from $119,002,215 in Fiscal 2009 to $125,177,949 in Fiscal 2010. The following factors contributed to the $6,175,734 increase in sales:

Medical indication	Sales volume change %	Sales price change %
Migraine Headache	(6)%	9%
Antibiotics	5%	(5)%
Prescription Vitamin	(47)%	(15)%
Pain Management	138%	44%
Epilepsy	(10)%	26%
Heart Failure	(19)%	(1)%
Thyroid Deficiency	9%	0%

Sales of drugs used for pain management increased by approximately $9,974,000 for Fiscal 2010 compared to Fiscal 2009. This increase is due to an increased number of products offered as well as a market withdrawal by one of our major competitors. Sales of drugs used in the treatment of thyroid deficiency increased by approximately $4,485,000 as a result of a continued shift away from branded drugs towards generic prescriptions. Partially offsetting these increases was a decrease in sales of our prescription vitamins of approximately $6,929,000 due to a lack of selling activities by the branded drug company. The overall increase in sales was also affected by a decrease in sales of drugs for the treatment of congestive heart failure by approximately $5,425,000 in Fiscal 2010 compared to Fiscal 2009. This decrease was due to a prior year product recall by several of our major competitors which increased our Fiscal 2009 revenues. Additional sales can also be attributed to new drugs used for the treatment of gallstones totaling approximately $2,190,000.

The Company expects to continue increasing the number of products available for sale to its customers, which will require additional FDA approvals. The Company s receipt of several approvals by the FDA to offer new products has resulted in more sales of new products in Fiscal 2010 compared to Fiscal 2009.The Company sells its products to customers in various categories. The table below presents the Company s net sales to each category.

Customer Category	Fiscal 2010 Net Sales		Fiscal 2009 Net Sales	
Wholesaler/Distributor	$	58.2 million	$	53.8 million
Retail Chain	$	60.3 million	$	59.0 million
Mail-Order Pharmacy	$	6.7 million	$	5.8 million
Private Label	$	0.0 million	$	0.4 million
Total	$	125.2 million	$	119.0 million

The sales to wholesaler/distributor and retail chain customer categories increased significantly as a result of an increase in the demand for products for which the Company is the major supplier and also an increase in the number of products available for sale.

Cost of sales increased 14% to $83,838,142 in Fiscal 2010 from $73,757,746 in Fiscal 2009. The increase reflected the impact of the 5% increase in sales as well as additional royalties of approximately $455,180 primarily related to the sale of the prescription vitamins, our Amantadine product and the final payments under the Provell termination agreement. Additionally, the increase in cost of sales is attributable to two months of idle capacity costs at our Cody Labs subsidiary being directly expensed to the income statement during the second quarter of fiscal 2010. In March of 2009, the FDA issued a warning letter to nine companies including Lannett to remove Morphine Sulfate Oral Solution from the market until someone could submit an application and receive approval on such application. In April 2009, due to shortages of this fairly necessary drug in the marketplace, the FDA reversed their position and allowed all seven companies to continue manufacturing and/or marketing Morphine Sulfate up until 180 days after someone received approval on a Morphine Sulfate application. These actions by the FDA caused the DEA to withhold purchasing and manufacturing quota from some or all of these nine companies, including Lannett. Although the Company had quota at the time and quota issues were resolved by December 2009, the Cody Labs facility was left idle for the months of October and November 2009 due to the lack of Morphine Sulfate quota.

Table of Contents

Amortization expense primarily relates to the JSP Distribution Agreement. For the remaining term of the JSP Distribution Agreement, the Company will incur annual amortization expense of approximately $1,785,000.

Gross profit margins for Fiscal 2010 and Fiscal 2009 were 33% and 38%, respectively. Gross profit percentage decreased due to the decline in sales of the prescription vitamin, the commencement of the related royalty and the Cody Labs idle capacity costs discussed above. While the Company is continuously striving to keep product costs low, there can be no guarantee that profit margins will not fluctuate in future periods. Pricing pressure from competitors and costs of producing or purchasing new drugs may also fluctuate in the future. Changes in the future sales product mix may also occur. These changes may affect the gross profit percentage in future periods.

Research and development (R&D) expenses increased 34% to $11,251,421 in Fiscal 2010 from $8,427,135 in Fiscal 2009. The increase was primarily due to an increase in the number of drugs in development and preparation for submission to the FDA as well as increased costs for biostudies. The Company expenses all production costs as R&D until the drug is approved by the FDA. R&D expenses may fluctuate from period to period, based on R&D plans for submission to the FDA.

Selling, general and administrative (S, G & A) expenses decreased 33% to $17,375,320 in Fiscal 2010 from $26,059,104 in Fiscal 2009. The decrease is primarily due to litigation expenses in Fiscal 2009 related to the patent challenge with KV Pharmaceuticals of approximately $6,537,000 which were not incurred in Fiscal 2010 as the litigation was settled in March 2009. In the third quarter of Fiscal 2009, the Company also incurred severance costs related to the departure of the Company s former chief financial officer of approximately $452,000 which were not incurred in Fiscal 2010. Most of the remaining decrease in S, G &A expense is due to the reallocation of personnel at Cody Labs during 2010 to production due to their transition during this fiscal year into a more fully functional manufacturing facility. The costs incurred during fiscal 2009 of getting the Cody facility compliant with FDA cGMP requirements, as well as the personnel and related expenses incurred to set up laboratories and manufacturing space, and writing and establishing all policies and procedures were expensed to S, G &A. While the Company is focused on controlling costs, increases in personnel costs may have an ongoing and longer lasting impact on the administrative cost structure. Other costs are being incurred to facilitate improvements in the Company s infrastructure. These costs are expected to be temporary investments in the future of the Company and may not continue at the same level.

Interest expense decreased to $275,870 in Fiscal 2010 from $321,751 in Fiscal 2009, due to lower levels of long term debt. Interest income decreased to $62,328 in Fiscal 2010 from $209,188 in Fiscal 2009 due to lower interest earned on smaller investment securities balances.

The Company recorded income tax expense totaling $4,813,044 in Fiscal 2010 compared to $4,090,716 in Fiscal 2009. The effective tax rate for Fiscal 2010 was 37.5% compared to 38.3% for Fiscal 2009. The effective tax rate for Fiscal 2010 includes the impact of a change in Pennsylvania tax law which lowered the Company s apportionment factor within this state. The impact of this change caused the Company to reduce its deferred tax assets by approximately $650,000, and therefore increased the effective tax rate by approximately 5% for Fiscal 2010. The increase in effective tax rate related to this change in Pennsylvania tax law was essentially offset by the impact of the settlement reached with the IRS related to its review of the federal income tax return for Fiscal 2008. As a result of the settlement, the Company recorded a refund receivable totaling approximately $421,000 and reduced its liability for unrecognized tax benefits by approximately $216,000. In addition, the Company amended its Fiscal 2005 income tax return to claim additional federal income tax credits, which was accepted as timely filed by the IRS. As a result, the Company reduced its income taxes payable by approximately $528,000 related to this amended income tax return.

At June 30, 2010, the Company has recognized a net deferred tax asset of $17,881,721. The net deferred tax asset is net of a valuation allowance of $2,016,620 that is related to the Cody notes receivable impairment incurred in conjunction with the acquisition of Cody Labs. The Company has provided for the valuation allowance related to the notes receivable impairment as this benefit will be realized only upon the disposition of Cody Labs. As the Company has no current plans to dispose of its holdings in Cody, a full valuation allowance has been established. The Company expects the remaining net deferred tax assets to be fully realizable based on the Company s history and future expectations of generating sufficient taxable income.

The Company reported net income attributable to Lannett of $7,821,067 for Fiscal 2010, or $0.32 basic and $0.31 diluted earnings per share, compared to net income attributable to Lannett of $6,534,245 for Fiscal 2009, or $0.27 basic and diluted earnings per share.

Results of Operations Fiscal 2009 compared to Fiscal 2008

Net sales increased 64% from $72,403,283 in Fiscal 2008 to $119,002,215 in Fiscal 2009. The increase was partly due to sales of approximately $12,569,000 of our prescription vitamins during Fiscal 2009 which was the first year that the Company has offered this product. In addition to the sales of the prescription vitamins, the following factors contributed to the $46,598,932 increase in sales:

Table of Contents

Medical indication	Sales volume change %	Sales price change %
Migraine Headache	(3)%	(4)%
Antibiotics	51%	(43)%
Epilepsy	2%	(53)%
Heart Failure	159%	36%
Thyroid	28%	(3)%

The increase in product sales can be attributed primarily to three products. Sales of drugs for the treatment of congestive heart failure increased by approximately $18,847,000 for Fiscal 2009 compared to Fiscal 2008 due to a product recall by several of our major competitors. For Fiscal 2009, the Company had sales of approximately $12,569,000 of the prescription vitamins, which was the first year the Company offered this product. Sales of drugs used in the treatment of thyroid deficiency increased by approximately $9,311,000. The main reason for this increase was due to an increase in sales to one large existing retail chain customer along with the addition of several new customers at our existing prices.

The Company expects to continue increasing the number of products available for sale to its customers, which will require additional FDA approvals. The Company s receipt of several approvals by the FDA to offer new products has resulted in more sales of new products in Fiscal 2009 compared to Fiscal 2008.

The Company sells its products to customers in various categories. The table below presents the Company s net sales to each category.

Customer Category		Fiscal 2009 Net Sales		Fiscal 2008 Net Sales
Wholesaler/Distributor	$	53.8 million	$	30.5 million
Retail Chain	$	59.0 million	$	37.1 million
Mail-Order Pharmacy	$	5.8 million	$	4.5 million
Private Label	$	0.4 million	$	0.3 million
Total	$	119.0 million	$	72.4 million

The sales to all customer categories except private label increased significantly as a result of an increase in the demand for products for which the Company is the major supplier and also an increase in the number of products available for sale.

Cost of sales increased 31%, from $56,102,212 in Fiscal 2008 to $73,757,746 in Fiscal 2009. The increase reflected the impact of the 64% increase in net sales as well as the overall fixed nature of some production costs.

Amortization expense primarily relates to the JSP Distribution Agreement. For the remaining term of the JSP Distribution Agreement, the Company will incur annual amortization expense of approximately $1,785,000.

Gross profit as a percent of net sales increased to 38% in Fiscal 2009 from 23% in Fiscal 2008, due to strong profit margins on the new prescription vitamin, increased margins for our congestive heart failure medication, and the overall fixed nature of some production costs versus the 64% increase in revenues**.** While the Company is continuously striving to keep product costs low, there can be no guarantee that profit margins will not decline in future periods due to pricing pressure from competitors and costs of producing or purchasing new drugs. Changes in the product mix may also occur which could affect gross profit as a percent of sales in future periods.

Research and development (R&D) expenses increased 63% to $8,427,135 in Fiscal 2009 from $5,172,715 in Fiscal 2008. The increase was primarily due to a increase in the production of drugs in development and preparation for submission to the FDA. The Company expenses all production costs as R&D until the drug is approved by the FDA. R&D expenses may fluctuate from period to period, based on planned submissions to the FDA.

Selling, general and administrative expenses increased 57% to $26,059,104 in Fiscal 2009 from $16,552,859 in Fiscal 2008. The increase is primarily due to litigation expenses related to the patent challenge with KV Pharmaceuticals of approximately $6,537,000,

Table of Contents

incentive compensation costs totaling approximately $4,200,000, and severance costs related to the departure of the Company s former chief financial officer of approximately $452,000. While the Company is focused on controlling costs, increases in personnel costs may have an ongoing and longer lasting impact on the administrative cost structure. Other costs are being incurred to facilitate improvements in the Company s infrastructure. These costs are expected to be temporary investments in the future of the Company and may not continue at the same level.

Interest expense decreased to $321,751 in Fiscal 2009 from $383,267 in Fiscal 2008, due to lower levels of long term debt. Interest income increased to $209,188 in Fiscal 2009 from $170,040 in Fiscal 2008 due to interest income received on an income tax refund as well as interest earned on a higher level of investment securities.

The Company recorded income tax expense of $4,090,716 in Fiscal 2009 on a pretax income after noncontrolling interest of $10,624,961 as compared to an income tax benefit of $3,376,011 in Fiscal 2008 on a pretax loss after noncontrolling interest of $5,694,070. The inclusion of nondeductible expenses, state income taxes, the effects of federal income tax credits, and a reduction in the valuation allowance for deferred tax assets were the principal reasons for the effective tax rate of 38.3% in fiscal year 2009.

At June 30, 2009, the Company has recognized a net deferred tax asset of $18,054,474. The net deferred tax asset is net of a valuation allowance of $2,097,175 that is related to the Cody notes receivable impairment incurred in conjunction with the acquisition of Cody Labs. The Company has provided for the valuation allowance related to the notes receivable impairment as this benefit will be realized only upon the disposition of Cody Labs. As the Company has no current plans to dispose of its holdings in Cody, a full valuation allowance has been established. The Company expects the remaining net deferred tax assets to be fully realizable based on the Company s history and future expectations of generating sufficient taxable income.

The Company reported net income attributable to Lannett of $6,534,245 for Fiscal 2009, or $0.27 basic and diluted earnings per share, compared to a net loss attributable to Lannett of $2,318,059 for Fiscal 2008, or $0.10 basic and diluted loss per share.

Liquidity and Capital Resources

The Company has historically financed its operations with cash flow generated from operations, supplemented with borrowings from various government agencies and financial institutions. At June 30, 2010, working capital was $40,104,705 as compared to $38,632,170 at June 30, 2009, an increase of $1,472,535.

Net cash provided by operating activities of $6,941,231 for the year ended June 30, 2010 reflected net income of $8,008,028 after adjusting for non-cash items of $6,787,846, as well as cash used by changes in operating assets and liabilities of $7,854,643. Significant changes in operating assets and liabilities are comprised of:

- An increase in trade accounts receivable of approximately $8,802,000 primarily as a result of increased sales in Fiscal 2010 as well as the timing of those shipments resulting in a higher DSO at June 30, 2010. The change in the accounts receivable balance from June 30, 2009 to June 30, 2010 includes a non-cash decrease of approximately $424,000 related to the issuance of credits for the returns of the multivitamin product received by the Company through June 30, 2010.

- An increase in inventories of approximately $2,862,000 due to increased stocking levels at both Lannett and Cody Labs for certain products as of June 30, 2010 that are being carried in order to respond to the increased order volume we are currently experiencing.

- An increase in income taxes payable of approximately $769,000 primarily related to federal tax provisions in excess of estimated tax payments made in Fiscal 2010.

- An increase in prepaid expenses and other current assets of approximately $1,908,000 primarily related to the Company s payment of $1,406,000 to the FDA that accompanied an initial application for approval of a currently marketed GRASE product. The Company is currently awaiting a response from the FDA as to whether part or all of the fee is refundable. The FDA normally has up to six months from date of submission in order to determine if any amounts are refundable. Accordingly the Company is recording this amount in Other Current Assets. If any part of the fee is not refundable, and the Company receives approval to market the related product, the Company expects to record the amount as an intangible asset and amortize it over the estimated product life. If this application is not approved, the Company has the right to re-file an application for this specific product with no additional fee due.

- An increase in accrued expenses of approximately $1,622,000 due to the timing of payments related to biostudies and royalties.

Table of Contents

- An increase in rebates, chargebacks and returns payable of approximately $1,939,000 primarily due to an increase in the rebates reserve as a result of the timing of credits being processed by the customers and by the Company, an increase in chargeback reserves due primarily to an increase in inventory levels at wholesaler distribution centers, and an increase in the return reserves due to an increase in overall sales, partially offset by the reversal of the multivitamin product return reserve of approximately $387,000. This increase was partly offset by a non-cash decrease of approximately $424,000 related to the issuance of credits for the returns of the multivitamin product received by the Company through June 30, 2010.

- An increase in accrued payroll and payroll related costs of approximately $1,913,000 primarily related to accrual of the Fiscal 2010 incentive compensation costs partially offset by the payment in the first half of Fiscal 2010 of the Fiscal 2009 accrued incentive compensation costs totaling approximately $4,165,000. Of this amount, approximately $759,000 was settled with the issuance of restricted stock and is therefore excluded from the consolidated statement of cash flows.

Net cash used in investing activities of approximately $10,979,000 for the year ended June 30, 2010 is mainly the result of purchases of property, plant and equipment of approximately $11,187,000, primarily related to acquired land and buildings to be used as the Company s administrative offices and additional warehouse space, as well as the purchase of an intangible asset (product rights) for $500,000. Partially offsetting these amounts are proceeds from the sale of property, plant and equipment totaling approximately $368,000 and proceeds from the sale of investment securities totaling approximately $340,000.

Net cash provided by financing activities of approximately $67,000 for Fiscal 2010 was primarily due to proceeds from the issuance of stock of approximately $756,000 partially offset by the purchase of shares of treasury stock totaling approximately $162,000. The Company also made scheduled debt repayments of approximately $419,000 and a distribution to noncontrolling interests totaling approximately $169,000.

The Company has entered into agreements with various government agencies and financial institutions to provide additional cash to help finance the Company s operations. These borrowing arrangements as of June 30, 2010 are as follows:

The Company has a $3,000,000 line of credit from Wells Fargo, N. A., formerly Wachovia Bank, N.A. (Wells Fargo) that bears interest at the prime interest rate less 0.25% (3.00% at June 30, 2010 and 2009, respectively). As of June 30, 2010 and 2009, the Company had $3,000,000 of availability under this line of credit. The line of credit is collateralized by substantially all of the Company s assets. The agreement contains covenants with respect to working capital, net worth and certain ratios, as well as other covenants. As of June 30, 2010, the Company was in compliance with all financial covenants under the agreement.

The existing line of credit, which was scheduled to expire on November 30, 2009, was renewed and extended during the first quarter of Fiscal 2010 to November 30, 2010. As part of the renewal agreement, the Company is no longer required to maintain any minimum deposit balances with Wells Fargo, and the availability fee on the unused balance of the line of credit was reduced to 0.375%.

The Company borrowed $4,500,000 from the Philadelphia Industrial Development Corporation (PIDC). The Company pays a bi-annual interest payment at a rate equal to two and one-half percent per annum. The outstanding principal balance is due and payable on January 1, 2011.

The Company borrowed $1,250,000 through the Pennsylvania Industrial Development Authority (PIDA). The Company is required to make equal payments each month for 180 months starting February 1, 2006 with interest of two and three-quarter percent per annum. The PIDA Loan has $933,820 outstanding as of June 30, 2010 with $77,091 currently due.

The Company borrowed $500,000 from the Pennsylvania Department of Community and Economic Development Machinery and Equipment Loan Fund. The Company is required to make equal payments for 60 months starting May 1, 2006 with interest of two and three quarter percent per annum. As of June 30, 2010, $88,141 is outstanding.

In April 1999, the Company entered into a loan agreement with the Philadelphia Authority for Industrial Development (the Authority or PAID), to finance future construction and growth projects of the Company. The Authority issued $3,700,000 in tax-exempt variable rate demand and fixed rate revenue bonds to provide the funds to finance such growth projects pursuant to a trust indenture (the Trust Indenture). A portion of the Company s proceeds from the bonds was used to pay for bond issuance costs of approximately $170,000. The Trust Indenture requires that the Company repay the Authority loan through installment payments beginning in May 2003 and continuing through May 2014, the year the bonds mature. The bonds bear interest at the floating variable rate determined by the organization responsible for selling the bonds (the remarketing agent). The interest rate fluctuates on a weekly basis. The effective interest rate at June 30, 2010 was 0.52%. At June 30, 2010, the Company has $555,000 outstanding on

Table of Contents

the Authority loan, of which $130,000 is classified as currently due. The remainder is classified as a long-term liability. In April 1999, an irrevocable letter of credit of $3,770,000 was issued by Wachovia to secure payment of the Authority Loan and a portion of the related accrued interest. At June 30, 2010, no portion of the letter of credit has been utilized.

The Company entered into agreements (the 2003 Loan Financing) with Wells Fargo to finance the purchase of the Torresdale Avenue facility, the renovation and setup of the building, and other anticipated capital expenditures. The Company, as part of the 2003 Loan Financing agreement, is required to make equal payments of principal and interest. The only portion of the loan that remained outstanding at June 30, 2009 was the Equipment Loan, which had an outstanding balance of $80,130 at June 30, 2009. This loan was fully repaid as of June 30, 2010.

The Company has executed Security Agreements with Wells Fargo, PIDA and PIDC in which the Company has pledged substantially all of its assets to collateralize the amounts due.

As a result of the acquisition of Cody, the Company consolidates Cody LCI Realty, LLC, a variable interest entity (VIE), for which Cody Labs is the primary beneficiary. See note 12 to our Consolidated Financial Statements for Consolidation of Variable Interest Entities. A mortgage loan with First National Bank of Cody related to the purchase of land and building by the VIE has also been consolidated in the Company s consolidated balance sheets. The mortgage requires monthly principal and interest payments of $14,782, at a fixed rate of 7.5%, to be made through June 2026. As of June 30, 2010, $1,642,866 is outstanding under the mortgage loan, of which $56,046 is classified as currently due. The mortgage is collateralized by the land and building.

In July 2004, the Company received $500,000 of grant funding from the Commonwealth of Pennsylvania, acting through the Department of Community and Economic Development. The grant funding program requires the Company to use the funds for machinery and equipment located at their Pennsylvania locations, hire an additional 100 full-time employees by June 30, 2006, operate its Pennsylvania locations a minimum of five years and meet certain matching investment requirements. If the Company fails to comply with any of the requirements above, the Company would be liable to repay the full amount of the grant funding ($500,000). The Company has recorded the unearned grant funds as a liability until the Company complies with all of the requirements of the grant funding program. As of June 30, 2010, the Company has had preliminary discussions with the Commonwealth of Pennsylvania to determine whether it will be required to repay any of the funds provided under the grant funding program. Based on information available at June 30, 2010, the Company has recorded the grant funding as a long-term liability under the caption of Unearned Grant Funds.

The following table represents annual contractual obligations as of June 30, 2010:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 Years
Long-Term Debt	$ 7,719,827	$ 4,851,278	$ 554,977	$ 471,652	$ 1,841,920
Operating Leases	111,176	50,100	61,076		
Purchase Obligations	63,930,000	22,572,500	41,357,500		
Interest on Obligations	1,435,553	259,213	278,996	244,012	653,332
Total	$ 73,196,556	$ 27,733,091	$ 42,252,549	$ 715,664	$ 2,495,252

Purchase obligations primarily relate to the JSP Distribution Agreement. See note 17 to our Consolidated Financial Statements for more information on the terms, conditions and financial impact of the JSP Distribution Agreement.

Prospects for the Future

Generic pharmaceutical manufacturers and distributors are constantly faced by pricing pressure in the marketplace as competitors attempt to lure business from distributors, wholesalers and chain retailers by offering lower prices than the incumbent supplier. Lannett tries to differentiate itself in the marketplace by complementing its lower cost offerings with higher levels of customer service and quality of the products. But as Lannett enters Fiscal Year 2011, there in an increasing number of competitors on our key products that are attempting to supplant Lannett as the preferred vendor. Lannett will continue to evaluate each event as it arises, but any reductions in either volumes or pricing will have a negative impact on the gross profit margins of the Company.

The Company has several generic products under development. These products are all orally-administered, topical and parenteral products designed to be generic equivalents to brand named innovator drugs. The Company s developmental drug products are intended to treat a diverse range of indications. As one of the oldest generic drug manufacturers in the country, formed in 1942, Lannett currently owns several ANDAs for products which it does not manufacture and market. These ANDAs are dormant on the Company s records. Occasionally, the Company reviews such ANDAs to determine if the market potential for any of these older

Table of Contents

drugs has recently changed, so as to make it attractive for Lannett to reconsider manufacturing and selling it. If the Company makes the determination to introduce one of these products into the consumer marketplace, it must review the ANDA and related documentation to ensure that the approved product specifications, formulation and other factors meet current FDA requirements for the marketing of that drug. The Company would then redevelop the product and submit it to the FDA for supplemental approval. The FDA s approval process for ANDA supplements is similar to that of a new ANDA. Generally, in these situations, the Company must file a supplement to the FDA for the applicable ANDA, informing the FDA of any significant changes in the manufacturing process, the formulation, or the raw material supplier of the previously-approved ANDA.

The products under development are at various stages in the development cycle formulation, scale-up, and/or clinical testing. Depending on the complexity of the active ingredient s chemical characteristics, the cost of the raw material, the FDA-mandated requirement of bioequivalence studies, the cost of such studies and other developmental factors, the cost to develop a new generic product varies and can range from $100,000 to $1.7 million. Some of Lannett s developmental products will require bioequivalence studies, while others will not depending on the FDA s Orange Book classification. Since the Company has no control over the FDA review process, management is unable to anticipate whether or when it will be able to begin producing and shipping additional products.

The Company views its April 2007 acquisition of Cody Laboratories, Inc. (Cody Labs or Cody) as an important step in becoming a vertically integrated narcotics manufacturer and distributor by allowing it to concentrate on developing and completing its dosage form manufacturing in order to reduce narcotic API costs. In July 2008, the DEA granted Cody Labs a license to directly import raw poppy straw for conversion into API and/or various pharmaceutical products. Only six other companies in the U.S. have been granted this license to date. This license allows the Company to avoid increased costs associated with buying narcotic API from other manufacturers. The Company anticipates that it can use this license to become a vertically integrated manufacturer of narcotic products, as well as a supplier of API to the pharmaceutical industry. The Company believes that the aging domestic population may result in a higher demand for pain management pharmaceutical products and that it will be well-positioned to take advantage of this increased demand.

Cody Labs manufacturing expertise in narcotic APIs will allow Lannett to build a market with limited domestic competition. The Company anticipates that the demand for narcotics and controlled drugs will continue to grow with the Baby Boomer generation demographics and that it is well-positioned to take advantage of these opportunities by concentrating additional resources in the narcotic area. The sale of pain management products approximated 12% of Net Sales for the third quarter of FY 2010 and 11% of Net Sales for the full year Fiscal 2010. Additionally, the API and dosage form production of these products were performed at our Cody Labs operations and, due to the increased volumes of sales on these products, allowed Cody to be profitable during the Company s third and fourth quarters of 2010.

In addition to the efforts of its internal product development group, Lannett has contracted with several outside firms for the formulation and development of several new generic drug products. These outsourced R&D products are at various stages in the development cycle formulation, analytical method development and testing and manufacturing scale-up. These products are orally-administered solid dosage products, topical or parenterals intended to treat a diverse range of medical indications. We intend to ultimately transfer the formulation technology and manufacturing process for all of these R&D products to our own commercial manufacturing sites. The Company initiated these outsourced R&D efforts to complement the progress of its own internal R&D efforts.

Occasionally, the Company will work on developing a drug product that does not require FDA approval. Certain prescription drugs do not require prior FDA approval before marketing. They include, for instance, drugs listed as DESI drugs (Drug Efficacy Study implementation) which are under evaluation by FDA, Grandfathered Drugs, and prescription multivitamin drugs. A generic manufacturer may sell products which are chemically equivalent to innovator drugs, under FDA rules by simply performing and internally documenting the normal research and development involved in bringing a new product to market. Under this scenario, a generic company can forego the time required for FDA approval.

More specifically, certain products, marketed prior to the Federal Food, Drug and Cosmetic Act may be considered GRASE or Grandfathered. GRASE products are those old drugs that do not require prior approval from FDA in order to be marketed because they are generally recognized as safe and effective based on published scientific literature. Similarly, Grandfathered products are those which entered the market before the passage of the 1938 act or the 1962 amendments to the act. Under the grandfather clause, such a product is exempted from the effectiveness requirements [of the act] if its composition and labeling have not changed since 1962 and if, on the day before the 1962 amendments became effective, it was (1) used or sold commercially in the United States, (2) not a new drug as defined by the act at that time, and (3) not covered by an effective application. Recently, the FDA has increased its efforts to force companies to file and seek FDA approval for these GRASE products. Efforts have included granting market exclusivity to approved GRASE products and issuing notices to companies currently producing these products.

Table of Contents

The Company has entered supply and development agreements with certain international companies, including Wintac of India, Orion Pharma of Finland, Azad Pharma AG and Swiss Caps of Switzerland, Pharma 2B (formerly Pharmaseed) of Israel and the GC Group, as well as certain domestic companies, including Jerome Stevens, Banner Pharmacaps, Cerovene, Summit Bioscience LLC and Inverness. The Company is currently in negotiations on similar agreements with other international companies, through which Lannett will market and distribute products manufactured by Lannett or by third parties. Lannett intends to use its strong customer relationships to build its market share for such products, and increase future revenues and income.

The majority of the Company s R&D projects are being developed in-house under Lannett s direct supervision and with Company personnel. Hence, the Company does not believe that its outside contracts for product development and manufacturing supply are material in nature, nor is the Company substantially dependent on the services rendered by such outside firms.

Lannett may increase its focus on certain specialty markets in the generic pharmaceutical industry. Such a focus is intended to provide Lannett customers with increased product alternatives in categories with relatively few market participants. While there is no guarantee that Lannett has the market expertise or financial resources necessary to succeed in such a market specialty, management is confident that such future focus will be well received by Lannett customers and increase shareholder value in the long run.

The Company plans to enhance relationships with strategic business partners, including providers of product development research, raw materials, active pharmaceutical ingredients as well as finished goods. Management believes that mutually beneficial strategic relationships in such areas, including potential financing arrangements, partnerships, joint ventures or acquisitions, could allow for potential competitive advantages in the generic pharmaceutical market. The Company plans to continue to explore such areas for potential opportunities to enhance shareholder value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements and Report of the Independent Registered Public Accounting Firm filed as a part of this Form 10-K are listed in the Exhibit Index filed herewith.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934 (the Exchange Act), as amended for financial reporting as of June 30, 2010. Based on that evaluation, our chief executive officer and chief financial officer concluded that these controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported as specified in Securities and Exchange Commission rules and forms. There were no changes in these controls or procedures identified in connection with the evaluation of such controls or procedures that occurred during our last fiscal quarter, or in other factors that have materially affected, or are reasonably likely to materially affect these controls or procedures.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. These disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Table of Contents

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as a process designed by, or under the supervision of, the chief executive officer and chief financial officer and effected by the board of directors and management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of our management and board of directors;

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework.*

Based on our assessment, our management believes that, as of June 30, 2010, our internal control over financial reporting is effective.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2010, there were no changes in the Company s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Registered Public Accounting Firm Report on Internal Control over Financial Reporting

This Annual Report on Form 10-K does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to an exemption for smaller reporting companies under Section 989G of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

ITEM 9B. OTHER INFORMATION

None.

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERANCE

Directors and Executive Officers

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

	Age	Position
Directors:		
William Farber	78	Chairman of the Board
Ronald A. West	76	Vice Chairman of the Board, Director
Arthur P. Bedrosian	64	Director
Jeffrey Farber	49	Director
Kenneth Sinclair Ph.D.	63	Director
Albert I. Wertheimer, Ph.D.	67	Director
Myron Winkelman	72	Director
Officers:		
Arthur P. Bedrosian	64	President and Chief Executive Officer
Keith R. Ruck	49	Vice President of Finance and Chief Financial Officer
Stephen J. Kovary	53	Vice President of Operations
William F. Schreck	61	Senior Vice President and General Manager
Kevin R. Smith	50	Vice President of Sales and Marketing
Ernest J. Sabo	62	Vice President of Regulatory Affairs and Chief Compliance 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.

The Nominating and Governance Committee concluded that Mr. Farber is qualified and should continue to serve, due, in part, to his long and very successful career in generic drug distribution, having built and managed one of the Country s leading generic distribution companies. His skills include cost controls and material handling.

Ronald A. West was elected a Director of the Company in January 2002. In September 2004, Mr. West was elected Vice Chairman of the Board of Directors. Mr. West is currently a Director of Beecher Associates, an industrial real estate investment company. Prior to this, from 1983 to 1987, Mr. West, member of the audit committee at Lannett, served as Chairman and Chief Executive Officer of Dura Corporation, an original equipment manufacturer of automotive products and other engineered equipment components. In 1987, Mr. West sold his ownership position in Dura Corporation, at which time he retired from active management positions. Mr. West was employed at Dura Corporation since 1969. Prior to this, he served in various financial management positions with TRW, Inc., Marlin Rockwell Corporation and National Machine Products Group, a division of Standard Pressed Steel Company. Mr. West studied Business Administration at Michigan State University and the University of Detroit.

Table of Contents

The Nominating and Governance Committee concluded that Mr. West is qualified and should continue to serve, due, in part, because of his long and successful career in the manufacturing sector, both as a senior executive and as a financial manager. In addition to his financial analytic skills, he is a natural leader with solid experience in corporate governance.

Jeffrey Farber was elected a Director of the Company in May 2006. Jeffrey Farber joined the Company in August 2003 as Secretary. For the past 14 years, 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 of the Board of Directors and the principal shareholder of the Company.

The Nominating and Governance 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.

Kenneth Sinclair, Ph.D., was elected a Director of the Company in September 2005. Dr. Sinclair is currently Professor of Accounting and Senior Advisor to the College of Business and Economics Dean 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. 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.

The Nominating and Governance Committee concluded that Dr. Sinclair is qualified and should continue to serve, due, in part to his long and distinguished career as an Accounting Academic and his deep understanding of accounting and financial reporting. His skills also include organizational planning and interpersonal relations.

Albert I. Wertheimer, Ph.D., was elected a Director of the Company in September 2004. Dr. Wertheimer has a long and distinguished career in various aspects of pharmacy, health care, education and pharmaceutical research. Since 2000, Dr. Wertheimer has been a professor at the School of Pharmacy at Temple University, and director of its Center for Pharmaceutical Health Services Research. From 1997 to 2000, Dr. Wertheimer was Director of Outcomes Research and Management at Merck & Co., Inc. In addition to his academic responsibilities, he is the author of 28 books and more than 380 journal articles. Dr. Wertheimer also provides consulting services to institutions in the pharmaceutical industry. Dr. Wertheimer s academic experience includes professorships and other faculty and administrative positions at several educational institutions, including the Medical College of Virginia, St. Joseph s University, Philadelphia College of Pharmacy and Science and the University of Minnesota. Dr. Wertheimer s previous professional experience includes pharmacy services in commercial and non-profit environments. Professor Wertheimer is a licensed pharmacist in five states, and is a member of several health associations, including the American Pharmacists Association and the American Public Health Association. Dr. Wertheimer is the editor of the *Journal of Pharmaceutical Health Services Research*; and he has been on the editorial board of *the Journal of Managed Pharmaceutical Care, Medical Care*, and other healthcare journals. Dr. Wertheimer has a Bachelor of Science Degree in Pharmacy from the University of Buffalo, a Master of Business Administration from the State University of New York at Buffalo, a Doctorate from Purdue University and a Post Doctoral Fellowship from the University of London, St. Thomas Medical School.

The Nominating and Governance Committee concluded that Dr. Wertheimer is qualified and should continue to serve, due, in part to his deep understanding of all aspects of pharmacy practice, including retail and manufacturing. His skills include business planning and a sound knowledge of drug regulation and distribution.

Myron Winkelman, R.Ph., was elected a Director of the Company in June 2003. Mr. Winkelman has significant career experience in various aspects of pharmacy and health care. He is currently President of Winkelman Management Consulting (WMC), which provides consulting services to both commercial and governmental clients. He has served in this position since 1994. Mr. Winkelman has recently managed multi-state drug purchasing initiatives for both Medicaid and state entities. Prior to creating WMC, he was a senior executive with ValueRx, a large pharmacy benefits manager, and served for many years as a senior executive for the Revco, Rite Aid and Perry Drug chains. While at ValueRx, Mr. Winkelman served on the Board of Directors of the Pharmaceutical Care Management Association. He belongs to a number of pharmacy organizations, including the Academy of Managed Care Pharmacy

Table of Contents

and the Michigan Pharmacy Association. Mr. Winkelman is a registered pharmacist and holds a Bachelor of Science Degree in Pharmacy from Wayne State University.

The Nominating and Governance Committee concluded that Mr. Winkelman is qualified and should continue to serve, due, in part to his experiences with and knowledge of Pharmacy Benefit Administration and Mail Order Pharmacy. His skills include a deep understanding of government pharmacy benefits and the drug supply chain.

Arthur P. Bedrosian, J.D. was promoted to President of the Company in May 2002 and CEO in January of 2006. Prior to this, 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 Interal 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 Nominating and Governance 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 understanding of our operations, challenges and opportunities. In addition, his 42-year background in the generic pharmaceutical industry that encompasses a broad background and knowledge in the underlying scientific, sales, marketing and supply chain management 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.

Keith R. Ruck joined the Company in September 2008 as Corporate Controller. On March 23, 2009, the Company named Mr. Ruck Interim Chief Financial Officer. Effective October 13, 2009, Mr. Ruck was appointed and assumed the duties as the Company s Vice President of Finance and Chief Financial Officer. Mr. Ruck, a Certified Public Accountant (CPA), has more than 27 years of public company financial management experience. Prior to joining Lannett, he served as Corporate Controller of Optium Corporation from April 2007 to September 2008. From 2000 to 2007, he was Vice President - Finance of MAAX KSD Corporation and from 1998 to 2000, he served as Vice President of Finance and Chief Financial Officer of Total Containment, Inc. Mr. Ruck earned a Bachelor of Science degree in business administration and a Master of Finance degree from LaSalle University.

Stephen J. Kovary R. Ph. joined the Company in September 2009 as Vice President of Operations. Prior to joining Lannett, Mr. Kovary was the Vice President, Plant Manager for PF Laboratories, a division of Purdue Pharma, LP, since 2003. Formerly, Mr. Kovary held senior level management positions at Pliva, Inc, Abbott Laboratories, Knoll Pharmaceuticals and Parke-Davis. Mr. Kovary holds a Bachelor of Science in Pharmacy from the Rutgers University Ernest Mario School of Pharmacy and a Masters in Business Administration in Management from Fairleigh Dickenson University. Mr. Kovary is a member of the American and New Jersey Pharmaceutical Associations, the International Society of Pharmaceutical Engineers and the Parenteral Drug Association. Mr. Kovary is a registered pharmacist in the State of New Jersey and a member of the Alumni Association of the Rutgers University Ernest Mario School of Pharmacy.

Ernest J. Sabo joined Lannett 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 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).

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 has been promoted to Senior Vice President and General Manager. 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 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

Table of Contents

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.

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.

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 2010, 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, except for certain Form 4s that were filed late related to certain stock option and restricted share grants made to the officers of Lannett in the current and prior years, and except for certain Form 4s related to Mr. William Farber s gifting of approximately 528,000 shares in October 2009 to a family trust whose beneficiaries are his grandchildren that were filed late.

Code of Ethics and Financial Expert

The Company has adopted the Code of Professional Conduct (the code of ethics), a code of ethics that applies to the Company s Chief Executive Officer, Chief Financial Officer, and Corporate Controller, and other finance organization employees. The code of ethics is publicly available on our website at www.lannett.com. If the Company makes any substantive amendments to the finance code of ethics or grant any waiver, including any implicit waiver, from a provision of the code to our Chief Executive Officer, Chief Financial Officer, or Controller, we will disclose the nature of such amendment or waiver on our website or in a report on Form 8-K.

The Board of Directors has determined that Mr. Sinclair, current director of Lannett as well as current Professor of Accounting and Senior Advisor to the College of Business and Economics Dean at Lehigh University, where he began his academic career in 1972, is the audit committee financial expert as defined in section 3(a)(58) of the Exchange Act and the related rules of the Commission.

Table of Contents

ITEM 11. EXECUTIVE COMPENSATION

The following table summarizes all compensation paid to or earned by the named executive officers of the Company for Fiscal 2010, Fiscal 2009 and Fiscal 2008.

Name and Principal Position (a)	Fiscal Year (b)	Salary (c)	Stock Awards (e)	Options Awards (f)	Non-equity incentive plan compensation (g)	All Other Compensation (i)	Total (j)
Arthur P. Bedrosian	2010	$ 407,410	$ 359,384	$ 297,390	$ 269,750	$ 22,367	$ 1,356,301
President and Chief Executive Officer	2009	367,202		42,381	244,365	43,796	697,744
	2008	324,825	122,234	158,303		22,099	627,461
Keith R. Ruck (1)	2010	189,293	89,550	243,090	123,500	11,257	656,690
Vice President of Finance and Chief Financial Officer	2009	128,854		22,163	60,617	1,234	212,868
	2008						
Stephen J. Kovary (2)	2010	156,923		97,248	105,069	22,548	381,788
Vice President of Operations	2009						
	2008						
William Schreck	2010	196,681	177,791	302,729	130,000	28,159	835,360
Senior Vice President and General	2009	180,722		22,603	118,947	18,341	340,613
Manager	2008	170,670	68,022	105,535		18,044	362,271
Kevin Smith	2010	206,564	179,455	198,260	135,019	21,985	741,283
Vice President of Sales and Marketing	2009	200,180		22,603	130,825	21,502	375,110
	2008	192,005	61,490	105,535		21,495	380,525

(1) Mr. Ruck was hired on September 8, 2008 as Corporate Controller. Mr. Ruck assumed the title of Interim Chief Financial Officer on March 23, 2009. Effective October 13, 2009, Mr. Ruck was appointed and assumed the duties as the Company s Vice President of Finance and Chief Financial Officer.

(2) Mr. Kovary was hired on September 8, 2009 as Vice President of Operations.

Table of Contents

(i) Supplemental All Other Compensation Table

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

Name and Principal Position	Fiscal Year	Company Match Contributions 401(k) Plan	Auto Allowance	Pay in Lieu of Vacation	Housing Allowance	Excess Life Insurances	Sign On Bonus	Total
Arthur P. Bedrosian	2010	$ 8,219	$ 13,500	$	$	$ 648	$	$ 22,367
President and Chief								
Executive Officer	2009	8,823	13,500	20,993		480		43,796
	2008	8,195	13,500			404		22,099
Keith R. Ruck	2010	2,499	8,668			90		11,257
Vice President of Finance and								
Chief Financial Officer	2009	1,182				52		1,234
	2008							
Stephen J. Kovary	2010	4,000	8,474			74	10,000	22,548
Vice President of Operations	2009							
	2008							
William Schreck	2010	7,918	10,800	9,030		411		28,159
Senior Vice President and	2009	7,114	10,800			427		18,341
General Manager	2008	6,872	10,800			372		18,044
Kevin Smith	2010	8,371	13,500			114		21,985
Vice President of Sales and	2009	7,905	13,500			97		21,502
Marketing	2008	7,889	13,500			106		21,495

Aggregated Options/SAR Exercises and Fiscal Year-end Options/SAR Values

GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards						
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold ($) (f)	Target ($) (g)	Maximum ($) (h)	All Other Stock Awards: Number of Shares of Stocks or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/sh) (k)	Grant Date Fair Value of Stock and Options Awards (i)
Arthur P. Bedrosian	10/29/2009								75,000	$ 6.94	$ 297,390

President and Chief Executive Officer	10/29/2009	30,000				$	208,200
	11/10/2009	23,259				$	151,184
Keith R. Ruck Vice President of Finance and Chief Financial Officer	10/13/2009		40,000	$	7.98	$	183,612
	10/29/2009		15,000	$	6.94	$	59,478
	10/29/2009	10,000				$	69,400
	11/10/2009	3,100				$	20,150
Stephen J. Kovary Vice President of Operations	9/14/2009		20,000	$	8.48	$	97,248
William Schreck Senior Vice President and General Manager	10/27/2009		15,000	$	7.53	$	64,817
	10/29/2009		60,000	$	6.94	$	237,912
	10/29/2009	15,000				$	104,100
	11/10/2009	11,337				$	73,691
Kevin Smith Vice President of Sales and Marketing	10/29/2009		50,000	$	6.94	$	198,260
	10/29/2009	15,000				$	104,100
	11/10/2009	11,593				$	75,355

Table of Contents

OUTSTANDING EQUITY AWARDS AT JUNE 30, 2010

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexericised Options (#) Exercisable (b)	Number of Securities Underlying Unexericised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexericised Unearned 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)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Arthur P.									
Bedrosian	18,000			$ 4.63	7/23/2012				
President and	96,900			$ 7.97	10/28/2012				
Chief									
Executive									
Officer	33,000			$ 17.36	10/24/2013				
	30,000			$ 16.04	5/11/2014				
	25,000			$ 8.00	1/18/2016				
	30,000			$ 6.89	11/28/2016				
	50,000	25,000		$ 4.03	9/18/2017				
	10,000	20,000		$ 2.80	9/18/2018				
		75,000		$ 6.94	10/29/2019				
						35,534	$ 162,390		
Keith R. Ruck	5,000	10,000		$ 2.79	10/17/2018				
Vice President		40,000		$ 7.98	10/13/2019				
of Finance and									
Chief Financial									
Officer		15,000		$ 6.94	10/29/2019				
						10,000	$ 45,700		
Stephen J.									
Kovary		20,000		$ 8.48	9/14/2019				
Vice President									
of Operations									
William									
Schreck	17,745			$ 11.27	2/18/2013				
Senior Vice	12,000			$ 5.18	10/25/2015				
President and									
General									
Manager	15,000			$ 6.89	11/28/2016				
	33,333	16,667		$ 4.03	9/17/2017				
	5,333	10,667		$ 2.80	9/18/2018				
		15,000		$ 7.53	10/27/2019				
		60,000		$ 6.94	10/29/2019				
						18,100	$ 82,717		
Kevin Smith	38,760			$ 7.97	10/28/2012				
	13,000			$ 17.36	10/24/2013				

Vice President of Sales and Marketing	20,000		$	16.04	5/11/2014			
	12,000		$	5.18	10/25/2015			
	15,000		$	6.89	11/28/2016			
	33,333	16,667	$	4.03	9/18/2017			
	5,333	10,667	$	2.80	9/18/2018			
		50,000	$	6.94	10/29/2019			
						18,100	$	82,717

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

Employment Agreements

The Company has entered into employment agreements with Arthur P. Bedrosian, President and Chief Executive Officer, Keith R. Ruck, Vice President of Finance and Chief Financial Officer, Kevin Smith, Vice President of Sales and Marketing, William Schreck, Senior Vice President and General Manager, Ernest Sabo, Vice President of Regulatory Affairs and Chief Compliance Officer and Stephen Kovary, Vice President of Operations. Each of the agreements provide for an annual base salary and eligibility to receive a bonus. The salary and bonus amounts of these executives are determined by the Board of Directors. Additionally, these executives are eligible to receive stock options and restricted stock awards, which are granted at the discretion of the Board of Directors, and in accordance with the Company s policies regarding stock option and restricted stock grants. 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 severance compensation to these executives of between 18 months and three years.

During the third quarter of Fiscal Year 2009, the Company s former Vice President of Finance, Treasurer, Secretary and Chief Financial Officer resigned. As part of his separation agreement, the Company was obligated to pay to him approximately $670,000 to settle any outstanding obligations from his employment agreement, including any salary, bonus, vacation, stock options and medical benefits. Of this amount, $300,440 was paid in Fiscal 2009 with $165,000 designated for the payment of pro rated bonus, and $11,440 was designated for the payment of accrued but unused paid time off. As part of the settlement, $124,000 was designated as the portion of the settlement related to the repurchase of his outstanding stock options. The Company therefore charged this amount to Additional Paid in Capital, as it represents the fair value of the options repurchased on the repurchase date. Additional payments totaling $369,000 for severance and benefits will be paid in Fiscal 2011 pursuant to the separation agreement.

Compensation of Directors

DIRECTOR COMPENSATION

Name (a)	Fees Earned ($) (b)	Stock Awards ($) (c)	Options Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
William Farber	$ 46,000	$ 48,375	$	$	$	$	$ 94,375
Ronald A. West	70,500	48,375					118,875
Jeffrey Farber	49,000	48,375					97,375
Kenneth Sinclair	66,000	48,375					114,375
Albert Wertheimer	70,500	48,375					118,875
Myron Winkelman	64,000	48,375					112,375

COMPENSATION DISCUSSION AND ANALYSIS

Overview of Our Compensation Program

A fundamental goal of our compensation program is to maximize stockholder value. In order to accomplish this goal, we must attract and retain talented and capable executives, and we must provide those executives with incentives that motivate and reward them for achieving Lannett s short and longer-term goals. To this end, our executive compensation is guided by the following key principles:

- that executive compensation should depend upon group and individual performance factors;

- that the interests of executives should be closely aligned with those of stockholders through equity-based compensation; and

Table of Contents

- that compensation should be appropriate and fair in comparison to the compensation provided to similarly situated executives within the pharmaceutical industry and within other publicly-traded companies similar in market capitalization to Lannett.

Important to our compensation program are the decisions of, and guidance from, the Compensation Committee of our Board of Directors. The Compensation Committee (which we refer to, for purposes of this analysis, as the Committee) is composed entirely of directors who are independent of Lannett under the independence standards established by the NYSE-AMEX Exchange, the securities exchange where our common stock is traded. The Committee operates pursuant to a written charter adopted by the Board. If you would like to review the Committee s charter, it is available to any stockholder who requests a copy from our Chief Financial Officer, at 13200 Townsend Road, Philadelphia, Pennsylvania 19154.

The Committee has the authority and responsibility to establish and periodically review our executive compensation principles, described above. Importantly, the Committee also has sole responsibility for approving the corporate goals and objectives upon which the compensation of the chief executive officer (the CEO) is based, for evaluating the CEO s performance in light of these goals and objectives, and for determining the CEO s compensation, including his equity-based compensation.

The Committee also reviews and approves the recommendations of the CEO with regard to the compensation and benefits of other executive officers. In accomplishing this responsibility, the Committee meets regularly with the CEO, approves cash and equity incentive objectives of the executive officers, reviews with the CEO the accomplishment of these objectives and approves the base salary and other elements of compensation for the executive officers. The Committee has full discretion to modify the recommendations of the CEO in the course of its approval of executive officer compensation.

The Committee consults as needed with an outside compensation consulting firm retained by the Committee. As it makes decisions about executive compensation, the Committee obtains data from its consultant regarding current compensation practices and trends among United States companies in general and pharmaceutical companies in particular, and reviews this information with its consultant. In addition, the Chairman of the Committee is in contact with management outside of Committee meetings regarding matters being considered or expected to be considered by the Committee. The Committee annually reviews recommendations from their outside consultant, and makes recommendations to the Board about the compensation of non-employee directors. During fiscal years 2008 and 2009, Lannett used Mercer Consulting Inc. as its consultant. During fiscal year 2010, Lannett used Compensation Resources Inc. as its consultant.

During Fiscal 2007, the Committee recommended the adoption of a new Incentive Plan to supplement our existing stock option plans. The Incentive Plan was approved by our stockholders in January 2007. The Incentive Plan provides for the grant of various equity awards, including stock options and restricted stock, to Lannett employees and directors. The Committee is responsible for administering this Plan and it has sole authority to make grants to the CEO or any other executive officer.

In conjunction with its responsibilities related to executive compensation, the Committee also oversees the management development process, reviews plans for executive officer succession and performs various other functions.

The individuals who served as Chief Executive Officer and Chief Financial Officer during Fiscal 2010, as well as the other individuals included in the Summary Compensation Table on page 48, are referred to as the named executive officers.

Risk Assessment

The criteria used for the bonus program of operating performance, research and development inclusive of ANDA/NDA submissions, acceptances of ANDA/NDAs, launches of approved ANDA/NDAs, individual performance goals, along with the weighting of each element, were assembled by the Company for our industry and were found to be reasonable for the nature of our business. The Compensation Committee reviews this criteria and a gives final approval to the senior management. It is then presented to the Board of Directors for final approval.

Operating performance ties in directly with shareholder value. There is no bonus opportunity for management if they do not create value, so management interests and shareholder value are aligned. The risk of diluting the Company s operating cash positions through the awarding of excessive bonus awards is controlled by the imposition of a bonus cash award limit equal to 20% of adjusted operating income as calculated from its fiscal year-end financial statements.

The R&D component of the criteria looks to the sustainability and growth of the organization. While it could be argued that there is risk associated with the choice of which products to submit for approval, there is no indication that those risks would be outside what would be considered normal and reasonable in the course of doing business. The ultimate goal is to be able to sell a product that positively impacts operating performance, which cannot occur unless the process of submission, approval, and launch is followed. If submissions do not make it to the approval stage, and if the approved products are not successfully launched, they cannot positively

Table of Contents

affect operating performance. Since there is a minimum operating performance (operating profit) level that must be attained before any payments are made through the bonus plan, there is a check and balance to prevent what could be viewed as a portfolio of risky submittals. The impact on operating performance is created over a period of time based on the total sales, so there needs to be sustainability with any new launch.

The achievement of individual goals as part of the bonus is subject to review and approval by senior management with the CEO being the final review and approval. This multi-level process reduces the risk of having goals that are not linked to the overall objectives of the Company and its success. The awarding of a CEO discretionary portion, currently at 5% of the total of the bonus, also requires the same oversight. The total impact on bonus payout of these parts of the bonus program is significantly less than the operating performance and R&D parts. Again, there is no bonus payout unless the operating performance (operating profit) minimum goals are attained.

We believe our bonus program, along with the other elements of our executive compensation program, provides appropriate rewards and incentives to our executives to achieve our financial, business, and strategic goals. We also believe the structure and oversight of these programs provides a setting that does not encourage them to take excessive risks in their business decisions.

Our Fiscal 2010 Compensation Program

In Fiscal 2010, the Committee s approach to compensation was intended to focus our executives on accomplishing our short and longer-term objectives, and it had as its ultimate objective sustained growth in stockholder value. This approach was intended to compensate executives at levels at or near the median levels of compensation offered by other pharmaceutical companies similar in size to Lannett and with whom we compete.

In making decisions about the elements of Fiscal 2010 compensation, the Committee not only considered available market information about each element but also considered aggregate compensation for each executive. Base salary provided core compensation to executives, but it was accompanied by:

- the potential for incentive-based cash compensation based upon our attainment of Fiscal 2010 operating income, other targeted corporate goals and individual or departmental objectives,

- various forms of equity compensation, including some grants based upon Fiscal 2010 sales growth results and upon our return on invested capital results,

- various benefits and perquisites, and

- the potential for post-termination compensation under certain circumstances.

Summary of Fiscal 2010 Compensation Elements

The table below provides detailed information regarding each element of the Fiscal 2010 compensation program.

	Compensation Element Overview	Purpose of the Compensation Element
Base Salary	Base salary pays for competence in the executive role. An executive s salary level depends on the decision making responsibilities, experience, work performance, achievement of key goals and team building skills of each position, and the relationship to amounts paid to other executives at peer companies.	To provide competitive fixed compensation based on sustained performance in the executive s role and competitive market practice.
Short-Term Incentives	**Annual Incentive Bonus Plan (AIBP)** The AIBP program rewards with cash awards for annual achievement of overall corporate objectives, and specific individual or departmental operational objectives. In Fiscal 2010, objectives for the Officers were tied to Lannett s achievement of operating income targets, other targeted corporate goals and individual objectives.	To motivate and focus our executive team on the achievement of our annual performance goals.

Table of Contents

	Compensation Element Overview	Purpose of the Compensation Element
Long-Term Incentives	**Stock Options** Stock options reward sustained stock price appreciation and encourage executive retention during a three-year vesting term and a ten-year option life. **Restricted Stock** Restricted stock rewards sustained stock price appreciation and encourages executive retention during its three-year vesting term. The value of participants restricted stock increases and decreases according to Lannett s stock price performance during the vesting period and thereafter.	We strive to deliver a balanced long-term incentive portfolio to executives, focusing on (a) share price appreciation, (b) retention, and (c) internal financial objectives. The primary objectives of the overall design are: to align management interests with those of stockholders, to increase management s potential for stock ownership opportunities (all awards are earned in shares), to attract and retain excellent management talent, and to reward growth of the business, increased profitability, and sustained stockholder value.

	Compensation Element Overview	Purpose of the Compensation Element
Benefits	**In General** Executives participate in employee benefit plans available to all employees of Lannett, including health, life insurance and disability plans. The cost of these benefits is partially borne by the employee, but mostly paid by the Company. **401(k) Plan** Executives may participate in Lannett s 401(k) retirement savings plan, which is available to all employees. Lannett matches contributions to the Plan, at a rate of $.50 on the dollar up to 8% of base salary. **Life Insurance** Lannett provides life insurance benefits to all employees. The coverage amount for executives is one times base compensation up to a limit of $115,000 and premiums paid for coverage above $50,000 are treated as imputed income	These benefits are designed to attract and retain employees and provide security for their health and welfare needs. We believe that these benefits are reasonable, competitive and consistent with Lannett s overall executive compensation program.

	to the executive. **Disability Insurance** Lannett provides short-term and long-term disability insurance to employees which would, in the event of disability, pay an employee 60% of his or her base salary with limits.	
	Compensation Element Overview	**Purpose of the Compensation Element**
Perquisites	Lannett does not utilize perquisites or personal benefits extensively. The few perquisites that are provided complement other compensation vehicles and enable the Company to attract and retain key executives. These perquisites include: automobile allowances in various amounts to key executives.	We believe these benefits better allow us to attract and retain superior employees for key positions.

Table of Contents

	Compensation Element Overview	Purpose of the Compensation Element
Post-Termination Pay	**Severance Plan** Lannett s Severance Pay Plan is designed to pay severance benefits to an executive for a qualifying separation. For the Chief Executive Officer, the Severance Pay Plan provides for a payment of three times the sum of base salary plus a pro rated annual cash bonus for the current year calculated as if all targets and goals are achieved. For the other named executive officers, the Severance Pay Plan provides for a payment of eighteen months of base salary plus a pro rated annual cash bonus for the current year calculated as if all targets and goals are achieved.	The Severance Pay Plan is intended (1) to allow executives to concentrate on making decisions in the best interests of Lannett (or any successor organization in the event that a change of control is to occur), and (2) generally alleviate an executive s concerns about the loss of his or her position without cause.

The use of the above compensation tools enables Lannett to reinforce its pay for performance philosophy as well as to strengthen its ability to attract and retain high-performing executive officers. The Committee believes that this combination of programs provides an appropriate mix of fixed and variable pay, balances short-term operational performance with long-term stockholder value creation, and encourages executive recruitment and retention in a high-performance culture.

Table of Contents

Market Data and Our Peer Group

In determining 2009 and 2010 compensation for the named executive officers, the Committee relied on market data provided by its consultants. This information was principally related to two groups of peer companies similar in size to Lannett with revenues one-half (1/2) to double (2x) that of Lannett. Companies were also added that were deemed business peers. One peer group (Peer Group A) consists of twenty-nine (29) pharmaceutical companies on a national scale. The other peer group (Peer Group B) consists of twelve (12) pharmaceutical companies in the Philadelphia and Northeast Region. Information on these companies was derived from two sources: (1) the consultant and broader market survey data analysis, and (2) publicly-available information appearing in the proxy statements of these companies. The members of the Peer Groups were:

Peer Group A	Peer Group B
Akorn Inc.	Auxilium Pharma Inc
Balchem Corp.	BMP Sunstone Corp
Barr Pharmaceuticals Inc	Cambrex Corp
Bentley Pharmaceuticals	Emergent Biosolutions Inc.
Biomarin Pharmaceuticals Inc.	Enzon Pharmaceuticals Inc.
Bradley Pharmaceuticals Inc.	Hi Tech Pharmacal Co. Inc.
Caraco Pharmaceutical Labs	Interpharm Holdings Inc.
Chattem Inc	NPS Pharmaceuticals Inc.
Cubist Pharmaceuticals Inc.	Orasure Technologies Inc.
Impax Laboratories Inc.	Osi Pharmaceuticals Inc.
Indevus Pharmaceuticals Inc.	Par Pharmaceutical Cos. Inc.
Inspire Pharmaceuticals Inc.	Sucampo Pharmaceuticals Inc.
Intermune Inc.	
Ista Pharmaceuticals Inc.	
Kensey Nash Corp.	
Mattrix Initiatives Inc.	
Medicines Co.	
Nektar Therapeutics	
Neogen Corp.	
Noven Pharmaceuticals Inc.	
Obagi Medical	
Pain Therapeutics Inc.	
Pozen Inc.	
Questcor Pharmaceuticals Inc.	
Salix Pharmaceuticals Ltd.	
Santarus Inc.	
Valeant Pharmaceuticals Intl.	
Vertex Pharmaceuticals Inc.	
Vivus Inc.	

The Committee plans to evaluate the Peer Group periodically and revise it as necessary to ensure that it continues to be appropriate for benchmarking our executive compensation program.

Base Salary

Base salaries for the named executive officers are intended, in general, to approach median salaries for similarly situated executives among Peer Group companies. A number of additional factors are considered, however, in determining base salary, such as the executive s individual performance, his or her experience, competencies, skills, abilities, contribution and tenure, internal compensation consistency, the need to attract new, talented executives, and the Company s overall annual budget. Base salaries are generally reviewed on an annual basis.

Base salary increases were granted to Mr. Bedrosian for $34,490 effective on August 31, 2009, Mr. Smith for $6,050 effective on August 31, 2009, and Mr. Schreck for $17,289 effective on August 31, 2009, based on their performance. Mr. Ruck was promoted to Vice President of Finance and Chief Financial Officer from Corporate Controller effective on October 13, 2009 and received a salary increase of $40,000 in connection with such promotion. Mr. Kovary was hired on September 8, 2009 as Vice President of Operations and therefore did not receive a salary increase.

Table of Contents

Fiscal 2010 Annual Incentive Bonus Plan

Design

In November 2006, the Committee approved the 2007 Annual Incentive Bonus Plan (or AIBP) program. This program allowed executive officers the opportunity to earn cash awards upon the accomplishment of the Fiscal 2010 operating income goal, other targeted corporate goals and a number of individual objectives. The relative weighting of these objectives for each executive was fifty percent (50%) for operating income, twenty-five percent (25%) for other targeted corporate goals, twenty percent (20%) for individual objectives and five percent (5%) based on CEO and Committee discretion. For the CEO, the five percent (5%) discretionary portion will be determined by the Committee.

Based on market data provided by its consultant, and considering the relatively low base salaries of the named executive officers, the Committee formulated potential AIBP awards which exceeded the 50th percentile among Peer Group companies, expressed as percentages of base salary. Actual payouts depended upon the degree to which objectives were accomplished as well as the weight accorded to each objective, as described above. The table below shows the potential payout amounts for each of the named executive officers, expressed as percentages of base salary.

Performance Level	**Arthur Bedrosian**	**Keith Ruck**	**Stephen Kovary**	**William Schreck**	**Kevin Smith**
Superior Level	120-150%	120-150%	120-150%	120-150%	120-150%
Goal Level	100-120%	100-120%	100-120%	100-120%	100-120%
Threshold Level	50-100%	50-100%	50-100%	50-100%	50-100%

The Committee also determined that, if results for any objectives were between the minimum and maximum of the ranges, the Committee would determine appropriate payout percentage.

As discussed above, each named executive officer s objectives for Fiscal 2010 included Company operating income targets and other targeted corporate goals. The Committee reviewed and approved these targets following discussions with management, a review of our historical results, consideration of the various circumstances facing the Company during Fiscal 2010 and taking into account the expectations of our annual plan. The Fiscal 2010 operating income and other corporate goals AIBP targets approved by the Committee are detailed in the table below.

Objective	**Superior**	**Goal**	**Target**
Operating Profit*	$ 17.5M	$ 13.5M	$ 9.45M
R&D Submissions	10	8	6
R&D Acceptances	9	7	5
R&D Launches	8	6	4

---

* Operating Profit is defined as Operating Income plus adding back Bonus Expense. For purposes of determining achievement of the AIBP targets, these measures can exclude certain categories of non-recurring items that the Committee believes do not reflect the performance of Lannett s core continuing operations. There were no adjustments made in Fiscal 2010 for non-recurring items.

All payouts to the named executive officers under the 2010 AIBP were contingent upon the Committee s review and certification of the degree to which Lannett achieved the 2010 AIBP objectives, and upon the Committee s certification of the degree to which individual objectives had been achieved. The program provided that payout for any objective would be limited to 20% of the actual operating income (as defined by the AIBP) attained by Lannett.

The 2010 AIBP program provided that the Committee could, in its discretion: modify, amend, suspend or terminate the Plan at any time.

Results

In September 2010, the Committee reviewed and certified Lannett s Fiscal 2010 results for purposes of the AIBP program, determining that the objectives for operating income and other corporate objectives achieved the Superior goals set at the beginning of the year, which represented 50% and 25% of the named executive officer total bonus amounts, respectively.

The Committee also reviewed and certified the performance of the named executive officer individual objectives, which represented 20% of their total bonus amounts, determining that these objectives were achieved as described below.

Mr. Bedrosian s objectives were to oversee the expansion and profitability of the Cody Laboratories subsidiary and increase the manufacturing of additional APIs, achieve overall cGMP and other agency regulatory compliance, achieve operational efficiency, monitor headcount, identify new market and product opportunities, increase the response time for Board of Director requests and keep them abreast of changes in director regulatory compliance, and seek out potential acquisitions, alliances and joint ventures.

Table of Contents

Mr. Schreck s objectives were to reduce verified shipping errors, maintain inventory control measures, and complete the fit out and personnel move to the Company s recently acquired Townsend Road facility.

Mr. Smith s objectives were to improve market share of products, increase net sales to at least $123.0 million, decrease obsolete finished goods inventory through various short date promotions, and improve forecasts for production planning purposes..

Mr. Ruck s objectives were to achieve a more cohesive accounting department, deliver accurate and timely month-end financial reports to senior management and the Board of Directors, reduce outside auditor and accounting professional fees and transition into the role of CFO from his interim role.

Mr. Kovary s objectives were to assess and reorganize the overall organizational structure, evaluate, improve and track the Company s facility and equipment requirements through a more formal capital investment plan, and review and enhance policies and procedures to ensure regulatory compliance.

In addition, all named executive officers received their 5% CEO discretionary bonus amount.

In calculating the 2010 bonus payments to the named executives as well as the other employees, it was determined that the Superior Level bonuses could not be paid because the accumulated total of payments to all employees would exceed 20% of the actual operating income achieved by the Company in Fiscal 2010 (20% cap). The Committee, in its discretion, altered the 2010 bonus payments in two ways as a one-time adjustment: First, the Committee lowered the overall calculation of the payout to the high end of the Goal Level. Second, it decided to grant unrestricted shares of stock that would make up the difference between the 20% cap and the amount that employees would have received if the 20% cap were not in place. These unrestricted shares will immediately vest upon grant, which is anticipated to occur in November 2010. The total value of the 2010 bonus payouts, including the unrestricted stock grant is expected to approximate 27.5% of the pre-bonus actual operating profit for the 2010 Fiscal Year. The Company reviewed and altered its current compensation structure, including the AIBP program by the fall of 2010 so that fair compensation can be paid to its employees starting in Fiscal 2011 and beyond while still respecting the 20% bonus cap requirement.

2010 Long Term Incentive Awards (LTIA)

Design

The Committee believes that long-term equity incentives are an important part of a complete compensation package because they focus executives on increasing the value of the assets that are entrusted to them by the stockholders, achieving Lannett s long-term goals, aligning the interests of executives with those of stockholders, encouraging sustained stock performance and helping to retain executives.

Prior to the approval of the Incentive Plan by stockholders in 2007, Lannett s equity grants consisted only of stock options. The Incentive Plan expanded the types of equity vehicles which the Committee could grant to executives by including restricted stock. The Committee has not yet determined the amount of both stock options and restricted stock to be granted to executives for this year, but expects to complete these grants by the second quarter of Fiscal 2011. But when these grants are determined, each will be designed to emphasize particular elements of the Company s immediate and long-term objectives and to retain key executives. We will refer to these grants collectively as the 2010 Long Term Incentive Awards (LTIA). The types of grants will be:

- stock options, becoming exercisable over three years (approximately one-third increments on each anniversary) from the date of the grant and having a total term of ten years, and

- shares of restricted stock, vesting over three years (approximately one-third increments on each anniversary) from the date of grant.

The Committee assessed the appropriate overall value of these equity grants to executives by reviewing survey results and other market data provided by its consultant. This information included the value of equity grants made to similarly situated executives among the Peer Group. The overall value of LTIA grants for each executive was determined by the Committee with assistance from their consultant.

In determining the overall value of LTIA grants, the Committee also considered the potential value of equity compensation relative to other elements of compensation for each named executive officer. It likewise assessed the appropriate distribution of equity value among the grant types, as well as the corporate objectives each type of grant was intended to encourage.

Stock Options and Restricted Stock

The stock options and restricted stock granted as part of the 2010 LTIA will designed to reward sustained stock price appreciation and to encourage executive retention during a three-year vesting term and, in the case of stock options, a ten-year option life. Stock option and restricted stock awards are intended to align executives motivation with stockholders best interests. Grants of stock options will not contingent upon any conditions. They are to be granted independent of organizational performance. Stock options become exercisable approximately in one-third increments on the first three anniversaries of the date of grant. Restricted stock will be

Table of Contents

contingent upon Lannett achieving annual sales growth and return on invested capital goals. Restricted stock will vest in approximately one-third increments on the first three anniversaries of the date of the grant.

Perquisites and Other Benefits

We provide named executive officers with perquisites and other personal benefits that we believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain superior employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to named executive officers.

Lannett matches contributions to the 401(k) plan on a fifty cents on the dollar basis up to 8% of the contributing employee s base salary, subject to limitations of the Plan and applicable law. The named executive officers are also provided with car allowances, for which the taxes are also paid by the Company.

Lannett provides life insurance for executive officers which would, in the event of death, pay $115,000 to designated beneficiaries. Premiums paid for coverage above $50,000 are treated as imputed income to the executive. Lannett also provides short-term and long-term disability insurance which would, in the event of disability, pay the executive officer sixty percent (60%) of his base salary up to the plan limits of $2,000/week for short term disability and $15,000/month for long term disability. Executive officers participate in other qualified benefit plans, such as medical insurance plans, in the same manner as all other employees.

Attributed costs of the personal benefits available to the named executive officers for the fiscal year ended June 30, 2010, are included in column (i) of the Summary Compensation Table on page 48.

Severance and Change of Control Benefits

We believe that reasonable severance and change in control benefits are necessary in order to recruit and retain qualified senior executives and are generally required by the competitive recruiting environment within our industry and the marketplace in general. These severance benefits reflect the fact that it may be difficult for such executives to find comparable employment within a short period of time, and are designed to alleviate an executive s concerns about the loss of his or her position without cause. We also believe that a change in control arrangement will provide an executive security that will likely reduce the reluctance of an executive to pursue a change in control transaction that could be in the best interests of our stockholders. Lannett s Severance Pay Plan is designed to pay severance benefits to an executive for a qualifying separation. For the Chief Executive Officer, the Severance Pay Plan provides for a payment of three times the sum of base salary plus a pro rated annual cash bonus for the current year calculated as if all targets and goals are achieved. For the other named executive officers, the Severance Pay Plan provides for a payment of eighteen months of base salary plus a pro rated annual cash bonus for the current year calculated as if all targets and goals are achieved.

Timing of Committee Meetings and Grants; Option and Share Pricing

The Committee typically holds four regular meetings each year, and the timing of these meetings is generally established during the year. The Committee holds special meetings from time to time as its workload requires. Historically, annual grants of equity awards have typically been accomplished at a meeting of the Committee in September of each year. Individual grants (for example, associated with the hiring of a new executive officer or promotion to an executive officer position) may occur at any time of year. We expect to coordinate the timing of equity award grants for Fiscal 2010 to be made within thirty (30) days of Lannett s earnings release announcement following the completion of the fiscal year. The exercise price of each stock option and restricted share awarded to our executive officers is the closing price of our common stock on the date of grant.

Tax and Accounting Implications

Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended, precludes the deductibility of an executive officer s compensation that exceeds $1.0 million per year unless the compensation is paid under a performance-based plan that has been approved by stockholders. The Committee believes that it is generally preferable to comply with the requirements of Section 162(m) through, for example, the use of our Incentive Plan. However, to maintain flexibility in compensating executive officers in a manner that attracts, rewards and retains high quality individuals, the Committee may elect to provide compensation outside of those requirements when it deems appropriate. The Committee believes that stockholder interests are best served by not restricting the Committee s discretion in this regard, even though such compensation may result in non-deductible compensation expenses to the Company.

Table of Contents

REPORT OF THE COMPENSATION COMMITTEE

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis set forth above with management. Taking this review and discussion into account, the undersigned Committee members recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this annual report on Form 10-K.

The Compensation Committee

Myron Winkelman (Chair)
Albert Wertheimer
Ronald West

Table of Contents

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of July 31, 2010, 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 Long Term Incentive Plan (2006 LTIP) 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.

		Excluding Options		Including Options (*)	
Name and Address of Beneficial Owner	**Office**	**Number of Shares**	**Percent of Class**	**Number of Shares**	**Percent of Class**
Directors/Executive Officers:					
William Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman of the Board	**8,162,487(1)**	**32.34%**	**8,254,987(1),(2)**	**32.59%**
Ronald A. West 13200 Townsend Road Philadelphia, PA 19154	Vice Chairman of the Board, Director	**16,810(3)**	**0.07%**	**71,758(3),(4)**	**0.28%**
Jeffrey Farber 13200 Townsend Road Philadelphia, PA 19154	Director	**5,703,562(5)**	**22.60%**	**5,751,062(5),(6)**	**22.74%**
Kenneth Sinclair 13200 Townsend Road Philadelphia, PA 19154	Director	**17,500(7)**	**0.07%**	**42,500(7),(8)**	**0.17%**
Albert Wertheimer 13200 Townsend Road Philadelphia, PA 19154	Director	**18,500(9)**	**0.07%**	**43,500(9),(10)**	**0.17%**
Myron Winkelman 13200 Townsend Road Philadelphia, PA 19154	Director	**18,500(11)**	**0.07%**	**58,500(11),(12)**	**0.23%**
Arthur P. Bedrosian 13200 Townsend Road Philadelphia, PA 19154	President and Chief Executive Officer	**592,358(13)**	**2.35%**	**920,258(13),(14)**	**3.60%**
William Schreck 13200 Townsend Road Philadelphia, PA 19154	Senior Vice President and General Manager	**38,168(15)**	**0.15%**	**143,580(15),(16)**	**0.57%**
Kevin Smith 13200 Townsend Road Philadelphia, PA 19154	Vice President of Sales and Marketing	**39,313(17)**	**0.16%**	**198,740(17),(18)**	**0.78%**
Ernest Sabo 13200 Townsend Road Philadelphia, PA 19154	Vice President of Regulatory Affairs and Chief Compliance Officer	**22,604(19)**	**0.09%**	**63,031(19),(20)**	**0.25%**

David Farber 6884 Brook Hollow Ct West Bloomfield, MI 48322		**5,705,050(21)**	**22.61%**	**5,727,550(21),(22)**	**22.67%**
Keith R. Ruck 13200 Townsend Road Philadelphia, PA 19154	Vice President of Finance and Chief Financial Officer	**14,734(23)**	**0.06%**	**19,734(23),(24)**	**0.08%**
Farber Properties 1775 John R Road Troy, MI 48083		**5,000,000(25)**	**19.81%**	**5,000,000**	**19.81%**
Farber Family LLC 1775 John R Road Troy, MI 48083		**528,142(26)**	**2.09%**	**528,142**	**2.09%**
Farber Investment LLC 1775 John R Road Troy, MI 48083		**38,000(27)**	**0.15%**	**38,000**	**0.15%**
Stephen Kovary 13200 Townsend Road Philadelphia, PA 19154	Vice President of Operations	**1,899(28)**	**0.01%**	**8,566(28),(29)**	**0.03%**
All directors and executive officers as a group (12 persons)		**14,646,435**	**58.03%**	**15,576,214**	**59.53%**

61

Table of Contents

(1) Includes 197,825 shares owned by William Farber s spouse, Audrey Farber; 14,000 shares owned by William Farber s brother, Gerald G. Farber, and 132,212 shares held by William Farber as custodian for his seven grandchildren. Includes 26,250 shares held in William Farber s IRA account. Includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

(2) Includes 37,500 vested options to purchase common stock at an exercise price of $7.97 per share, 25,000 vested options to purchase common stock at an exercise price of $17.36 per share, 25,000 vested options to purchase common stock at an exercise price of $16.04 per share, and 5,000 vested options to purchase common stock at an exercise price of $6.89 per share.

(3) Includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

(4) Includes 9,948 vested options to purchase common stock at an exercise price of $7.97 per share, 15,000 vested options to purchase common stock at an exercise price of $17.36 per share, 25,000 vested options to purchase common stock at an exercise price of $16.04 and 5,000 vested options to purchase common stock at an exercise price of $6.89.

(5) Includes 5,000,000 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 2,500,000 shares held by FPG. Includes 528,142 shares held by Farber Family LLC (FFLLC) which is managed by Jeffrey and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of these shares. Includes 150 shares held by Jeffrey Farber as custodian for his son and 10,800 shares held by William Farber as custodian for his children. Also includes 9,500 shares held by Farber Investment Company (FIC), which holds 38,000 shares of common stock. Jeffrey Farber and David Farber each beneficially owns 25% of FIC and each disclaims beneficial ownership of all but 9,500 shares held by FIC. Also includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

(6) Includes 10,000 vested options to purchase common stock at an exercise price of $17.36 per share, 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.

(7) Includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

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

(9) Includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

(10) Includes 20,000 vested options to purchase common stock at an exercise price of $9.02 per share and 5,000 vested options to purchase common stock at an exercise price of $6.89 per share.

(11) Includes 5,000 shares received pursuant to a restricted stock award granted in September 2007.

(12) Includes 15,000 vested options to purchase common stock at an exercise price of $17.36, 20,000 vested options to purchase common stock at an exercise price of $16.04 and 5,000 vested options to purchase common stock at an exercise price of $6.89 per share.

(13) Includes 33,150 shares owned by Arthur Bedrosian s wife and 1,000 shares owned by his daughter. Mr. Bedrosian disclaims beneficial ownership of these shares. Includes 14,745 shares received pursuant to a restricted stock award granted in September 2007 and 30,000 shares received pursuant to a restricted stock award granted in October 2009. Also includes 30,074 shares of common stock held through employee stock purchase plan.

(14) Includes 18,000 vested options to purchase common stock at an exercise price of $4.63 per share, 96,900 vested options to purchase common stock at an exercise price of $7.97 per share, 33,000 vested options to purchase common stock at an exercise price of $17.36 per share, 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, and 20,000 vested options to purchase common stock at an exercise price of $2.80.

Table of Contents

(15) Includes 7,247 shares received pursuant to a restricted stock award granted in September 2007, and 15,000 shares received pursuant to a restricted stock award granted in October 2009.

(16) Includes 17,745 vested options to purchase common stock at an exercise price of $11.27 per share, 12,000 vested options to purchase common stock at an exercise price of $5.18 per share and 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, and 10,667 vested options to purchase common stock at an exercise price of $2.80 per share.

(17) Includes 8,263 shares received pursuant to a restricted stock award granted in September 2007, and 15,000 shares received pursuant to a restricted stock award granted in October 2009.

(18) Includes 38,760 vested options to purchase common stock at an exercise price of $7.97 per share, 13,000 vested options to purchase common stock at an exercise price of $17.36 per share, 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, 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, and 10,667 vested options to purchase common stock at an exercise price of $2.80.

(19) Includes 5,337 shares received pursuant to a restricted stock award granted in September 2007, and 15,000 shares received pursuant to a restricted stock award granted in October 2009.

(20) 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, 15,000 vested options to purchase common stock at an exercise price of $4.03 per share, and 10,667 vested options to purchase common stock at an exercise price of $2.80 per share.

(21) Includes 5,000,000 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 2,500,000 shares held by FPG. Includes 528,142 shares held by FFLLC which is managed by Jeffrey and David Farber. David Farber and Jeffrey Farber each disclaim beneficial ownership of these shares. Indirect shares include 7,488 shares held by David Farber as custodian for his children, 16,200 shares held by William Farber as custodian for his children and 2,850 shares held by David Farber s spouse. Also includes 9,500 shares held by FIC, which holds 38,000 shares of common stock. Jeffrey Farber and David Farber each beneficially owns 25% of FIC and each disclaims beneficial ownership of all but 9,500 shares held by FIC.

(22) Includes 10,000 vested options to purchase common stock at an exercise price of $17.36 per share and 12,500 vested options to purchase common stock at an exercise price of $16.04 per share.

(23) Includes 10,000 shares received pursuant to a restricted stock award granted in October 2009 and 1,634 shares of common stock held through employee stock purchase plan.

(24) Includes 5,000 vested options to purchase common stock at an exercise price of $2.79 per share.

(25) Farber Properties Group, LLC is managed and jointly owned by Jeffrey Farber and David Farber.

(26) Farber Family LLC is managed by Jeffrey Farber and David Farber as trustees.

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

(28) Includes 1,899 shares of common stock held through employee stock purchase plan.

(29) Includes 6,667 vested options to purchase common stock at an exercise price of $8.48 per share.

* Assumes that all options exercisable within sixty days have been exercised which results in 26,167,392 shares outstanding.

Table of Contents

Equity Compensation Plan Information

The following table summarizes the equity compensation plans as of June 30, 2010:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation plans approved by security holders	2,058,851	$ 7.45	2,561,068
Equity Compensation plans not approved by security holders			
Total	2,058,851	$ 7.45	2,561,068

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The Company had sales of approximately $679,000, $786,000, and $787,000 during the fiscal years ended June 30, 2010, 2009 and 2008, respectively, to a generic distributor, Auburn Pharmaceutical Company (Auburn). Jeffrey Farber (the related party), a board member and the son of the Chairman of the Board of Directors and principal shareholder of the Company, William Farber, is the owner of Auburn. Accounts receivable includes amounts due from the related party of approximately $161,000 and $125,000 at June 30, 2010 and 2009, respectively. In the Company s opinion, the terms of these transactions were not more favorable to the related party than would have been to a non-related party.

In January 2005, Lannett Holdings, Inc. entered into an agreement in which the Company purchased for $100,000 and future royalty payments the proprietary rights to manufacture and distribute a product for which Pharmeral, Inc. (Pharmeral) owned the ANDA. In Fiscal 2008, the Company obtained FDA approval to use the proprietary rights. Accordingly, the Company originally capitalized this purchased product right as an indefinite lived intangible asset and tested this asset for impairment on a quarterly basis. During the fourth quarter of Fiscal 2009, it was determined that this intangible asset no longer has an indefinite life. No impairment existed because the estimated fair value exceeded the carrying amount on that date. Accordingly, the $100,000 carrying amount of this intangible asset will be amortized on a straight line basis prospectively over its 10 year remaining estimated useful life. Arthur Bedrosian, President and Chief Executive Officer of the Company, Inc. currently owns 100% of Pharmeral. This transaction was approved by the Board of Directors of the Company and in their opinion the terms were not more favorable to the related party than they would have been to a non-related party. In May 2008, Mr. Bedrosian and Pharmeral waived their rights to any royalty payments on the sales of the drug by Lannett under Lannett s current ownership structure. Should Lannett undergo a change in control where a third party is involved, this royalty would be reinstated. The registered trademark OB-Natal® was transferred to Lannett for one dollar from Mr. Bedrosian.

During Fiscal Year 2010, Lannett Company, Inc. paid a management consultant, who is related to Mr. Bedrosian, $115,700 in fees and $16,803 in reimbursable expenses. This consultant provided management, construction planning, laboratory set up and administrative services in regards to the Company s initial set up of its Bio-study laboratory in a foreign country. It is expected that this consultant will continue to be utilized into

Fiscal 2011. In the Company s opinion, the fee rates paid to this consultant and the expenses reimbursed to him were not more favorable than what would have been paid to a non-related party.

Provell Pharmaceuticals, LLC (Provell) was a joint venture to distribute pharmaceutical products through mail order outlets. In exchange for access to Lannett s drug providers, Lannett initially received a 33% ownership interest in this venture. Lannett s ownership interest subsequently decreased to 25% due to the additional issuance of shares by Provell in which Lannett did not participate. The investment was valued at zero, due to losses incurred through that date by Provell. During June 2009, the Company terminated its participation in this joint venture. In connection with the termination agreement, the Company was required to pay Provell ten percent of net sales of certain products for a period of up to twenty-four months. Accounts receivable includes amounts due from Provell of zero and approximately $55,000 at June 30, 2010 and 2009, respectively. The Company recognized revenues of zero and approximately $29,000 and $141,000 during the fiscal years ended June 30, 2010, 2009 and 2008, respectively.

64

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Grant Thornton LLP served as the independent auditors of the Company during Fiscal 2010, 2009 and 2008. 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 2010, 2009 and 2008.

	Audit Fees	Audit-Related (1)	Tax Fees (2)	All Other Fees (3)	Total Fees
Fiscal 2010:	$ 352,760	$	$ 190,401	$ 7,574	$ 550,735
Fiscal 2009:	$ 295,084	$	$ 179,677	$ 10,932	$ 485,693
Fiscal 2008:	$ 335,894	$ 5,900	$ 78,880	$ 49,964	$ 470,638

(1) Audit-related fees include fees paid for preparation of an S-8 filing during Fiscal 2008.

(2) 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.

(3) Other fees include:

Fiscal 2010 Fees paid for review of various SEC correspondences.

Fiscal 2009 Fees paid for review of various SEC correspondences.

Fiscal 2008 Fees paid for review of various SEC correspondences.

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.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Consolidated Financial Statements and Supplementary Data

(1) The following financial statements are included herein:

(2) The following financial statement schedule is included herein

Schedule II Valuation and Qualifying Accounts

(b) A list of the exhibits required by Item 601 of Regulation S-K to be filed as of this Form 10-K is shown on the Exhibit Index filed herewith

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LANNETT COMPANY, INC.

Date: September 23, 2010	By:	/ s / Arthur P. Bedrosian Arthur P. Bedrosian, President and Chief Executive Officer
Date: September 23, 2010	By:	/ s / Keith R. Ruck Keith R. Ruck Vice President of Finance and Chief Financial Officer

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

Date: September 23, 2010	By:	/ s / William Farber William Farber, Chairman of the Board of Directors
Date: September 23, 2010	By:	/ s / Ronald West Ronald West, Director, Vice Chairman of the Board, Lead Outside Director
Date: September 23, 2010	By:	/ s / Arthur P Bedrosian Arthur P. Bedrosian, Director, President and Chief Executive Officer
Date: September 23, 2010	By:	/ s / Jeffrey Farber Jeffrey Farber, Director
Date: September 23, 2010	By:	/ s / Kenneth Sinclair Kenneth Sinclair, Director, Chairman of Audit Committee
Date: September 23, 2010	By:	/ s / Albert Wertheimer Albert Wertheimer, Director, Chairman of Strategic Planning Committee
Date: September 23, 2010	By:	/ s / Myron Winkelman Myron Winkelman, Director, Chairman of Compensation Committee

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Lannett Company, Inc. and Subsidiaries

We have audited the accompanying balance sheets of Lannett Company, Inc. (a Delaware corporation) and Subsidiaries (collectively, the Company) as of June 30, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders equity, and statement of cash flows for each of three fiscal years in the period ended June 30, 2010. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lannett Company, Inc. and Subsidiaries as of June 30, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Philadelphia, Pennsylvania

September 24, 2010

Table of Contents

LANNETT COMPANY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2010	June 30, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 21,895,648	$ 25,832,456
Investment securities - available for sale	604,464	347,921
Trade accounts receivable (net of allowance of $123,192 and $132,000, respectively)	38,324,258	29,945,748
Inventories, net		