TG THERAPEUTICS, INC.
Form DEF 14A
April 23, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.___)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

TG THERAPEUTICS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies: N/A
(2) Aggregate number of securities to which transaction applies: N/A
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): N/A
(4) Proposed maximum aggregate value of transaction: N/A
(5) Total fee paid: N/A

¨ Fee paid previously with preliminary materials.
¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
(1) Amount Previously Paid: N/A
(2) Form, Schedule or Registration Statement No.: N/A
(3) Filing Party: N/A
(4) Date Filed: N/A

TG THERAPEUTICS, INC.

3 Columbus Circle, 15th Floor

New York, New York 10019

Dear Stockholder:

You are cordially invited to the Annual Meeting of Stockholders (the “Annual Meeting”) of TG Therapeutics, Inc. (“TG” or the “Company”), to be held at 10:30 a.m. local time, on Friday, June 6, 2014, at the offices of our legal counsel, Alston & Bird LLP, located at 90 Park Avenue, New York, New York 10016. At the meeting, the stockholders will be asked to (i) elect six directors for a term of one year, (ii) ratify the appointment of CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014, and (iii) approve an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000. You will also have the opportunity to ask questions and make comments at the meeting.

In accordance with the rules and regulations of the Securities and Exchange Commission, we are furnishing our proxy statement and annual report to stockholders for the year ended December 31, 2013 on the Internet. You may have already received our “Important Notice Regarding the Availability of Proxy Materials,” which was mailed on or about April 23, 2014. That notice described how you can obtain our proxy statement and annual report. You can also receive paper copies of our proxy statement and annual report upon request.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by marking our proxy card and returning it as directed. If you do attend the meeting and wish to vote in person, you may revoke your proxy at the meeting.

If you have any questions about the proxy statement or the accompanying 2013 Annual Report, please contact Sean A. Power, our Chief Financial Officer at (212) 554-4484.

We look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ Michael S. Weiss
Michael S. Weiss
Executive Chairman, Interim Chief Executive Officer and President

April 22, 2014

New York, New York

TG THERAPEUTICS, INC.

3 Columbus Circle, 15th Floor

New York, New York 10019

NOTICE OF Annual Meeting OF STOCKHOLDERS

The Annual Meeting of Stockholders of TG Therapeutics, Inc. will be held at the offices of our legal counsel, Alston & Bird LLP, located at 90 Park Avenue, New York, New York 10016, on Friday, June 6, 2014, at 10:30 a.m., local time. At the meeting, stockholders will consider and act on the following items:

1. Elect six directors for a term of one year;

2. Ratify the appointment of CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014;

3. The approval of an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000; and

4. The transaction of any other business that may properly come before the Annual Meeting or any adjournment of the Annual Meeting.

Only those stockholders of record as of the close of business on April 9, 2014, are entitled to vote at the Annual Meeting or any postponements or adjournments thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available for your inspection beginning May 24, 2014, at our offices located at 3 Columbus Circle, New York, New York 10019, between the hours of 10:00 a.m. and 5:00 p.m., local time, each business day.

YOUR VOTE IS IMPORTANT!

Instructions on how to vote your shares via the Internet are contained on the "Important Notice Regarding the Availability of Proxy Materials," which was mailed on or about April 23, 2014. Instructions on how to obtain a paper copy of our proxy statement and annual report to stockholders for the year ended December 31, 2013 are listed on the "Important Notice Regarding the Availability of Proxy Materials." These materials can also be viewed online by following the instructions listed on the "Important Notice Regarding the Availability of Proxy Materials."

If you received a paper copy of our proxy statement and annual report, you may vote your shares by completing and returning the enclosed proxy card.

Submitting your proxy does not affect your right to vote in person if you decide to attend the Annual Meeting. You are urged to submit your proxy as soon as possible, regardless of whether or not you expect to attend the Annual Meeting. You may revoke your proxy at any time before it is exercised at the Annual Meeting by (i) delivering written notice to our Corporate Secretary, Sean A. Power, at our address above, (ii) submitting a later dated proxy card, or (iii) voting again via the Internet as described in the "Important Notice Regarding the Availability of Proxy Materials," or (iv) attending the Annual Meeting and voting in person. No revocation under (i) or (ii) will be effective unless written notice or the proxy card is received by our Corporate Secretary at or before the Annual Meeting.

When you submit your proxy, you authorize Michael S. Weiss and Sean A. Power to vote your shares at the Annual Meeting and on any adjournments of the Annual Meeting in accordance with your instructions.

By Order of the Board of Directors,

/s/ Sean A. Power
Sean A. Power
Corporate Secretary

April 22, 2014
New York, New York

TG THERAPEUTICS, INC.

3 Columbus Circle, 15th Floor

New York, New York 10019

Phone: (212) 554-4484

Fax: (212) 554-4531

PROXY STATEMENT

This proxy statement and the accompanying proxy card are being made available via Internet access, beginning on or about April 23, 2014, to the owners of shares of common stock of TG Therapeutics, Inc. (the "Company," "our," "we," or "TG") as of April 9, 2014, in connection with the solicitation of proxies by our Board of Directors for our 2014 Annual Meeting of Stockholders (the "Annual Meeting"). On or about April 23, 2014, we sent an "Important Notice Regarding the Availability of Proxy Materials" to our stockholders. If you received this notice by mail, you will not automatically receive by mail our proxy statement and annual report to stockholders for the year ended December 31, 2013. If you would like to receive a printed copy of our proxy statement, annual report and proxy card, please follow the instructions for requesting such materials in the notice. Upon request, we will promptly mail you paper copies of such materials free of charge.

The Annual Meeting will take place at the offices of our legal counsel, Alston & Bird LLP, located at 90 Park Avenue, New York, New York 10016 on Friday, June 6, 2014, at 10:30 a.m., local time. Our Board of Directors encourages you to read this document thoroughly and take this opportunity to vote, via proxy, on the matters to be decided at the Annual Meeting. As discussed below, you may revoke your proxy at any time before your shares are voted at the Annual Meeting.

Table of Contents

Proxy Statement
Questions and Answers

QUESTIONS AND ANSWERS

Q. ***Why did I receive an "Important Notice Regarding the Availability of Proxy Materials"?***

A. In accordance with Securities and Exchange Commission rules, instead of mailing a printed copy of our proxy materials, we may send an "Important Notice Regarding the Availability of Proxy Materials" to stockholders. All stockholders will have the ability to access the proxy materials on a website referred to in the notice or to request a printed set of these materials at no charge. You will not receive a printed copy of the proxy materials unless you specifically request one from us. Instead, the notice instructs you as to how you may access and review all of the important information contained in the proxy materials via the Internet and submit your vote via the Internet.

Q. ***What is the purpose of the Annual Meeting?***

A. At the Annual Meeting, our stockholders will act upon the matters outlined in the Notice of Annual Meeting of Stockholders accompanying this proxy statement, including (i) elect six directors for a term of one year, (ii) ratify the appointment of CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014, (iii) approve an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000, and (iv) transact any other business that may properly come before the 2014 Annual Meeting or any adjournment thereof.

Q. ***Who is entitled to vote at our Annual Meeting?***

A. The record holders of our Common Stock at the close of business on the record date, April 9, 2014, may vote at the Annual Meeting. Each share of Common Stock is entitled to one vote. There were 37,624,407 shares of Common Stock outstanding on the record date and entitled to vote at the Annual Meeting. A list of stockholders entitled to vote at the Annual Meeting, including the address of and number of shares held by each stockholder of record, will be available for your inspection beginning May 24, 2014, at our offices located at 3 Columbus Circle, New York, New York 10019, between the hours of 10:00 a.m. and 5:00 p.m., local time, each business day.

Q. ***How do I vote?***

A. You may vote in person at the Annual Meeting, by use of a proxy card if you receive a printed copy of our proxy materials, via Internet as directed in our "Important Notice Regarding the Availability of Proxy Materials," or by telephone as indicated in the proxy card.

Q. ***What is a proxy?***

A. A proxy is a person you appoint to vote your shares on your behalf. If you are unable to attend the Annual Meeting, our Board of Directors is seeking your appointment of a proxy so that your shares may be voted. If you vote by proxy, you will be designating Michael S. Weiss, our Executive Chairman, Interim Chief Executive Officer and President, and Sean A. Power, our Chief Financial Officer, Treasurer and Corporate Secretary, as your proxies. Mr. Weiss and/or Mr. Power may act on your behalf and have the authority to appoint a substitute to act as your proxy.

Q. ***How will my shares be voted if I vote by proxy?***

A. Your proxy will be voted according to the instructions you provide. **If you complete and submit your proxy but do not otherwise provide instructions on how to vote your shares, your shares will be voted (i) "FOR" the individuals nominated to serve as members of our Board of Directors, (ii) "FOR" the ratification of CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014, and (iii) "FOR" the approval of an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000.** Presently, our Board does not know of any other matter that may come before the Annual Meeting. However, your proxies are authorized to vote on your behalf, using their discretion, on any other business that properly comes before the Annual Meeting.

2

Q. ***How do I revoke my proxy?***

A. You may revoke your proxy at any time before your shares are voted at the Annual Meeting by:

- delivering written notice to our Corporate Secretary, Sean A. Power, at our address above;
- submitting a later dated proxy card or voting again via the Internet as described in the "Important Notice Regarding the Availability of Proxy Materials"; or
- attending the Annual Meeting and voting in person.

Q. ***Is my vote confidential?***

A. Yes. All votes remain confidential, unless you provide otherwise.

Q. ***How are votes counted?***

A. Before the Annual Meeting, our Board of Directors will appoint one or more inspectors of election for the meeting. The inspector(s) will determine the number of shares represented at the meeting, the existence of a quorum and the validity and effect of proxies. The inspector(s) will also receive, count, and tabulate ballots and votes and determine the results of the voting on each matter that comes before the Annual Meeting.

Abstentions and votes withheld, and shares represented by proxies reflecting abstentions or votes withheld, will be treated as present for purposes of determining the existence of a quorum at the Annual Meeting. They will not be considered as votes "for" or "against" any matter for which the stockholder has indicated their intention to abstain or withhold their vote. Broker or nominee non-votes, which occur when shares held in "street name" by brokers or nominees who indicate that they do not have discretionary authority to vote on a particular matter, will not be considered as votes "for" or "against" that particular matter. Broker and nominee non-votes will be treated as present for purposes of determining the existence of a quorum, and may be entitled to vote on certain matters at the Annual Meeting.

Q. ***What constitutes a quorum at the Annual Meeting?***

A. In accordance with Delaware law (the law under which we are incorporated) and our Amended and Restated Bylaws, the presence at the Annual Meeting, by proxy or in person, of the holders of a majority of the outstanding shares of the capital stock entitled to vote at the Annual Meeting constitutes a quorum, thereby permitting the stockholders to conduct business at the Annual Meeting. Abstentions, votes withheld, and broker or nominee non-votes will be included in the calculation of the number of shares considered present at the Annual Meeting for purposes of determining the existence of a quorum.

If a quorum is not present at the Annual Meeting, a majority of the stockholders present in person and by proxy may adjourn the meeting to another date. If an adjournment is for more than 30 days or a new record date is fixed for the adjourned meeting by our Board, we will provide notice of the adjourned meeting to each stockholder of record entitled to vote at the adjourned meeting. At any adjourned meeting at which a quorum is present, any business may be transacted that might have been transacted at the originally called meeting.

Q. ***What vote is required to elect our directors for a one-year term?***

A. The affirmative vote of a plurality of the votes of the shares present, in person or by proxy, at the Annual Meeting is required for the election of each of the nominees for director. “Plurality” means that the nominees receiving the largest number of votes up to the number of directors to be elected at the Annual Meeting will be duly elected as directors. Abstentions, votes withheld, and broker or nominee non-votes will not affect the outcome of director elections.

Q. ***What vote is required to ratify CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014?***

A. The affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote at the Annual Meeting is required to approve the ratification of CohnReznick LLP as our independent registered public accounting firm for the year ending December 31, 2014. Abstentions will have the same effect as a negative vote. However, broker or nominee non-votes, and shares represented by proxies reflecting broker or nominee non-votes, will not have the effect of a vote against this proposal as they are not considered to be present and entitled to vote on this matter.

Q. ***What vote is required to approve an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000?***

A. The affirmative vote of a majority of the issued and outstanding shares as of the Record Date, and entitled to vote at the Annual Meeting is required to approve an amendment to our Certificate of Incorporation to decrease our authorized share capital by 350,000,000 shares from 500,000,000 to 150,000,000. Abstentions will have the same effect as a negative vote. However, broker or nominee non-votes, and shares represented by proxies reflecting broker or nominee non-votes, will not have the effect of a vote against this proposal as they are not considered to be present and entitled to vote on this matter.

Q. ***What percentage of our outstanding common stock do our directors and executive officers own?***

A. As of April 9, 2014, our directors and executive officers owned, or have the right to acquire, approximately 23.1% of our outstanding Common Stock. See the discussion under the heading "Stock Ownership of Our Directors, Executive Officers, and 5% Beneficial Owners" on page 22 for more details.

Q. ***Who was our independent public accountant for the year ending December 31, 2013? Will they be represented at the Annual Meeting?***

A. CohnReznick LLP is the independent registered public accounting firm that audited our financial statements for the year ending December 31, 2013. We expect a representative of CohnReznick LLP to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to answer your questions.

Q. ***How can I obtain a copy of our annual report on Form 10-K?***

A. We have filed our annual report on Form 10-K for the year ended December 31, 2013, with the Securities and Exchange Commission ("SEC"). The annual report on Form 10-K is also included in the 2013 Annual Report to Stockholders. **You may obtain, free of charge, a copy of our annual report on Form 10-K, including financial statements and exhibits, by writing to our corporate secretary, Sean A. Power, or by email at info@tgtxinc.com. Upon request, we will also furnish any exhibits to the annual report on Form 10-K as filed with the SEC.**

4

CORPORATE GOVERNANCE

Our Board of Directors

Our amended and restated bylaws provide that the Board shall consist of one or more members, as determined from time to time by resolution of the Board. Currently, our Board consists of six members. The following individuals are being nominated to serve on our Board (See "Proposal 1 – Election of Directors; Nominees"):

Name	**Age**	**Position**	**Director Since**
Michael S. Weiss	48	Executive Chairman, Interim Chief Executive Officer and President	2011
Neil Herskowitz	57	Director	2004
Laurence N. Charney	67	Director	2012
William J. Kennedy	69	Director	2012
Mark Schoenebaum, M.D.	41	Director	2012
Yann Echelard	50	Director	2012

The Board does not have a formal policy regarding the separation of the roles of Chief Executive Officer and Executive Chairman, as the Board believes that it is in the best interests of the Company to make that determination based on the direction of the Company and the current membership of the Board. The Board has determined that having a director who is an executive officer serve as the Chairman is in the best interest of the Company's stockholders at this time.

TG has a risk management program overseen by Michael S. Weiss, our Executive Chairman, Interim Chief Executive Officer and President. Mr. Weiss identifies material risks and prioritizes them for our Board. Our Board regularly reviews information regarding our credit, liquidity, and operations, as well as the risks associated with each.

The following biographies set forth the names of our director nominees, their ages, the year in which they first became directors, their positions with us, their principal occupations and employers for at least the past five years, any other directorships held by them during the past five years in companies that are subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), or any company registered as an investment company under the Investment Company Act of 1940, as well as additional information, all of which we believe sets forth each director nominee's qualifications to serve on the Board. There is no family relationship between and among any of our executive officers or directors. There are no arrangements or understandings between any of our executive officers or directors and any other person pursuant to which any of them are elected as an officer or director, except as disclosed below.

On December 29, 2011, Opus Point Partners, LLC, ("Opus"), TG Biologics, Inc. ("TG Biologics") and the Company (and collectively with Opus and TG Biologics, the "Parties") entered into an Exchange Transaction Agreement (the "Agreement"). On August 2, 2012, the Parties executed an amendment to the Agreement ("Amendment No. 1") which set the number of members of the board of directors of the Company (the "Board of Directors") at six, which cannot be increased further without the consent of Opus. Amendment No. 1 also grants Opus the right to nominate three of the six members of the Board of Directors until the later of (x) two years from the Closing Date of the Agreement (as defined therein), or (y) the date on which Opus beneficially owns less than 10% of the Company's common stock as calculated pursuant to the rules and regulations under Section 13 of the Securities Exchange Act of 1934, as amended. Accordingly, Opus has nominated Mr. Charney, Dr. Kennedy, and Dr. Schoenebaum to the Company's Board of Directors.

In connection with the Securities Exchange Agreement between the Company and LFB Biotechnologies ("LFB Group") dated November 9, 2012, LFB Group maintains the right to nominate one member to the Company's Board of Directors. LFB has nominated the Dr. Echelard as its appointee to the Company's Board of Directors.

TG adheres to the corporate governance standards adopted by The Nasdaq Stock Market ("Nasdaq"). Nasdaq rules require our Board to make an affirmative determination as to the independence of each director. Consistent with these rules, our Board undertook its annual review of director independence on March 3, 2014. During the review, our Board considered relationships and transactions during 2013 and during the past three fiscal years between each director or any member of his immediate family, on the one hand, and the Company and our subsidiaries and affiliates, on the other hand. The purpose of this review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent. Based on this review, our Board determined that Neil Herskowitz, Laurence Charney, William Kennedy, and Mark Schoenebaum are independent under the criteria established by Nasdaq and our Board.

Michael S. Weiss, 48, has served as TG's Executive Chairman, Interim Chief Executive Officer and President since December 2011. Mr. Weiss is a co-founder of, and has been a managing partner and principal of Opus Point Partners since 2008. Mr. Weiss earned his J.D. from Columbia Law School and his B.S. in Finance from The University at Albany. He began his professional career as a lawyer with Cravath, Swaine & Moore. In 1999, Mr. Weiss founded Access Oncology which was later acquired by Keryx Biopharmaceuticals, Inc. in 2004. Following the merger, Mr. Weiss remained as CEO of Keryx and grew the company to close to a $1BB market capitalization company at its peak. While at Keryx, he raised over $150MM in equity capital through public and private offerings, executed a $100MM+ strategic alliance, negotiated multiple Special Protocol Assessments ("SPA") agreements with the FDA and managed multiple large clinical trials.

Neil Herskowitz, 57, has served on our Board since July 2004. He has served as the Managing Member of ReGen Partners LLC, an investment fund located in New York, and as the President of its affiliate, Riverside Claims LLC, since June 2004. Mr. Herskowitz has previously served as a director and Audit Committee Chairman of Chelsea Therapeutics, a publicly traded pharmaceutical development company. He also serves on the board of directors of Starting Point Services for Children, a not-for-profit corporation. Mr. Herskowitz received a B.B.A. in Finance from Bernard M. Baruch College in 1978.

Laurence N. Charney, 67, was nominated to our Board in March 2012. Since 2007, Mr. Charney has served as a business strategist and financial advisor to Boards, CEOs and investors. Previously, from 1970 through June 2007, Mr. Charney was a senior audit partner at Ernst & Young, LLP, a registered public accounting firm, retiring as a practice leader in the Americas Quality and Risk Management Group. Mr. Charney currently serves as a director and audit committee chairman of Pacific Drilling S.A. In addition, Mr. Charney previously served as a director and audit committee member of Marvel Entertainment, Inc., Mrs. Fields Original Cookies, XTL Biopharmaceuticals, Ltd., Pure Biofuels, Inc., and Iconix Brand Group, Inc. In addition to his extensive experience on the boards of various corporate entities, Mr. Charney is also very active on the boards of several non-profit organizations. Mr. Charney graduated with a B.B.A. degree from Hofstra University and completed the Executive MBA in Business program at Columbia University.

William J. Kennedy, PhD., 69, was nominated to our Board in March 2012. Dr. Kennedy is a regulatory affairs professional with over 37 years of domestic and international experience. Prior to his retirement, Dr. Kennedy was

Vice President for Regulatory Affairs for Zeneca Corporation. Dr. Kennedy has successfully managed the development, preparation, submission and approval of dozens of NDAs and major SNDAs. Dr. Kennedy has helped shape regulatory policy in the United States continuously since 1988, as a member and Chairman of PhRMA's Regulatory Affairs Coordinating Committee, as PhRMA's Chief Negotiator with Congress and FDA for FDAMA, and as the Co-Chairman of PhRMA's PDUFA III Steering Committee. Before joining the pharmaceutical industry, Dr. Kennedy was an Associate Research Professor at Yale Medical School. Dr. Kennedy is the author of several articles and is an often sought after speaker for his insight into the regulatory process. He co-founded the website PDUFADate.com which provides regulatory opinions to the financial community. Dr. Kennedy was the recipient of RAP's prestigious Special Recognition Award in 1998. Dr. Kennedy has been an independent consultant to the pharmaceutical industry since 1999.

Mark Schoenebaum, M.D., 41, was nominated to our Board in March 2012. Dr. Schoenebaum is a Senior Managing Director and heads ISI's Health Care Research Team. He is also ISI's Biotechnology & Pharmaceuticals major analyst. He has been ranked Institutional Investor's #1 biotechnology analyst for the past nine years. In 2013, his second year competing in the category, Dr. Schoenebaum was also ranked by Institutional Investor as the #1 Pharmaceuticals/Major analyst. In 2013, Mark was inducted into Institutional Investor's All-America Research Team Hall of Fame, an award given to analysts who have earned at least ten #1 rankings. Prior to joining ISI in 2010, Dr. Schoenebaum spent two years at Deutsche Bank as a Managing Director and Senior Biotechnology Analyst. Prior to that, he held a similar position at Bear Stearns. Dr. Schoenebaum graduated from Indiana University with highest distinction in 1996 with a B.A. and received an M.D. from the Johns Hopkins University School of Medicine in 2000.

Yann Echelard, 50, was nominated to our Board in November 2012. Dr. Echelard, President of rEVO Biologics since 2012, has over 25 years of research and biopharmaceutical experience. Dr. Echelard holds a Ph. D. from Université de Montréal, and has completed post-doctoral studies at Ludwig Institute of Cancer Research in Montreal (McGill University). As a visiting scientist at the Roche Institute and at Harvard University (Developmental Biology), he had a key role in the isolation and characterization of the Hedgehog genes, the first identified vertebrate morphogens. From 1994 to 2010, he progressed through various positions of increasing responsibility at Genzyme Transgenics Corporation and at GTC Biotherapeutics, including Vice President of Research and Development. In 1998, he led the scientific team that first performed goat somatic cell nuclear transfer (cloning). Focusing on Corporate Development, Dr. Echelard spearheaded the creation of a collaborative Joint Venture with LFB Biotechnologies in 2006, which was focused on the development of recombinant plasma proteins and monoclonal antibodies. This close collaboration led to the acquisition of GTC Biotherapeutics, Inc. by LFB in December 2010.

During 2013, our Board held four meetings and took three actions by unanimous written consent. During 2013, each incumbent director standing for election attended at least 75% of the meetings of the Board of Directors and the meetings of those committees on which each incumbent director served, in each case during the period that such person was a director. The permanent committees established by our Board of Directors are the Audit Committee and the Compensation Committee, descriptions of which are set forth in more detail below. Our directors are expected to attend each Annual Meeting of Stockholders, and it is our expectation that all of the directors standing for election will attend this year's Annual Meeting. Last year, all of our directors attended the 2013 Annual Meeting of Stockholders, except for Dr. Mark Schoenebaum.

Communicating with the Board of Directors

Our Board has established a process by which stockholders can send communications to the Board. You may communicate with the Board as a group, or to specific directors, by writing to Sean A. Power, our Corporate Secretary, at our offices located at 3 Columbus Circle, 15th Floor, New York, New York 10019. The Corporate Secretary will review all such correspondence and regularly forward to the Board a summary of all correspondence and copies of all correspondence that deals with the functions of the Board or committees thereof or that otherwise requires their attention. Directors may at any time review a log of all correspondence we receive that is addressed to members of our Board and request copies of any such correspondence. Concerns relating to accounting, internal controls, or auditing matters may be communicated in this manner, or may be submitted on an anonymous basis via e-mail at info@tgtxinc.com. These concerns will be immediately brought to the attention of our Audit Committee and resolved in accordance with procedures established by our Audit Committee.

Audit Committee

The Audit Committee currently consists of Laurence N. Charney (Chairman), William Kennedy and Neil Herskowitz.

The Audit Committee held five meetings during the fiscal year ended December 31, 2013. The duties and responsibilities of the Audit Committee are set forth in the Charter of the Audit Committee which was recently reviewed by our Audit Committee. Our Audit Committee determined that no revisions needed to be made to the charter at this time. A copy of the Charter of the Audit Committee is available on our website, located at *www.tgtherapeutics.com.* Among other things, the duties and responsibilities of the Audit Committee include reviewing and monitoring our financial statements and internal accounting procedures, the selection of our independent registered public accounting firm and consulting with and reviewing the services provided by our independent registered public accounting firm. Our Audit Committee has sole discretion over the retention, compensation, evaluation and oversight of our independent registered public accounting firm.

The SEC and Nasdaq have established rules and regulations regarding the composition of audit committees and the qualifications of audit committee members. Our Board of Directors has examined the composition of our Audit Committee and the qualifications of our Audit Committee members in light of the current rules and regulations governing audit committees. Based upon this examination, our Board of Directors has determined that each member of our Audit Committee is independent and is otherwise qualified to be a member of our Audit Committee in accordance with the rules of the SEC and Nasdaq.

Additionally, the SEC requires that at least one member of the Audit Committee have a “heightened” level of financial and accounting sophistication. Such a person is known as the “audit committee financial expert” under the SEC’s rules. Our Board has determined that Mr. Charney is an “audit committee financial expert,” as the SEC defines that term, and is an independent member of our Board of Directors and our Audit Committee. Please see Mr. Charney’s biography on page 6 for a description of his relevant experience.

The report of the Audit Committee can be found on page 12 of this proxy statement.

Compensation Committee

The Compensation Committee held one meeting during the fiscal year ended December 31, 2013. The Compensation Committee currently consists of all independent members of our Board of Directors, with Mr. Herskowitz as chairman. The duties and responsibilities of the Compensation Committee are set forth in the Charter of the Compensation Committee. A copy of the Charter of the Compensation Committee is available on our website, located at *www.tgtherapeutics.com.* As discussed in its charter, among other things, the duties and responsibilities of the Compensation Committee include evaluating the performance of the Chief Executive Officer and our Chief Financial Officer, determining the overall compensation of the Chief Executive Officer and our Chief Financial Officer and administering all executive compensation programs, including, but not limited to, our incentive and equity-based plans. The Compensation Committee evaluates the performance of the Chief Executive Officer and our Chief Financial Officer on an annual basis and reviews and approves on an annual basis all compensation programs and awards relating to such officers. The Compensation Committee applies discretion in the determination of individual executive compensation packages to ensure compliance with the Company’s compensation philosophy. The Chief Executive Officer makes recommendations to the Compensation Committee with respect to the compensation packages for officers other than himself. The Compensation Committee may delegate its authority to grant awards to certain employees, and within specified parameters under the Company’s Amended and Restated 2012 Incentive Plan, to a special committee consisting of one or more directors who may but need not be officers of the Company. As of April 23, 2014, however, the Compensation Committee had not delegated any such authority. The Board may engage a compensation consultant to conduct a review of its executive compensation programs in 2014. The Committee did not engage a compensation consultant in 2013.

Nasdaq has established rules and regulations regarding the composition of compensation committees and the qualifications of compensation committee members. Our Board of Directors has examined the composition of our Compensation Committee and the qualifications of our Compensation Committee members in light of the current rules and regulations governing compensation committees. Based upon this examination, our Board of Directors has determined that each member of our Compensation Committee is independent and is otherwise qualified to be a member of our Compensation Committee in accordance with such rules.

Nominating Process

We do not currently have a nominating committee or any other committee serving a similar function. Director nominations are approved by a vote of a majority of our independent directors as required under the Nasdaq rules and regulations. Although we do not have a written charter in place to select director nominees, our Board of Directors has adopted resolutions regarding the director nomination process. Our policy describing our director nomination process is available on our website, located at *www.tgtherapeutics.com*. We believe that the current process in place functions effectively to select director nominees who will be valuable members of our Board of Directors.

Our independent directors identify potential nominees to serve as directors through a variety of business contacts, including current executive officers, directors, community leaders and stockholders. The independent directors may, to the extent they deem appropriate, retain a professional search firm and other advisors to identify potential nominees.

Our independent directors will also consider candidates recommended by stockholders for nomination to our Board. A stockholder who wishes to recommend a candidate for nomination to our Board must submit such recommendation to our Corporate Secretary, Sean A. Power, at our offices located at 3 Columbus Circle, 15^{th} Floor, New York, New York 10019. Any recommendation must be received not less than 60 calendar days nor more than 90 calendar days before the anniversary date of the previous year's annual meeting. All stockholder recommendations of candidates for nomination for election to our Board must be in writing and must set forth the following: (i) the candidate's name, age, business address, and other contact information, (ii) the number of shares of Common Stock and Series A Preferred Stock beneficially owned by the candidate, (iii) a complete description of the candidate's qualifications, experience, background and affiliations, as would be required to be disclosed in the proxy statement pursuant to Schedule 14A under the Exchange Act, (iv) a sworn or certified statement by the candidate in which he or she consents to being named in the proxy statement as a nominee and to serve as director if elected, and (v) the name and address of the stockholder(s) of record making such a recommendation.

We believe that our Board as a whole should encompass a range of talent, skill, and expertise enabling it to provide sound guidance with respect to our operations and interests. Our independent directors evaluate all candidates to our Board by reviewing their biographical information and qualifications. If the independent directors determine that a candidate is qualified to serve on our Board, such candidate is interviewed by at least one of the independent directors and our Chief Executive Officer. Other members of the Board also have an opportunity to interview qualified candidates. The independent directors then determine, based on the background information and the information obtained in the interviews, whether to recommend to the Board that the candidate be nominated for approval by the stockholders to fill a directorship. With respect to an incumbent director whom the independent directors are considering as a potential nominee for re-election, the independent directors review and consider the incumbent director's service during his or her term, including the number of meetings attended, level of participation, and overall contribution to the Board. The manner in which the independent directors evaluate a potential nominee will not differ based on whether the candidate is recommended by our directors or stockholders.

We consider the following qualifications, among others, when making a determination as to whether a person should be nominated to our Board: the independence of the director nominee; the nominee's character and integrity; financial literacy; level of education and business experience, including experience relating to biopharmaceutical companies; whether the nominee has sufficient time to devote to our Board; and the nominee's commitment to represent the long-term interests of our stockholders. We review candidates in the context of the current composition of the Board and the evolving needs of our business. We believe that each of the current members of our Board (who are also our director nominees) has the requisite business, biopharmaceutical, financial or managerial experience to serve as a member of the Board, as described above in their biographies under the heading "Our Board of Directors." We also believe that each of the current members of our Board has other key attributes that are important to an effective board, including integrity, high ethical standards, sound judgment, analytical skills, and the commitment to devote significant time and energy to service on the Board and its committees.

We do not have a formal policy in place with regard to diversity in considering candidates for our Board, but the Board strives to nominate candidates with a variety of complementary skills so that, as a group, the Board will possess the appropriate talent, skills and expertise to oversee our business.

INDEPENDENT registered public accounting firM FEES AND OTHER MATTERS

CohnReznick LLP, the independent registered public accounting firm that audited our financial statements for the years ended December 31, 2013, and 2012 has served as our independent registered public accounting firm since 2002. We expect a representative of CohnReznick LLP to be present at the Annual Meeting. The representative will have an opportunity to make a statement and will be available to answer your questions.

Our Board has asked the stockholders to ratify the selection of CohnReznick LLP as our independent registered public accounting firm. See “Proposal Two: Ratification of Appointment of CohnReznick LLP as Our Independent Registered Public Accounting Firm” on page 25 of this proxy statement. The Board has reviewed the fees described below and concluded that the payment of such fees is compatible with maintaining CohnReznick LLP’s independence. All proposed engagements of CohnReznick LLP, whether for audit services, audit-related services, tax services, or permissible non-audit services, were pre-approved by our Audit Committee.

Audit Fees

For the fiscal years ended December 31, 2013 and 2012, CohnReznick LLP billed us an aggregate of approximately $159,329 and $144,384, respectively, in fees for the professional services rendered in connection with the audits of our annual financial statements included in our Annual Reports on Form 10-K for those two fiscal years, the review of our financial statements included in our Quarterly Reports on Form 10-Q during those two fiscal years, and other services provided in connection with registration statements.

Audit-Related Fees

During the fiscal years ended December 31, 2013 and 2012, we were not billed by CohnReznick LLP for any fees for audit-related services reasonably related to the performance of the audits and reviews for those two fiscal years, in addition to the fees described above under the heading “Audit Fees.”

Tax Fees

During the fiscal years ended December 31, 2013 and 2012, we were not billed by CohnReznick LLP for any fees for professional services rendered for tax compliance, tax advice, and tax planning services.

All Other Fees

During the fiscal years ended December 31, 2013 and 2012, we were not billed by CohnReznick LLP for any fees for services, other than those described above, rendered to us and our affiliates for those two fiscal years.

Pre-Approval of Services

Our Audit Committee has established a policy setting forth the procedures under which services provided by our independent registered public accounting firm will be pre-approved by our Audit Committee. The potential services that might be provided by our independent registered public accounting firm fall into two categories:

- Services that are permitted, including the audit of our annual financial statements, the review of our quarterly financial statements, related attestations, benefit plan audits and similar audit reports, financial and other due diligence on acquisitions, and federal, state, and non-US tax services; and

- Services that may be permitted, subject to individual pre-approval, including compliance and internal-control reviews, indirect tax services such as transfer pricing and customs and duties, and forensic auditing.

Services that our independent registered public accounting firm may not legally provide include such services as bookkeeping, certain human resources services, internal audit outsourcing, and investment or investment banking advice.

All proposed engagements of our independent registered public accounting firm, whether for audit services or permissible non-audit services, are pre-approved by the Audit Committee. We jointly prepare a schedule with our independent registered public accounting firm that outlines services which we reasonably expect we will need from our independent registered public accounting firm, and categorize them according to the classifications described above. Each service identified is reviewed and approved or rejected by the Audit Committee.

Report of THE Audit Committee

In monitoring the preparation of our financial statements, the Audit Committee met with both management and CohnReznick LLP, our independent registered public accounting firm during the year ended December 31, 2013, to review and discuss all financial statements prior to their issuance and to discuss any and all significant accounting issues. Management and our independent registered public accounting firm advised the Audit Committee that each of the financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee's review included a discussion of the matters required to be discussed pursuant to Public Company Accounting Oversight Board (United States) Auditing Standard 16 (Communication with Audit Committees). Auditing Standard 16 requires our independent registered public accounting firm to discuss with the Audit Committee, among other things, the following:

- Methods used to account for significant or unusual transactions;
- The effect of any accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- The process used by management to formulate sensitive accounting estimates and the basis for the independent registered public accounting firm's conclusion regarding the reasonableness of any such estimates; and
- Any disagreements with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures necessary in the financial statements.

The Audit Committee has discussed the independence of CohnReznick LLP, our independent registered public accounting firm for the year ended December 31, 2013, including the written disclosures made by CohnReznick LLP to the Audit Committee, as required PCAOB Rule 3526, "Communication with Audit Committees Concerning Independence." PCAOB Rule 3526 requires the independent registered public accounting firm to (i) disclose in writing all relationships that, in the independent registered public accounting firm's professional opinion, may reasonably be thought to bear on independence, (ii) confirm their perceived independence, and (iii) engage in a discussion of independence with the Audit Committee.

Finally, the Audit Committee continues to monitor the scope and adequacy of our internal controls and other procedures, including any and all proposals for adequate staffing and for strengthening internal procedures and controls where appropriate and necessary.

On the basis of these reviews and discussions, the Audit Committee recommended to the Board that it approve the inclusion of our audited financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, for filing with the SEC.

By the Audit Committee of the Board of Directors

Laurence N. Charney, Chairperson

William Kennedy
Neil Herskowitz

Dated March 3, 2014

12

OUR EXECUTIVE OFFICERS

Executive Officers

Our current executive officers are as follows:

Name	**Age**	**Position**
Michael S. Weiss	48	Executive Chairman, Interim Chief Executive Officer and President
Sean A. Power	32	Chief Financial Officer, Treasurer and Corporate Secretary

No executive officer is related by blood, marriage or adoption to any other director or executive officer. The biography of Mr. Weiss is presented in connection with "Corporate Governance" beginning on page 5 of this proxy statement.

Sean A. Power, 32, has served as our Chief Financial Officer since December 2011 and also currently serves as the CFO of Opus Point Partners. Mr. Power joined the Company from Keryx Biopharmaceuticals, Inc., where he served as Corporate Controller from 2006 to 2011. During his tenure there, Mr. Power was involved in all capital raising and licensing transactions. He was also responsible for leading Keryx's compliance with SEC rules and regulations. Prior to joining Keryx, he was with KPMG, LLP, independent certified public accountants, where he served as a senior associate. Mr. Power received a B.B.A in Accounting from Siena College and is a member of the American Institute of Certified Public Accountants.

Chairman

David Drabik

Member

Member

Chairman

Member

Paul Taveira

Member

Chairman

Member

James M. Maher

Chairman

Member

Member

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

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

The **Compensation Committee** establishes and regularly reviews the Company s compensation philosophy, strategy, objectives and ethics and determines the compensation of the executive officers of the Company. For a discussion on the Committee s process and factors used in determining executive compensation refer to Compensation Discussion and Analysis starting on page 16. The Committee also administers the Company s equity compensation plans. The Compensation Committee operates pursuant to a written charter adopted by the Board, which is available on the Company s website at www.lannett.com. All members of the Compensation Committee are independent directors as defined by the rules of the NYSE.

Compensation Committee Interlocks and Insider Participation

No member of the Compensation Committee during Fiscal 2014 or as of the date of this Proxy Statement is or has been an officer or employee of the Company and no executive officer of the Company served on the compensation committee or board of any company that employed any member of the Company s Compensation Committee or Board.

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

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

Table of Contents

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

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

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

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

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

Executive Sessions of Independent Directors

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

Table of Contents

REPORT OF THE AUDIT COMMITTEE

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

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

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

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

The Company s independent registered public accounting firm also provided to the Audit Committee the written disclosures required by the Public Company Accounting Oversight Board, and the Audit Committee discussed the firm s independence with the independent registered public accounting firm. . The Audit Committee also pre-approved all fiscal 2014 audit and non-audit services and fess and concluded that the non-audit services performed and related fees did not impair the independence of the independent registered public accounting firm.

Based upon the Audit Committee s discussions and reviews referred to above, the Audit Committee recommended that the audited consolidated financial statements be included in Lannett s Annual Report on Form 10-K for the fiscal year ended June 30, 2014 as filed with the Securities and Exchange Commission.

Audit Committee:

James M. Maher (Chairman)
David Drabik
Paul Taveira

Table of Contents

PRINCIPAL STOCKHOLDERS

The following table sets forth, as of October 31, 2014, 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, 2011 and 2014 Long Term Incentive Plans (LTIPs) generally vest equally over a three year period from the grant date, the restricted shares are included below because the voting rights with respect to such restricted stock are acquired immediately upon grant.

Name and Address of Beneficial Owner / Director / Executive Officer	Office	Excluding Options (*) Shares Held Directly	Shares Held Indirectly	Total Shares	Percent of Class	Including Options (**) Number of Shares	Percent of Class
Arthur P. Bedrosian 13200 Townsend Road Philadelphia, PA 19154	Chief Executive Officer	**633,952**	**41,650**	**675,602(1)**	**1.89%**	**1,072,768(1),(2)**	**2.97%**
Michael Bogda 13200 Townsend Road Philadelphia, PA 19154	President	**0**	**0**	**0(3)**	**0%**	**0(3)**	**0%**
David Drabik 13200 Townsend Road Philadelphia, PA 19154	Director	**27,500**	**0**	**27,500**	**0.08%**	**27,500**	**0.08%**
Robert Ehlinger 13200 Townsend Road Philadelphia, PA 19154	VP of Logistics and Chief Information Officer	**31,251**	**0**	**31,251**	**0.09%**	**182,175(4)**	**0.51%**
William Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman Emeritus	**3,315,812**	**0**	**3,315,812**	**9.27%**	**3,315,815**	**9.27%**
Jeffrey Farber 13200 Townsend Road Philadelphia, PA 19154	Chairman of the Board, Director	**522,470**	**4,470,050**	**4,992,520(5)**	**13.96%**	**5,017,520(5),(6)**	**14.02%**
David Farber 6884 Brook Hollow Ct West Bloomfield, MI 48322		**58,370**	**4,581,581**	**4,639,951(7)**	**12.98%**	**4,639,951(7)**	**12.98%**
Farber Properties 1775 John R Road Troy, MI 48083		**3,850,000**	**0**	**3,850,000(8)**	**10.77%**	**3,850,000(8)**	**10.77%**
Farber Family LLC 1775 John R Road Troy, MI 48083		**528,142**	**0**	**528,142(9)**	**1.48%**	**528,142(9)**	**1.48%**
Farber Investment LLC 1775 John R Road Troy, MI 48083		**38,000**	**0**	**38,000(10)**	**0.11%**	**38,000(10)**	**0.11%**
Martin P. Galvan 13200 Townsend Road	VP of Finance, Chief Financial	**31,499**	**0**	**31,499(11)**	**0.09%**	**109,498(11),(12)**	**0.31%**

Philadelphia, PA 19154	Officer and Treasurer						
James M. Maher 13200 Townsend Road Philadelphia, PA 19154	Director	**10,500**	**0**	**10,500**	**0.03%**	**10,500**	**0.03%**
Ernest J. Sabo 13200 Townsend Road Philadelphia, PA 19154	VP of Regulatory Affairs and Chief Compliance	**23,395**	**0**	**23,395(13)**	**0.07%**	**157,822(13),(14)**	**0.44%**

Table of Contents

Name and Address of Beneficial Owner / Director / Executive Officer	**Office**	**Excluding Options (*)**				**Including Options (**)**	
		Shares Held Directly	**Shares Held Indirectly**	**Total Shares**	**Percent of Class**	**Number of Shares**	**Percent of Class**
	Officer						
William F. Schreck 13200 Townsend Road Philadelphia, PA 19154	Chief Operating Officer	**219,357**	**0**	**219,357(15)**	**0.61%**	**277,692(15),(16)**	**0.78%**
Kevin R. Smith 13200 Townsend Road Philadelphia, PA 19154	SVP of Sales and Marketing	**67,830**	**0**	**67,830(17)**	**0.19%**	**121,364(17),(18)**	**0.34%**
Paul Taveira 13200 Townsend Road Philadelphia, PA 19154	Director	**17,500**	**0**	**17,500**	**0.05%**	**17,500**	**0.05%**
All directors and executive officers as a group (11 persons)		**1,585,254**	**4,511,700**	**6,096,954**	**17.05%**	**6,994,339**	**19.08%**

(1) Includes 41,650 shares owned by Arthur P. Bedrosian s wife. Mr. Bedrosian disclaims beneficial ownership of these shares. Includes 20,000 unvested shares received pursuant to a restricted stock awards granted in April 2014 and July 2014.

(2) Includes 25,000 vested options to purchase common stock at an exercise price of $8.00 per share, 30,000 vested options to purchase common stock at an exercise price of $6.89 per share, 75,000 vested options to purchase common stock at an exercise price of $4.03 per share, 30,000 vested options to purchase common stock at an exercise price of $2.80, 75,000 vested options to purchase common stock at an exercise price of $6.94 per share, 89,500 vested options to purchase common stock at an exercise price of $3.55, 42,666 vested options to purchase common stock at an exercise price of $4.16, and 30,000 vested options to purchase common stock at an exercise price of $13.86.

(3) Michael Bogda was hired as President effective December 1, 2014. He was awarded 75,000 options to purchase common stock at an exercise price of $46.34 per share which vest annually as follows: 25,000 12/1/2015; 25,000 12/1/2016; 25,000 12/1/2017.

(4) Includes 10,425 vested options to purchase common stock at an exercise price of $5.05 per share, 7,500 vested options to purchase common stock at an exercise price of $6.89 per share, 15,000 vested options to purchase common stock at an exercise price of $4.03 per share, 15,000 vested options to purchase common stock at an exercise price of $6.94 per share, 18,000 vested options to purchase common stock at an exercise price of $5.02, 50,000 vested options to purchase common stock at an exercise price of $3.55, 23,333 vested options to purchase common stock at an exercise price of $4.16, and 11,666 vested options to purchase common stock at an exercise price of $13.86.

(5) Includes 3,850,000 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 1,925,000 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 36,629 shares held by Jeffrey Farber as custodian for his children, 17,279 shares held as joint custodian with David Farber for a relative, and also includes 38,000 shares held by Farber Investment Company (FIC). Jeffrey Farber and David Farber each beneficially own 25% of FIC and each disclaim beneficial ownership of all but 9,500 shares held by FIC.

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

(7) Includes 3,850,000 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 1,925,000 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. Includes 148,160 shares held by David Farber as custodian for his children and 17,279 shares held as joint custodian with Jeffrey Farber for a relative. Also includes 38,000 shares held by FIC. Jeffrey Farber and David Farber each beneficially own 25% of FIC and each disclaim beneficial ownership of all but 9,500 shares held by FIC.

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

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

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

(11) Includes 10,000 unvested shares received pursuant to a restricted stock awards granted in April 2014 and July 2014.

(12) Includes 40,000 vested options to purchase common stock at an exercise price of $4.73 per share, 21,333 vested options to purchase common stock at an exercise price of $4.16 per share, and 16,666 vested options to purchase common stock at an exercise price of $13.86.

(13) Includes 2,000 unvested shares received pursuant to a restricted stock awards granted in April 2014 and July 2014.

(14) Includes 3,260 vested options to purchase common stock at an exercise price of $7.48 per share, 4,000 vested options to purchase common stock at an exercise price of $5.18 per share, 7,500 vested options to purchase common stock at an exercise price of $6.89 per share, 50,000 vested options to purchase common stock at an exercise price of $6.94 per share, 33,334 vested options to purchase common stock at an exercise price of $3.55, 23,333 vested options to purchase common stock at an exercise price of $4.16 per share, and 13,000 vested options to purchase common stock at an exercise price of $13.86.

(15) Includes 4,900 unvested shares received pursuant to a restricted stock awards granted in April 2014 and July 2014.

Table of Contents

(16) Includes 8,334 vested options to purchase common stock at an exercise price of $5.02, 23,334 vested options to purchase common stock at an exercise price of $3.55, 11,667 vested options to purchase common stock at an exercise price of $4.16 per share, and 15,000 vested options to purchase common stock at an exercise price of $13.86 per share.

(17) Includes 12,000 unvested shares received pursuant to a restricted stock awards granted in April 2014 and July 2014.

(18) Includes 10,200 vested options to purchase common stock at an exercise price of $4.03 per share, 16,667 vested options to purchase common stock at an exercise price of $3.55, 11,667 vested options to purchase common stock at an exercise price of $4.16 per share, and 15,000 vested options to purchase common stock at an exercise price of $13.86 per share.

* Percent of class calculation is based on 35,757,847 outstanding shares of common stock at October 31, 2014.

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

Table of Contents

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 2014 all filing requirements applicable to its officers, directors and greater-than-10% beneficial owners under Section 16(a) of the Exchange Act were complied with in a timely manner, except for a Form 3 related to James M. Maher s appointment as a director of the Company; Form 4s related to a grant of stock options to various executive officers on September 5, 2013; a Form 4 for Farber Properties, LLC and Jeffrey Farber related to a distribution of shares from Farber Properties, LLC on November 19, 2013; a Form 4 for Kevin Smith relating to an exercise of stock options on November 15, 2013; Form 4s related to a grant of restricted stock to various directors and executive officers on January 22, 2014; a Form 4 for Kevin Smith related to an exercise of stock options on February 13, 2014; a Form 4 for David Farber related to an exercise of stock options on February 28, 2014; a Form 4 for William Schreck related to an exercise of stock options on March 11, 2014; a Form 4 for Arthur Bedrosian related to shares withheld by the Company to satisfy tax withholding obligations for a restricted stock grant on April 24, 2014; and Form 4s for various executive officers related to a restricted stock grant on April 24, 2014.

Table of Contents

DIRECTORS AND OFFICERS

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

	Age	Position
Directors:		
William Farber	83	Chairman Emeritus
Jeffrey Farber	54	Chairman of the Board
Arthur P. Bedrosian	69	Director
David Drabik	46	Director
Paul Taveira	55	Director
James M. Maher	62	Director
Officers:		
Arthur P. Bedrosian	69	Chief Executive Officer
Martin P. Galvan	62	Vice President of Finance, Chief Financial Officer and Treasurer
William F. Schreck	66	Chief Operating Officer
Michael Bogda	53	President
Kevin R. Smith	54	Senior Vice President of Sales and Marketing
Ernest J. Sabo	66	Vice President of Regulatory Affairs and Chief Compliance Officer
Robert Ehlinger	57	Vice President of Logistics and Chief Information Officer

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

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

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

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

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

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

Table of Contents

Martin P. Galvan, CPA was appointed as the Company s Vice President of Finance, Chief Financial Officer and Treasurer in August 2011. Most recently, he was Chief Financial Officer of CardioNet, Inc., a medical technology and service company. From 2001 to 2007, Mr. Galvan was employed by Viasys Healthcare Inc., a healthcare technology company that was acquired by Cardinal Health, Inc. in June 2007. Prior to the acquisition, he served as Executive Vice President, Chief Financial Officer and Director Investor Relations. From 1999 to 2001, Mr. Galvan served as Chief Financial Officer of Rodel, Inc., a precision surface technologies company in the semiconductor industry. From 1979 to 1998, Mr. Galvan held several positions with Rhone-Poulenc Rorer Inc., a pharmaceutical company, including Vice President, Finance The Americas; President & General Manager, RPR Mexico & Central America; Vice President, Finance, Europe/Asia Pacific; and Chief Financial Officer, United Kingdom & Ireland. Mr. Galvan began his career with the international accounting firm Ernst & Young LLP. He earned a Bachelor of Arts degree in economics from Rutgers University and is a member of the American Institute of Certified Public Accountants.

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

Michael Bogda joined the Company as President, effective December 1, 2014. Prior to joining the Company, Mr. Bogda served as Teva Pharmaceuticals Executive Vice President Americas Technical Operations from 2011 to 2014 and Executive Vice President US Technical Operations from 2009 to 2011, overseeing production, sourcing and supply chain, among other responsibilities. Before that, he held a number of positions of increasing responsibility for Barr Pharmaceuticals from 2000 to 2008, rising to President and Chief Operating Officer. Prior to his tenure at Barr Pharmaceuticals, Mr. Bogda served as Vice President Operations for Copley Pharmaceuticals. Mr. Bogda is also currently a member of the board of directors at Apicore, LLC, an active pharmaceutical ingredient manufacturer. He earned a Master of Business Administration Degree from the Wharton School of the University of Pennsylvania, and a Master of Science degree in Chemical Engineering and a Bachelor of Science degree in Chemical Engineering from Rutgers University.

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

Ernest J. Sabo joined the Company in March 2005 as Director of Quality Assurance. In May 2008, Mr. Sabo was promoted to Vice President of Regulatory Affairs and Chief Compliance Officer. Prior to this, he served at Wyeth Pharmaceuticals as Manager of QA Compliance from 2001 to 2003 and as Associate Director of QA Compliance from 2003 to 2005. Mr. Sabo held former positions as Director of Validation, Quality Assurance, Quality Control and R&D at Delavau/Accucorp, Inc. from 1993 thru 2001. He has over 30 years of experience in the pharmaceutical industry, his background spans from Quality Assurance, Quality Control, Cleaning/Process Validation and Manufacturing turn-key operations. Mr. Sabo holds a Bachelor of Arts in Biology from The College of New Jersey. Mr. Sabo is retiring from the Company, effective January 2, 2015.

Robert Ehlinger joined the Company in July 2006 as Chief Information Officer. In June 2011, Mr. Ehlinger was promoted to Vice President of Logistics and Chief Information Officer. Prior to joining Lannett, Mr. Ehlinger was the Vice President of Information Technology at MedQuist, Inc., a healthcare services provider, where his career spanned 10 years in progressive operational and technology roles. Prior to MedQuist, Mr. Ehlinger was with Kennedy Health Systems as their Corporate Director of Information Technology supporting acute care and ambulatory care health information systems and biomedical support services. Earlier on, Mr. Ehlinger was with Dowty Communications where he held various technical and operational support roles prior to assuming the role of International Distribution Sales Executive managing the Latin America sales distribution channels. Mr. Ehlinger received a Bachelor s of Arts degree in Physics from Gettysburg College in Gettysburg, PA.

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

Table of Contents

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

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

NEO	Title/Role
Arthur P. Bedrosian	President and Chief Executive Officer
Martin P. Galvan	Vice President of Finance, Chief Financial Officer and Treasurer
William Schreck	Chief Operating Officer
Kevin Smith	Senior Vice President of Sales and Marketing
Ernest Sabo	Vice President of Regulatory Affairs and Chief Compliance Officer

Where We Are Today

At our annual shareholders meeting in January 2012, our shareholders supported a triennial cycle for say-on-pay advisory votes relating to our Executive Compensation Program for NEOs. At that time, we provided our shareholders with the opportunity to approve, or to vote against, the compensation of our NEOs, as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and approximately 99% of the shareholders who voted on the say-on-pay proposal supported our program.

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

The following pages of this CD&A highlight performance results since Fiscal 2011 that have had a direct impact on the compensation paid to our NEOs over the same period of time. It looks specifically at the performance measures used in the short- and long-term incentive awards under the Executive Compensation Program that the Committee believes drive shareholder value. It also describes recently approved changes for Fiscal 2015 to further align our Executive Compensation Program with our objectives and best competitive practice.

A Word About Risk

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

Executive Summary

Business Highlights

Fiscal 2014 marked another extraordinary year for Lannett. We experienced the strongest growth in net sales and profitability in our Company s history, and our stock price increased by 317% during the 12-month period ending June 30, 2014 and by 896% over the past three years. We also further strengthened our balance sheet to help fund future growth opportunities. Our results demonstrate our leadership team s commitment to stability, growth and focus on long-term profitability and creating shareholder value.

In addition to our financial results, we made important advances in product development and mix, market share, and the regulatory approval process, allowing us to efficiently and safely place our products that span a variety of categories (e.g., thyroid deficiencies, cardiovascular, pain management) on the market. We currently have over 30 products available to the market, with an additional 24 Abbreviated New Drug Applications (ANDAs) pending regulatory approval. We also continued to capitalize on our strategic partnerships. Specifically, we extended our agreement with our primary inventory supplier (Jerome Stevens Pharmaceuticals (JSP)), which now gives us exclusive distribution rights in the U.S. for a number of key product lines.

Table of Contents

Key financial performance highlights include:

**TSR for Sagent Pharmaceuticals, Inc is as of the company s IPO on April, 20, 2011.*

Peer Group average excludes Astex Pharmaceuticals, Cornerstone Therapeutics and Hi-Tech Pharmacal as they were all acquired prior to 6/30/2014.

Table of Contents

2014 Executive Compensation Program Changes

As our Company grows, the Committee is committed to the evolution and improvement of our Executive Compensation Program to ensure alignment with our business strategy and stockholder interests, as well as best competitive practices. The Committee made the following adjustments to the program s core compensation elements for 2014:

What s Changed	How It s Changed	Explanation
Base Salary	• Positioned base salaries at the 50th percentile of comparable organizations.	A study conducted in 2013 by our independent compensation consultant found that NEO base salaries were below the 25th percentile our peer group. The Committee believes raising NEO base salaries to align with the 50th percentile of the peer group, consistent with our compensation philosophy, is critical to improve pay competitiveness and to recognize our highly-qualified and experienced executive officers.
Short-Term Incentives (Annual Bonus)	• Established threshold, target and maximum performance goals, as well as corresponding award opportunities, expressed as percents of salary. • Capped maximum award opportunities at 200% of target levels. • Added net sales as one of the performance metrics. • Increased weighting on corporate financial metrics from 60% to 75% of total award opportunity. • Reduced weighting on individual performance from 40% to 25%.	The Committee believes that this new structure enhances the plan s motivational impact, reinforces key business objectives and strategic priorities, and further strengthens the alignment between pay and performance. The cap on the award also provides greater structure around the Committee s discretion. (Previously, the bonus pool was based on a fixed percentage (20%) of adjusted operating income). The Committee also believes these changes encourage a focus on profitable growth and Company-wide collaboration.
Long-Term Incentives	• Began granting restricted stock, in addition to stock options, as part of the core award mix, with grant levels tied to Company performance.	The Committee increased the emphasis on long-term incentives, relative to other pay components and linked grant levels to Company performance to strengthen alignment with stockholder interests. Restricted stock is less dilutive than stock options, which helps to further manage potential stockholder dilution and equity plan share reserves. The Committee also believes restricted stock is integral to its leadership retention strategy.

Special Recognition Award: Restricted Stock

Granting restricted stock gives our NEOs a meaningful equity stake in our business. The value of the award depends on the value of our stock when the shares vest, further aligning the interests of our NEOs with those of our shareholders over the long term. It also supports our need to retain key talent. For Fiscal 2014, in addition to the regular stock options and restricted stock granted to the NEOs, the Committee approved a one-time, special restricted stock award in recognition of performance that far exceeded the Committee s expectations. This special recognition award vests three years from the date of grant and has two parts. The first part of the award, equal to 25% of the total award, was granted in April 2014 to recognize year- to-date contributions. The remaining 75% was granted after the end of the fiscal year. Please see page 26 of this CD&A for details.

Table of Contents

Looking Ahead: Executive Compensation Program Changes for Fiscal 2015

In addition to 2014 changes, the Committee also made several modifications for the 2015 program, including:

- **Short-Term Incentives (Annual Bonus)**. For Fiscal 2015, performance metrics will include operating income, Earnings Per Share (EPS), subject to adjustment for any significant capital transactions, net sales, and personal objectives. The target annual bonus opportunities for each NEO remain the same as those for Fiscal 2014.

- **Long-Term Incentives.** For Fiscal 2015, the Committee approved target long-term incentive award opportunities equal to 100% of base salary for each of our NEOs, which will be provided in an equal value mix of stock options and restricted stock. Actual grant levels can range from 0% to 150% of target levels, based on the Company s Fiscal 2015 financial performance using the same metrics as under the annual bonus plan:

Fiscal 2015 Performance Result	**Percentage of Target Equity Grants Earned (as % of Target Grant)**
Below Threshold	0% (subject to Committee discretion)
Threshold (80% of Budget)	50%
Target (100% of Budget)	100%
Superior (120% of Budget)	150%

Grants, if any, will occur following the end of fiscal 2015, with stock options and restricted stock vesting in three equal annual increments based on continued service with the Company.

- **Stock Ownership Guidelines.** The Committee approved stock ownership guidelines for our executive officers, including NEOs, and non-employee directors, effective as of July 2014**.** Under these guidelines, NEOs are required to own qualifying shares with targeted values equal to 3X salary for our CEO and 1.5X salary for other executive officers. Non-employee directors are required to own qualifying shares with targeted values equal to 3X the cash board retainer. Shares that count towards ownership requirements include common shares held directly or indirectly and shares in employee benefit plans. Executive officers and non-employee directors have five years from the time of first being subject to guidelines to achieve ownership requirements. Until guidelines are met, executive officers and non-employee directors are required to hold at least 50% of net after-tax shares received from equity grants. If after five years guidelines still are not met, 100% of all net after-tax shares from equity grants must be held.

Table of Contents

Overview of the Executive Compensation Program

Our Philosophy

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

- **Pay for performance:** A significant portion of compensation should be variable and directly linked to corporate and individual performance goals and results.

- **Competitiveness:** Compensation should be sufficiently competitive to attract, motivate and retain an executive team fully capable of driving exceptional performance.

- **Alignment:** The interests of executives should be aligned with those of our stockholders through equity-based compensation and performance measures that help to drive shareholder value over the long term.

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

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

Compensation Mix

The charts below show that most of our NEO s compensation is variable (82% for our CEO and an average of 78% for our other NEOs) based upon fiscal year 2014 compensation as reported in the Summary Compensation Table on page 28 of this Proxy Statement. The charts also show the breakdown of cash vs. equity (i.e., stock options and restricted stock).

Table of Contents

How Compensation Decisions Are Made

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

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

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

Timing of Committee Meetings and Grants; Option and Share Pricing

The Committee meets as necessary to fulfill its responsibilities, and the timing of these meetings is established during the year. The Committee holds special meetings from time to time as its workload requires. Historically, annual grants of equity awards have typically been accomplished at a meeting of the Committee in August/September of each year to reward prior year performance. The Committee approved additional grants during fiscal 2014 to recognize our exceptional performance. Individual grants (for example, associated with the hiring of a new NEO or promotion to an NEO position) may occur at any time of year. The Committee generally expects to coordinate the timing of equity award grants to be made within 30 days of our earnings release announcement following the completion of each fiscal year. The exercise price of each option and restricted stock awarded to our NEOs is the closing price of our common stock on the date of grant.

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

- **The Role of the Independent Consultant.** The Committee consults, as needed, with an outside compensation consulting firm. As it makes decisions about executive compensation, the Committee reviews data and advice from its consultant about current compensation practices and trends among publicly-traded companies in general and comparable generic pharmaceutical companies in particular. The Committee also reviews recommendations from its outside consultant and makes recommendations to the Board about the compensation for non-employee directors.

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

Peer Group and Benchmarking

The Committee evaluates industry-specific and general market compensation practices and trends to ensure the Executive Compensation Program is appropriately competitive. When making decisions about the program for Fiscal 2014, the Committee considered publicly-available data, as well as a market study conducted by PM&P in June 2013. Using this information, the Committee compared the program to the compensation practices of the following companies, which the Committee believes are comparable to us in terms of size, scope and business complexity (the peer group):

Table of Contents

LANNETT COMPANY, INC.

Lannett Company, Inc. vs. 14 Peer Companies

Company Name	**Fiscal Year End # of Employees**	**Equity Market Cap. 6/30/2014 ($mm)**	**Fiscal Year End Operating Income ($mm)**	**Fiscal Year End Sales ($mm)**	**Cumulative 3 YR TSR 6/30/2014**
Acorda Therapeutics, Inc.	421	$ 1,407	$ 31	$ 245	4.3%
Akorn, Inc.	1,104	3,455	91	336	375.0%
Astex Pharmaceuticals, Inc.*	421	0	0	318	
Cambrex Corporation.	1,104	634	45	218	348.1%
Cornerstone Therapeutics Inc.*	136	0	22	336	
Cumberland Pharmaceuticals, Inc.	936	80	14	316	-21.7%
Emergent BioSolutions, Inc.	1,353	840	(17)	116	-0.4%
Genomic Health Inc.	684	856	(4)	31	-1.8%
Hi-Tech Pharmacal Co., Inc.*	448	0	51	313	
Pernix Therapeutics Holdings, Inc.	191	339	(12)	262	5.5%
Sagent Pharmaceuticals, Inc.	269	824	38	232	29.9%
Santarus, Inc.*	290	0	(18)	85	
SciClone Pharmaceuticals, Inc.	105	271	20	127	-12.9%
Sucampo Pharmaceuticals, Inc.	96	301	(18)	90	68.3%
Lannett Company, Inc.	*399*	*$ 1,765*	*$ 88*	*$ 274*	*896.4%*
% Rank	*45%*	*94%*	*94%*	*63%*	*100%*

**Companies were acquired following the 2013 market study*

Table of Contents

2014 Executive Compensation Program Decisions

Base Salary

We attribute much of our success to our highly-experienced executive management team and the strength of their leadership has been clearly demonstrated by our exceptional performance results. In order to remain competitive among our industry peers, the Committee believes it must set compensation at market-competitive levels that reflect the executive s experience, role and responsibilities. To bring base salaries to the 50th percentile of comparable organizations, the Committee approved the following base salary increases, ranging from approximately 15% to 35%, effective as of July 1, 2013:

NEO	2013 Annual Base Salary	2014 Annual Base Salary	% Change*
Arthur P. Bedrosian	$ 440,000	$ 539,000	+23%
Martin P. Galvan	$ 275,000	$ 317,000	+15%
William Schreck	$ 257,000	$ 346,000	+35%
Kevin Smith	$ 220,000	$ 278,000	+26%
Ernest Sabo	$ 175,000	$ 230,000	+31%

**Rounded to the nearest whole percentage.*

Short-Term Incentives (Annual Bonus)

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

	Annual Bonus Opportunity As a % of Salary		
Title	Threshold (25% of Target)	Target (100% of Target)	Superior (200% of Target)
CEO	18.75%	75%	150%
COO, CFO, SVP of Sales and Marketing	15%	60%	120%
Other NEOs	12.5%	50%	100%

The overall annual bonus is comprised of two components:

- **Seventy-five percent (75%)** is tied to operating results versus budget to promote a focus on Company-wide profitable growth and collaboration:

Performance Metric	**Weighting (Out of 100%)**
Adjusted Operating Income	52.5%
Net Sales	22.5%

Adjusted operating income is defined as operating income excluding bonus and stock-based compensation expense, as further adjusted for certain non-recurring items such as legal settlements or contract renewal fees.

- **Twenty-five percent (25%)** is based on the achievement of pre-established quantitative and qualitative individual goals, to promote individual accountability and line of sight. Fiscal 2014 goals were tied to various strategic, financial and operational objectives, taking into consideration each NEO s job function and responsibilities. For competitive harm reasons, Lannett does not disclose specific details on individual goals and strategic objectives, although major accomplishments in Fiscal 2014 for each NEO are listed on page 24.

Table of Contents

2014 Short-Term Incentives (Annual Bonus): Results and Payouts

- **Operational Results (75% of Target Award).** For Fiscal 2014, the Committee established financial performance goals ranging from 85% of budget (threshold) to 150% of budget (superior):

Performance Metric	Weighting (Out of 100%)	Performance Goals Threshold	Target	Superior	Actual
Adjusted Operating Income	52.5%	$ 22.9	$ 26.9	$ 40.4	$ 124.4
Net Sales	22.5%	$ 146.4	$ 172.2	$ 258.3	$ 273.8

Actual adjusted operating income results for fiscal 2014 excluded the $20.1 million renewal fee associated with the contract extension with JSP. Note, however, if these fees had been included, adjusted operating income would still have been well above the superior performance level.

- **Individual Results (Collectively Weighted 25% of Target Award).**

NEO	Performance Highlights
Arthur P. Bedrosian	• Led three new product development projects for our Cody Labs subsidiary (CODY) and completed three process validation lots for validation and the availability of the signed summary report • Met capital projects goal for CODY • Worked with Human Resources and senior management to develop and maintain the leadership/succession plan
Martin P. Galvan	• Delivered accurate and timely financial reports on a required quarterly and annual basis as an accelerated filer with the Securities and Exchange Commission • Enhanced financial performance through the management of receivables, automating bill-backs, charge-backs and rebate processes • Contributed to the achievement of Company annual operating plan targets
William Schreck	• Installed a manufacturing suite at our Townsend Road facility

	• Identified and completed due diligence related to the purchase of a new facility for future expansion • Contributed to the achievement of Company annual operating plan targets
Kevin Smith	• Exceeded Company sales goals while limiting rebates, charge-backs and other related sales deductions • Increased market share on existing products and obtained market share on new product launches • Contributed to the achievement of Company annual operating plan targets
Ernest Sabo	• Maintained compliance with DEA and FDA requirements by reviewing policies and procedures • Provided technical and research capabilities to ensure a flow of new products • Contributed to the achievement of Company annual operating plan targets

Table of Contents

Total Annual Bonus

Based on our exceptional performance results and significant individual contributions, the NEOs earned the maximum amount on the corporate operational component and varying amounts for the individual component under the annual bonus program. Total awards for each of the NEOs were as follows:

NEO	Operational Results Portion of the Bonus (75%)		Individual Results Portion of the Bonus (25%)		Total Actual Bonus	
Arthur P. Bedrosian	$	606,375	$	202,125	$	808,500
Martin P. Galvan	$	285,300	$	95,100	$	380,400
William Schreck	$	311,400	$	56,222	$	367,622
Kevin Smith	$	250,200	$	83,400	$	333,600
Ernest Sabo	$	172,500	$		$	172,500

Short-term incentive awards earned in Fiscal 2014 were generally higher than Fiscal 2013 levels, reflecting our extraordinary performance results. These awards were capped at 200% of target levels. Note that if the former (Fiscal 2013) annual bonus plan, which established an award pool of up to 20% of adjusted operating income, had still been in effect, Fiscal 2014 payouts would have been considerably higher than those under the new plan, because adjusted operating income more than quadrupled in Fiscal 2014 as compared with Fiscal 2013. The Committee considered this outcome when determining long-term incentives for Fiscal 2014.

Long-Term Incentives

Prior to Fiscal 2014, stock options were used as the primary long-term incentive award vehicle for NEOs, with grants provided on a periodic, discretionary basis. In 2014, the Committee changed its approach and granted a combination of stock options and restricted stock, to further align executive and stockholder interests, enhance key employee retention, encourage long-term stockholder creation and recognize each NEO s contributions towards our extraordinary performance results.

- **Stock options.** To recognize Fiscal 2013 performance, the Committee approved the following stock option grants to NEOs effective as of September 5, 2013:

NEO	# of Stock Options Granted
Arthur P. Bedrosian	90,000
Martin P. Galvan	50,000
William Schreck	45,000
Kevin Smith	45,000
Ernest Sabo	39,000

These stock options vest in three equal annual increments, beginning on the first anniversary of grant and expire on the tenth anniversary from the date of grant. Each stock option has an exercise price of $13.86, equal to our closing stock price on the date of grant. In determining grant levels, the Committee considered each NEO s contributions towards our strong financial performance results in Fiscal 2013, which included a 23% increase in net sales and a 131% increase in adjusted operating income as compared with Fiscal 2012 results.

- **Restricted stock.** By the end of the first quarter of Fiscal 2014, the Committee realized that the Company was on track to significantly exceed its performance expectations, based on its revised financial forecast for the remainder of the year. To recognize this accomplishment and motivate executives to continue performing at a high level, the Committee approved the following restricted stock grants to NEOs on October 29, 2013:

NEO	**# of Restricted Shares Granted**
Arthur P. Bedrosian	22,500
Martin P. Galvan	22,500
William Schreck	10,000
Kevin Smith	10,050
Ernest Sabo	7,800

Recognizing that annual bonus payouts for Fiscal 2014 would have been considerably higher under the former (Fiscal 2013) bonus pool design than actual payouts under the new (2014) design, the Committee decided to allow these restricted stock grants to vest as of June 30, 2014.

Table of Contents

• **Special recognition award (restricted stock).** As the year progressed, and Company performance continued to exceed expectations, the Committee decided it would be appropriate to provide one-time, special recognition grants of restricted stock to reward contributions towards our record-setting results and strengthen retention. On April 24, 2014, the Committee approved the following special recognition awards, with 25% to be granted immediately and the remaining 75% granted after the end of the fiscal year, if performance results are achieved:

	Number of Special Recognition Restricted Shares Granted		
NEO	**First Installment* (25%, Granted 4/24/14)**	**Second Installment (75%, Granted 7/23/14)**	**Total # of Shares Granted**
Arthur P. Bedrosian	5,000	15,000	20,000
Martin P. Galvan	2,500	7,500	10,000
William Schreck	1,225	3,675	4,900
Kevin Smith	3,000	9,000	12,000
Ernest Sabo	500	1,500	2,000

**The number of shares granted to each of the NEOs is also shown on the Grants of Plan-Based Awards table on page 29 of this Proxy Statement. Its value is also included in the Summary Compensation Table on page 28.*

In approving these special recognition grants, the Committee considered each NEO s contributions towards the Company s Fiscal 2014 performance results. It also considered the recommendations of the CEO (who makes recommendations for the NEOs, but not for himself). To further enhance retention, these grants vest on the third anniversary from the date of grant, based on continued service with the Company.

Other Policies, Programs and Guidelines

The Company does not currently maintain a clawback policy, but notes that under the Sarbanes-Oxley Act incentive awards for the CEO and CFO are subject to recoupment in the event of a material financial restatement triggered by fraud or misconduct. Additionally, any employee who violates the provisions of the Company s Code of Business Conduct and Ethics is subject to disciplinary penalties that may include termination of employment. The Committee intends to comply with any regulatory requirements pertaining to clawback provisions under the Dodd-Frank Act once rules are finalized by the SEC and New York Stock Exchange.

NEOs, like all other employees, have retirement programs and other benefits as part of their overall compensation package. The Committee believes that these programs and benefits support our compensation philosophy, part of which is to provide compensation that is sufficiently competitive to attract, motivate and retain an executive team fully capable of driving exceptional performance. The Committee periodically reviews these programs to validate that they are reasonable and consistent with market practice. Attributed costs of the personal benefits available to the NEOs are included in column (i) of the Summary Compensation Table on page 28.

• **Retirement Benefits.** Each of our NEOs is eligible to participate in a 401(k) plan that is available to all employees. The Company provides matching contributions on a $0.50 basis up to 8% of the contributing employee s base salary, subject to limitations of the 401(k) plan and applicable law.

- **Other Benefits.** Our NEOs are eligible to participate in the same health benefits available to all other employees there are no special medical plans for our NEOs**.** Lannett provides life insurance for NEOs 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. Lannett also provides short- and long-term disability insurance which would, in the event of disability, pay the NEO 60% of his base salary up to the plan limits of $2,000 per week for short-term disability and $15,000 per month for long-term disability. The NEOs are also provided with car allowances, for which the taxes are also paid by the Company.

- **Post-Termination Pay.** The Committee believes 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 our NEOs to find comparable employment within a short period of time, and are designed to alleviate concerns about the loss of his or her position without cause.

The Committee also believes that a change-in-control arrangement will provide security that will likely reduce the reluctance of an NEO to pursue a change in control transaction that could be in the best interest of our stockholders. Lannett s severance plan is designed to pay severance benefits to a NEO for a qualifying separation. For the CEO, the severance plan provides for payment of

Table of Contents

three times 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 NEOs, the severance plan provides for a payment of 18-months of base salary, plus a pro-rated annual cash bonus for the current year calculated as if all targets and goals are achieved.

- **Tax and Accounting Implications.** Section 162(m) of the Internal Revenue Code of 1986, as amended, precludes the deductibility of a NEO s compensation that exceeds $1,000,000 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 162(m) through, for example, the use of our Incentive Plan. However, to maintain flexibility in compensating NEOs in a manner consistent with our compensation philosophy, the Committee may elect to provide compensation outside 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.

REPORT OF THE COMPENSATION COMMITTEE

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

Paul Taveira (Chairman)
David Drabik
James Maher

Table of Contents

COMPENSATION OF EXECUTIVE OFFICERS

Overview

The tables and narratives set forth below provide specified information concerning the compensation of our Named Executive Officers (NEOs) for the fiscal year ended June 30, 2014.

Summary Compensation Table

This table summarizes all compensation paid to or earned by our NEOs for fiscal years 2014, 2013 and 2012.

Arthur P. Bedrosian, President and Chief Executive Officer	2014	$ 539,000	$ 995,450	$ 726,825	$ 808,500	$ 64,286	$ 3,134,061
	2013	437,513	25,300	150,810	588,784	62,587	1,264,994
	2012	425,096	20,250	171,315	198,908	22,542	838,111
Martin P. Galvan, Vice President of Finance and Chief Financial Officer	2014	$ 317,000	$ 637,450	$ 403,792	$ 380,400	$ 20,645	$ 1,759,287
	2013	270,193		75,405	368,076	20,041	733,715
	2012	235,577		107,364	116,320	14,873	474,134
William F. Schreck, Chief Operating Officer	2014	$ 346,000	$ 287,259	$ 363,413	$ 367,622	$ 36,107	$ 1,400,400
	2013	255,856		82,474	344,319	21,985	704,634
	2012	250,000		205,292	116,320	18,263	589,875
Kevin R. Smith, Senior Vice President of Sales and Marketing	2014	$ 278,000	$ 350,004	$ 363,413	$ 333,600	$ 23,399	$ 1,348,416
	2013	218,965		82,474	294,673	26,682	622,794
	2012	212,755		95,707	99,549	22,013	430,024
Ernest J. Sabo, Vice President of Regulatory Affairs and Chief Compliance Officer	2014	$ 230,000	$ 208,274	$ 314,958	$ 172,500	$ 19,247	$ 944,979
	2013	173,983		82,474	234,137	15,708	506,302

	2012	170,000		95,707	79,098	15,642	360,447

All Other Compensation

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

Arthur P. Bedrosian	2014	$ 9,438	$ 13,500	$ 40,425	$ 923	$ 64,286
	2013	8,433	13,500	39,760	894	62,587
	2012	8,280	13,500		762	22,542
Martin P. Galvan	2014	$ 9,380	$ 10,800		$ 465	$ 20,645
	2013	8,601	10,800		640	20,041
	2012	4,327	10,177		369	14,873
William F. Schreck	2014	$ 10,411	$ 10,800	$ 13,973	$ 923	$ 36,107
	2013	7,592	10,800	2,968	625	21,985
	2012	7,067	10,800		396	18,263
Kevin R. Smith	2014	$ 9,737	$ 13,500		$ 162	$ 23,399
	2013	8,794	13,500	4,234	154	26,682
	2012	8,375	13,500		138	22,013
Ernest J. Sabo	2014	$ 7,553	$ 10,800		$ 894	$ 19,247
	2013	4,283	10,800		625	15,708
	2012	4,446	10,800		396	15,642

Table of Contents

Grants of Plan-Based Awards in Fiscal 2014

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stocks or Units (#)	All Other Option Awards: Number of Securities (1) Underlying Options (#)	Exercise or Base Price of Option (2) Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards (3) Options Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold ($)**	**Target ($)**	**Maximum ($)**				
(a)	**(b)**	**(c)**	**(d)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k)**	**(i)**
Arthur P. Bedrosian	8/28/2013 (4)							7,500			$ 95,325
	9/5/2013								90,000	$ 13.86	726,825
	10/29/2013 (5)							24,375			596,700
	1/22/2014 (4)							1,875			65,138
	4/24/2014 (5)							6,875			238,288
Martin P. Galvan	9/5/2013								50,000	$ 13.86	$ 403,792
	10/29/2013							22,500			550,800
	4/24/2014							2,500			86,650
William F. Schreck	9/5/2013								45,000	$ 13.86	$ 363,413
	10/29/2013							10,000			244,800
	4/24/2014							1,225			42,459
Ernest J. Sabo	9/5/2013								39,000	$ 13.86	$ 314,958
	10/29/2013							7,800			190,944
	4/24/2014							500			17,330
Kevin R. Smith	9/5/2013								45,000	$ 13.86	$ 363,413
	10/29/2013							10,050			246,024
	4/24/2014							3,000			103,980

(1) Reflects stock options granted to recognize the Company s fiscal 2013 performance, which vest in three equal annual increments.

(2) The exercise price was equal to the Company s closing stock price on the date of grant.

(3) Stock options were valued using the Black-Scholes option pricing model. The assumptions used in fair value calculations are described in Note 15, Share-Based Compensation, in the Form 10-K. The grant date fair value for other stock grants reflects the number of shares multiplied by the Company s closing stock price on the applicable date of grant.

(4) Reflects common stock grants provided to all directors for board service.

(5) Includes 1,875 common shares for Board service.

Table of Contents

Outstanding Equity Awards at 2014 Fiscal Year End

The following table sets forth information concerning the outstanding stock awards held at June 30, 2014 by each of the NEOs. The options were granted ten years prior to the option expiration date and vest over three years from that grant date. Restricted shares vest three years from the date of grant.

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised 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	25,000			$ 8.00	1/18/2016				
	30,000			$ 6.89	11/27/2016				
	75,000			$ 4.03	9/17/2017				
	30,000			$ 2.80	9/18/2018				
	75,000			$ 6.94	10/29/2019				
	59,666	29,834		$ 3.55	8/25/2021				
	21,333	42,667		$ 4.16	10/25/2022				
		90,000		$ 13.86	9/4/2023				
						5,000	$ 248,100		
Martin P. Galvan	26,666	13,334		$ 4.73	7/15/2021				
	10,666	21,334		$ 4.16	10/25/2022				
		50,000		$ 13.86	9/4/2023				
						2,500	$ 124,050		
William F. Schreck		8,334		$ 5.02	7/8/2021				
		23,334		$ 3.55	8/25/2021				
		23,334		$ 4.16	10/25/2022				
		45,000		$ 13.86	9/4/2023				
						1,225	$ 60,785		
Ernest J. Sabo	3,260			$ 7.48	3/1/2015				
	4,000			$ 5.18	10/25/2015				
	7,500			$ 6.89	11/27/2016				
	50,000			$ 6.94	10/29/2019				
	16,667	16,667		$ 3.55	8/25/2021				
	11,666	23,334		$ 4.16	10/25/2022				
		39,000		$ 13.86	9/4/2023				
						500	$ 24,810		
Kevin R. Smith	10,200			$ 4.03	9/17/2017				

16,667	$	3.55	8/25/2021		
23,334	$	4.16	10/25/2022		
45,000	$	13.86	9/4/2023		
				3,000	$ 148,860

Table of Contents

Options Exercised and Stock Vested During the Fiscal Year Ended June 30, 2014

The following table sets forth information concerning stock options exercised and stock awards that vested during fiscal year 2014 for each of the NEOs.

	Options		Stock Awards	
Name	Number of Shares Acquired on Exercise	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting
Arthur P. Bedrosian	30,000	$ 842,100	35,625	$ 1,387,800
Martin P. Galvan			22,500	1,116,450
William F. Schreck	242,998	9,258,144	10,000	496,200
Ernest J. Sabo			7,800	387,036
Kevin R. Smith	132,799	4,607,774	10,050	498,681

Employment Agreements

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

Potential Payments upon Termination or Change in Control

The following table assumes that the relevant triggering event occurred on June 30, 2014. The fair market values of share-based compensation (i.e. Stock Options and Restricted Stock) were calculated using the closing price of Lannett Company, Inc. stock ($49.62) on June 30, 2014, which was the last trading day of Fiscal 2014. The spread, the difference between the fair market value of Lannett Company s stock on June 30, 2014, and the option exercise price, was used for valuing stock options.

Name	Base Salary Continuation	Annual Cash Bonus	Acceleration and Exercisability Of Unvested Stock Option Awards	Acceleration Of Unvested Restricted Stock	Insurance Benefit Continuation	Other Benefits	Total
Arthur P. Bedrosian							
	$ 1,617,000	$ 808,500	$ 6,532,494	$ 248,100	$ 38,778	$ 7,232	$ 9,252,104

Without Cause/With Good Reason (1) (2)							
For Cause (3) (4)		808,500				7,232	815,732
Retirement / Death / Disability (3)		808,500				7,232	815,732
Change in Control (5)	1,617,000	808,500	6,532,494	248,100	38,778	7,232	9,252,104
Martin P. Galvan							
Without Cause/With Good Reason (1) (2)	$ 475,500	$ 380,400	$ 3,356,407	$ 124,050	$ 30,864	$ 5,316	$ 4,372,537
For Cause (3) (4)		380,400				5,316	385,716
Retirement / Death / Disability (3)		380,400				5,316	385,716
Change in Control (5)	475,500	380,400	3,356,407	124,050	30,864	5,316	4,372,537
William F. Schreck							
Without Cause/With Good Reason (1) (2)	$ 519,000	367,622	$ 4,116,657	$ 60,785	$ 29,822	$ 6,028	$ 5,099,914
For Cause (3) (4)		367,622				6,028	373,650
Retirement / Death / Disability (3)		367,622				6,028	373,650
Change in Control (5)	519,000	367,622	4,116,657	60,785	29,822	6,028	5,099,914
Ernest J. Sabo							
Without Cause/With Good Reason (1) (2)	$ 345,000	172,500	$ 3,223,252	$ 24,810	$ 15,348	$ 3,692	$ 3,784,602
For Cause (3) (4)		172,500				3,692	176,192
Retirement / Death / Disability (3)		172,500				3,692	176,192
Change in Control (5)	345,000	172,500	3,223,252	24,810	15,348	3,692	3,784,602
Kevin R. Smith							
Without Cause/With Good Reason (1) (2)	$ 417,000	$ 333,600	$ 3,437,812	$ 148,860	$ 38,118	$ 4,896	$ 4,380,286
For Cause (3) (4)		333,600				4,896	338,496
Retirement / Death / Disability (3)		333,600				4,896	338,496
Change in Control (5)	417,000	333,600	3,437,812	148,860	38,118	4,896	4,380,286

---

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

Table of Contents

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

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

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

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

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

Table of Contents

COMPENSATION OF DIRECTORS

For Fiscal 2014, our non-employee directors received a cash retainer of $90,000, payable in monthly increments of $7,500, for board and committee service. No other cash retainers or meeting fees were provided.

In August 2013, each board member received an award of 7,500 common shares, immediately vested at grant, for board service in Fiscal 2013. In Fiscal 2014, board members received quarterly grants of 1,875 common shares, beginning in October 2013, which were immediately vested at grant. Grant date values shown in the table below are associated with board service in Fiscal 2013 and three quarters of Fiscal 2014 (the last quarterly grant for Fiscal 2014 board service occurred in July 2014), and reflect the Company s strong performance and significant stock price appreciation over that period.

Effective in July 2014, the Board of Directors approved stock ownership guidelines for non-employee directors equal to three times their cash retainer. Non-employee directors must meet required ownership levels within five years of first becoming subject to the guidelines.

The following table shows compensation information for fiscal 2014 for non-employee members of our Board of Directors.

Name (a)	Fees Earned ($) (b)	Stock Awards (1) ($) (c)	Options Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
Jeffrey Farber	**$ 90,000**	**$ 271,350**					**$ 361,350**
Kenneth Sinclair (2)	**45,000**	**206,363**					**251,363**
David Drabik	**90,000**	**271,350**					**361,350**
Paul Taveira	**90,000**	**271,350**					**361,350**
James Maher (3)	**90,000**	**207,800**					**297,800**

(1) Reflects grant date award value for equity grants received in fiscal 2014. Includes, as applicable, grant of 7,500 common shares on 8/28/13 for board service in fiscal 2013. Also includes, as applicable, quarterly grants of 1,875 common shares for fiscal 2014 board service made on 10/29/13, 1/22/14, and 4/24/14.

(2) Dr. Sinclair did not stand for re-election at the January 2014 annual shareholders meeting.

(3) Mr. Maher joined the Board in July 2013.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Under the rules of the SEC, the Company must disclose certain Related Party Transactions. These are transactions in which the Company is a participant where the amount involved exceeds $120,000, and a director, executive officer or holder of more than 5% of our common stock has a direct or indirect material interest.

The Company had sales of $2.3 million, $1.3 million and $757 thousand during the fiscal years ended June 30, 2014, 2013, and 2012, respectively, to a generic distributor, Auburn Pharmaceutical Company (Auburn). Jeffrey Farber, Chairman of the Board and the son of William Farber, Chairman Emeritus of the Board of Directors and principal stockholder of the Company, is the owner of Auburn. Accounts receivable includes amounts due from Auburn of $980 thousand and $200 thousand at June 30, 2014 and 2013, respectively. In the Company s opinion, the terms of these transactions were not more favorable to Auburn than would have been to a non-related party.

The Company had purchases of $1.0 million during the fiscal year ended June 30, 2014 from Apicore, LLC (Apicore), an active pharmaceutical ingredient manufacturer. Michael Bogda, President, is a Board member at Apicore. In the Company s opinion, the terms of these purchases were not more favorable than would have been provided to a non-related party.

Lannett Company, Inc. paid a management consultant, who is related to Mr. Bedrosian, $105 thousand in fees and $24 thousand in reimbursable expenses during Fiscal 2014 and $107 thousand in fees and $38 thousand in reimbursable expenses during Fiscal 2013. 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. 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.

Table of Contents

OTHER BUSINESS

The Board does not intend to present, and does not have any reason to believe that others intend to present, any matter of business at the meeting other than as set forth above. If any other matter should be presented properly, it is the intention of the persons named as proxies to vote on such matters in accordance with their judgment.

STOCKHOLDER PROPOSAL NOTICE REQUIREMENTS

Stockholders who intend to have a proposal considered for inclusion in the Company s proxy materials for presentation at the 2016 Annual Meeting of Stockholders pursuant to Rule 14a-8 under the Exchange Act must submit their proposal to us at the Company s offices at 13200 Townsend Road, Philadelphia, PA 19154, no later than August 18, 2015.

Stockholders who intend to present a proposal at such meeting without inclusion of such proposal in the Company s proxy materials pursuant to Rule 14a-8 under the Exchange Act are required to provide advanced notice of such proposal to the Company at the aforementioned address not later than November 1, 2015. Any proposal (other than a proposal pursuant to Rule 14a-8) that is received after the time specified above for proposed items of business will be considered untimely under Rule 14a-4(c) under the Exchange Act, and the persons named in the proxy for the meeting may exercise their discretionary voting power with respect to such proposal, including voting against such proposal.

The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and all other applicable requirements.

FISCAL YEAR 2014 ANNUAL REPORT TO STOCKHOLDERS

The Company s Annual Report containing audited financial statements for the fiscal year ended June 30, 2014 accompanies this Proxy Statement. You can obtain additional copies of our Annual Report on Form 10-K for the fiscal year ended June 30, 2014 at no charge by writing to Lannett Company, Inc., attention Chief Financial Officer, 13200 Townsend Road, Philadelphia, PA 19154.

SIGNATURE

Pursuant to the requirement of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto authorized.

Date: December 16, 2014	LANNETT COMPANY, INC.
	/s/ Jeffrey Farber Jeffrey Farber Chairman of the Board