

LANNETT CO INC  
Form DEF 14A  
December 18, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

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

LANNETT COMPANY, INC.  
(Name of Registrant as Specified In Its Charter)

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

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  - (2) Form, Schedule or Registration Statement No.:
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**LANNETT COMPANY, INC.**

**9000 STATE ROAD**

**PHILADELPHIA, PA 19136**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD JANUARY 23, 2013**

**TO THE SHAREHOLDERS OF LANNETT COMPANY, INC.**

The annual meeting (the "Annual Meeting") of the Shareholders of Lannett Company, Inc., a Delaware Corporation, (the "Company") will be held on Wednesday, January 23, 2013 at 9:00 a.m., local time, at the Company's facility at **13200 Townsend Road, Philadelphia, PA 19154**, for the following purposes:

1. To elect five (5) members to the Board of Directors to serve until the next Annual Meeting of Shareholders and/or until their respective successors have been duly elected and qualified;
2. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

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

Shareholders of record at the close of business on December 7, 2012 may vote at this Annual Meeting.

It is important that you be represented at the Annual Meeting. You are cordially invited to attend the Annual Meeting in person and we encourage you to attend and take the opportunity to ask questions.

*By Order of the Board of Directors*

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December 18, 2012  
Philadelphia, Pennsylvania

/s/ Jeffrey Farber  
Jeffrey Farber  
Chairman of the Board

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LANNETT COMPANY, INC.

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JANUARY 23, 2013

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**ATTENDANCE AND VOTING MATTERS**

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

This Proxy Statement is provided to you by the Board of Directors of Lannett Company, Inc. (the Company or Lannett ) in connection with the Annual Meeting. The Annual Meeting will be held on Wednesday, January 23, 2013 at 9:00 a.m., local time, at the Company's facility at **13200 Townsend Road, Philadelphia, PA 19154**, or at any adjournments or postponements of the Annual Meeting for the purposes set forth in the accompanying Notice of Annual Meeting. We intend to mail this Proxy Statement and the accompanying Notice of Annual Meeting on or about December 19, 2012 to all Shareholders of the Company entitled to vote at the Annual Meeting.

**VOTING METHODS**

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

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

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

You are entitled to cast one vote for each share of Lannett common stock owned on the record date, December 7, 2012. As of the record date, there were 28,371,901 shares of Lannett common stock outstanding. Shareholders are not entitled to cumulative voting in the election of directors.

**QUORUM**

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

**VOTE NECESSARY FOR ACTION**

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

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**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

**NOMINEES**

The Company's Bylaws provide that the number of directors of the Company may be determined by the Shareholders, or in the absence of such determination, by the Board of Directors. Currently, there are eight (8) members of the Board of Directors. The Board of Directors nominates the five (5) persons named below, all of whom are currently serving on the Board of Directors, for election to the Board of Directors. As of the date of this Proxy Statement, the Board of Directors is not aware that any nominee is unable to serve or will decline to serve as a director. The five nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of the Company until the next Annual Meeting and until their successors have been elected and qualified or until their earlier resignation or removal.

The following list identifies the nominees for election to the Board of Directors and sets forth certain information regarding each nominee. All nominees are currently serving as directors of the Company. A majority of the Directors on the Board are independent, as defined by the rules of the NYSE MKT stock exchange. Those directors are referred to as "independent" below.

**Jeffrey Farber, 52**, was elected a Director of the Company in May 2006 and was appointed Chairman of the Board of Directors in July 2012. Jeffrey Farber joined the Company in August 2003 as Secretary. Since 1994, Mr. Farber has been President and owner of Auburn Pharmaceutical (Auburn), a national generic pharmaceutical distributor. Prior to starting Auburn, Mr. Farber served in various positions at Major Pharmaceutical (Major), where he was employed for over 15 years. At Major, Mr. Farber was involved in sales, purchasing and eventually served as President of the mid-west division. Mr. Farber also spent time working at Major's manufacturing division Vitarine Pharmaceuticals where he served on its Board of Directors. Mr. Farber graduated from Western Michigan University with a Bachelor's of Science Degree in Business Administration and participated in the Pharmacy Management Graduate Program at Long Island University. Mr. Farber is the son of William Farber, the Chairman Emeritus of the Board of Directors of the Company.

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

**Arthur P. Bedrosian, J.D., 67**, was promoted to President of the Company in May 2002 and CEO in January of 2006. Previously, he served as the Company's Vice President of Business Development from January 2002 to April 2002. Mr. Bedrosian was elected as a Director in February 2000 and served to January 2002. Mr. Bedrosian was re-elected a Director in January 2006. Mr. Bedrosian has operated generic drug manufacturing, sales, and marketing businesses in the healthcare industry for many years. Prior to joining the Company, from 1999 to 2001, Mr. Bedrosian served as President and Chief Executive Officer of Trinity Laboratories, Inc., a medical device and drug manufacturer. Mr. Bedrosian also operated Pharmaceutical Ventures Ltd, a healthcare consultancy, Pharmeral, Inc. a drug representation company selling generic drugs, and Interl Corporation, a computer consultancy to Fortune 100 companies. Mr. Bedrosian holds a Bachelor of Arts Degree in Political Science from Queens College of the City University of New York and a Juris Doctorate from Newport University in California.



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The Nominating and Governance Committee concluded that Mr. Bedrosian is qualified to serve as a director, in part, because his experience as our President and Chief Executive Officer has been instrumental in the company's growth and provides the board with a compelling understanding of our operations, challenges and opportunities. In addition, his background includes over 40 years in the generic pharmaceutical industry that encompasses a broad background and knowledge in the underlying scientific, sales, marketing and supply chain management which brings special expertise to the board in developing our business strategies. His recent qualification to FINRA's list of arbitrators recognizes his expertise and experience.

**Kenneth Sinclair, Ph.D., 66**, was elected a Director of the Company in September 2005. Dr. Sinclair is currently Professor of Accounting and Senior Advisor to the College of Business and Economics Dean at Lehigh University, where he began his academic career in 1972. Dr. Sinclair had served as Chair of Lehigh's Accounting Department from 1988 to 1994 and 1998 to 2007. He has taught a variety of accounting courses, including financial and managerial accounting at both the undergraduate and graduate level. He has been recognized for his teaching innovation, held leadership positions with professional accounting organizations and served on numerous academic and advisory committees. He has received a number of awards and honors for teaching and service, and has researched and written on a myriad of subjects related to accounting. He has also been heavily involved with strategic planning at both the College and Department level at Lehigh. Dr. Sinclair earned a Bachelor of Business Administration Degree in Accounting, a Master of Science degree in Accounting and a Doctorate Degree in Business Administration with a concentration in Accounting from the University of Massachusetts.

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

**David Drabik, 44**, was elected a Director of the Company in January 2011. Mr. Drabik is a National Association of Corporate Directors Governance Fellow. Since 2002, Mr. Drabik has been President of Cranbrook & Co., LLC ( Cranbrook ), an advisory firm primarily serving the private equity and venture capital community. At Cranbrook, Mr. Drabik assists and advises its clientele on originating, structuring, and executing private equity and venture capital transactions. From 1995 to 2002, Mr. Drabik served in various roles and positions with UBS Capital Americas (and its predecessor UBS Capital LLC), a New York City based private equity and venture capital firm that managed \$1.5 billion of capital. From 1992 to 1995, Mr. Drabik was a banker with Union Bank of Switzerland's Corporate and Institutional Banking division in New York City. Mr. Drabik graduated from the University of Michigan with a Bachelors of Business Administration degree.

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

**Paul Taveira, 53**, was elected a Director of the Company in May 2012. Mr. Taveira has been Chief Executive Officer of A&D Environmental Services Inc., an environmental and industrial services company, since 2009. He currently serves on their Board of Directors. From 2007 to 2009, Mr. Taveira was a Managing Partner of Precision Source LLC, a manufacturer of precision parts for various industries across the United States. From 1997 to 2007, Mr. Taveira held several positions at PSC Inc., a national provider of environmental services, including President, Vice President and Regional General Manager. From 1987 to 1997, Mr. Taveira held several management positions with Clean Harbors Inc., an international provider of environmental and energy services. Mr. Taveira graduated from Worcester State University with a Bachelor of Science degree in Biology.

The Nominating and Governance Committee concluded that Mr. Taveira is well qualified and should be nominated to serve as a Director due, in part to his understanding and experience as a Chief Executive Officer and Director of A&D Environmental Services Inc. Additionally, Mr. Taveira has experience as a Managing Partner of Precision Source LLC, a manufacturer of precision parts for various industries across the United States. Paul Taveira is an independent director.

To the best of the Company's knowledge, there are no material proceedings to which any nominee is a party, or has a material interest adverse to the Company. To the best of the Company's knowledge, there have been no events under any bankruptcy act, no criminal proceedings and no judgments or injunctions that are material to the evaluation of the ability or integrity of any nominee during the past five years.

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



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**BOARD MEETINGS AND COMMITTEES**

The Board of Directors met thirteen (13) times during the fiscal year ended June 30, 2012 ( Fiscal 2012 ). In addition to meetings of the Board, directors attended meetings of individual Board committees. In Fiscal 2012, each of the directors attended at least 75% of the Board meetings and meetings of Board committees of which they were a member. There were nine (9) Audit Committee meetings, three (3) Strategic Planning Committee meetings, seven (7) Nominating and Governance Committee meetings, seven (7) Compensation Committee meetings and one (1) Independent Directors meetings held during Fiscal 2012.

The **Audit Committee** has responsibility for recommending the retention of the independent auditors, conferring with the independent auditors regarding their audit of the Company's consolidated financial statements, reviewing the independent auditors' fees and considering whether non-audit services are compatible with maintaining their independence, and considering the adequacy of internal financial controls. All members of the Audit Committee are independent directors as defined by the rules of the NYSE MKT stock exchange. The Audit Committee is comprised of Dr. Sinclair (Chairman), Mr. West, Dr. Wertheimer and Mr. Drabik. See Report of the Audit Committee.

*Financial expert on audit committee:* The Board of Directors has determined that Dr. Sinclair 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 payable to the officers of the Company. The Committee also administers the Company's equity compensation plans. All members of the Compensation Committee are independent directors as defined by the rules of the NYSE MKT stock exchange. The Compensation Committee is currently comprised of Mr. Winkelman (Chairman), Mr. West, Dr. Wertheimer and Mr. Taveira.

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 is currently comprised of Dr. Wertheimer (Chairman), Mr. Winkelman, Mr. Bedrosian, Mr. Farber and Mr. Drabik.

The **Nominating and Governance Committee** reviews possible candidates for Board membership and recommends a slate of nominees to the Company. This committee was formed in November 2007. The committee is currently comprised of Dr. Sinclair (Chairman), Mr. Winkelman, Mr. Drabik and Mr. Taveira.

Recommendations to the Board of Directors are approved by a majority of directors of the Nominating and Governance committee. The Nominating and Governance Committee is responsible for identifying and evaluating individuals qualified to become Board members and to recommend such individuals for nomination. All candidates must possess an unquestionable commitment to high ethical standards and have a reputation for integrity. Other facts considered include an individual's business experience, education, civic and community activities, knowledge and experience with respect to the issues impacting the pharmaceutical industry and public companies, as well as the ability of the individual to devote the necessary time to serve as a director.

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The Nominating and Governance Committee does not have a formal policy with regard to the consideration of any director candidates recommended by security holders. The Nominating and Governance Committee will consider candidates recommended by Shareholders. All nominees will be evaluated in the same manner, regardless of whether they were recommended by the Nominating and Governance Committee, or recommended by a Shareholder. This will ensure that appropriate director selection continues.

The **Chairman's Committee's** purpose is to act on behalf of the Board between scheduled Board meetings, except for those matters specifically reserved to the full Board, when in exceptional circumstances, it is not possible or practicable to convene a regular meeting of the Board. The Chairman's Committee is currently comprised of Mr. West, Mr. Farber and Mr. Bedrosian.

### **Executive Sessions of Independent Directors**

In accordance with the rules and regulations of the NYSE MKT stock exchange, 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 a lead independent director who is appointed annually by the Board of Directors from our independent directors. Mr. West currently serves as the lead independent director. In this role, Mr. West serves as chairperson of the independent director sessions and assists the Board in assuring effective corporate governance.

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The following table sets forth, as of October 31, 2012, information regarding the security ownership of the directors and certain executive officers of the Company and persons known to the Company to be beneficial owners of more than five (5%) percent of the Company's common stock. Although grants of restricted stock under the Company's 2006 and 2011 Long Term Incentive Plans (LTIPs) 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		Shares Held	Excluding Options (*)		Percent of	Including Options (**)	
Officer	Office	Directly	Indirectly	Total Shares	Class	Shares	Class
Arthur P. Bedrosian	President and Chief Executive Officer						
13200 Townsend Road							
Philadelphia, PA 19154		592,251	48,150	640,401(1)	2.26%	968,234(1),(2)	3.38%
Broadfin Capital LLC							
237 Park Avenue, Ninth							
Floor,							
New York, NY 10017		2,460,419	0	2,460,419	8.68%	2,460,419(3)	8.68%
David Drabik	Director						
13200 Townsend Road							
Philadelphia, PA 19154		22,500	0	22,500	0.08%	22,500	0.08%
Robert Ehlinger	Vice President of Logistics and Chief Information Officer						
13200 Townsend Road							
Philadelphia, PA 19154		24,177	0	24,177(4)	0.09%	94,768(4),(5)	0.33%