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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED September 30, 2008

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER: 001-32360

AKORN, INC.

(Exact Name of Registrant as Specified in its Charter)

LOUISIANA (State or Other Jurisdiction of Incorporation or Organization)	72-0717400 (I.R.S. Employer Identification No.)
1925 W FIELD CT STE 300 LAKE FOREST, ILLINOIS (Address of Principal Executive Offices)	60045 (Zip Code)

(847) 279-6100
(Registrant's telephone number, including area code)

2500 MILLBROOK DRIVE, BUFFALO GROVE, ILLINOIS 60089
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	**Accelerated filer ☑**	**Non-accelerated filer ☐** (Do not check if a smaller reporting company)	**Smaller Reporting Company ☐**

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

At October 31, 2008 there were 89,312,662 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

AKORN, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
IN THOUSANDS, EXCEPT SHARE DATA

	SEPTEMBER 30, 2008 (UNAUDITED)	DECEMBER 31, 2007 (AUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 90	$ 7,948
Restricted cash for revolving credit agreement	3,300	1,250
Trade accounts receivable, net	15,732	4,112
Inventories	28,433	31,095
Prepaid expenses and other current assets	1,027	1,317
TOTAL CURRENT ASSETS	48,582	45,722
PROPERTY, PLANT AND EQUIPMENT, NET	34,476	32,262
OTHER LONG-TERM ASSETS		
Intangibles, net	6,355	7,721
Other	850	1,261
TOTAL OTHER LONG-TERM ASSETS	7,205	8,982
TOTAL ASSETS	$ 90,263	$ 86,966
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Revolving line of credit	$ 10,248	$ 4,521
Mortgage payable	—	208
Short term subordinated debt	5,135	—
Trade accounts payable	7,419	14,070
Accrued compensation	1,275	895
Accrued expenses and other liabilities	2,137	1,306
TOTAL CURRENT LIABILITIES	26,214	21,000
LONG-TERM LIABILITIES		
Lease incentive obligation	1,597	—
Product warranty liability	1,299	1,308
TOTAL LONG-TERM LIABILITIES	2,896	1,308
TOTAL LIABILITIES	29,110	22,308
SHAREHOLDERS' EQUITY		
Common stock, no par value — 150,000,000 shares authorized; 89,264,506 and 88,900,588 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	168,350	165,829
Warrants to acquire common stock	2,731	2,795
Accumulated deficit	(109,928)	(103,966)
TOTAL SHAREHOLDERS' EQUITY	61,153	64,658
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 90,263	$ 86,966

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
IN THOUSANDS, EXCEPT PER SHARE DATA
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Revenues	$ 31,874	$ 15,814	$ 67,562	$ 39,187
Cost of sales	21,968	12,846	49,082	30,844
GROSS PROFIT	9,906	2,968	18,480	8,343
Selling, general and administrative expenses	6,199	5,362	18,370	15,793
Amortization of intangibles	339	338	1,016	1,015
Research and development expenses	1,143	2,135	4,744	6,307
TOTAL OPERATING EXPENSES	7,681	7,835	24,130	23,115
OPERATING INCOME (LOSS)	2,225	(4,867)	(5,650)	(14,772)
Interest income (expense), net	(295)	140	(579)	568
Equity in earnings of unconsolidated joint venture	447	—	447	—
Other income (expense)	24	—	(177)	1
INCOME (LOSS) BEFORE INCOME TAXES	2,401	(4,727)	(5,959)	(14,203)
Income tax provision	—	—	3	1
NET INCOME (LOSS)	$ 2,401	$ (4,727)	$ (5,962)	$ (14,204)
NET INCOME (LOSS) PER SHARE:				
BASIC	$ 0.03	$ (0.05)	$ (0.07)	$ (0.16)
DILUTED	$ 0.03	$ (0.05)	$ (0.07)	$ (0.16)
SHARES USED IN COMPUTING INCOME (LOSS) PER SHARE:				
BASIC	89,250	87,651	89,169	86,971
DILUTED	90,065	87,651	89,169	86,971

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
UNAUDITED
(In Thousands)

Nine Months Ended September 30, 2008

	Common Stock		Warrants to acquire Common Stock	Accumulated Deficit	Total
	Shares	Amount			
BALANCES AT DECEMBER 31, 2007	88,901	$165,829	$ 2,795	$ (103,966)	$ 64,658
Net loss	—	—	—	(5,962)	(5,962)
Exercise of warrants into common stock	50	101	(64)	—	37
Exercise of stock options	217	608	—	—	608
Employee stock purchase plan issuances	31	149	—	—	149
Amortization of deferred compensation related to restricted stock awards	—	492	—	—	492
Restricted stock awards vested net of amounts withheld for payment of employee tax liability	66	(158)	—	—	(158)
Stock-based compensation expense	—	1,329	—	—	1,329
BALANCES AT SEPTEMBER 30, 2008	89,265	$168,350	$ 2,731	$ (109,928)	$ 61,153

Nine Months Ended September 30, 2007

	Common Stock		Warrants to acquire Common Stock	Accumulated Deficit	Total
	Shares	Amount			
BALANCES AT DECEMBER 31, 2006	85,991	$150,250	$ 4,862	$ (84,798)	$ 70,314
Net loss	—	—	—	(14,204)	(14,204)
Exercise of warrants into common stock	1,305	4,574	(2,067)	—	2,507
Exercise of stock options	293	853	—	—	853
Employee stock purchase plan issuances	26	171	—	—	171
Amortization of deferred compensation related to restricted stock awards	—	479	—	—	479
Restricted stock awards vested net of amounts withheld for payment of employee tax liability	115	(445)	—	—	(445)
Stock-based compensation expense	—	2,005	—	—	2,005
BALANCES AT SEPTEMBER 30, 2007	87,730	$157,887	$ 2,795	$ (99,002)	$ 61,680

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
IN THOUSANDS (UNAUDITED)
See notes to condensed consolidated financial statements

	NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007
OPERATING ACTIVITIES		
Net loss	$ (5,962)	$ (14,204)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,348	3,273
Non-cash stock compensation expense	1,821	2,484
Gain on disposal of assets	(25)	—
Equity in earnings of unconsolidated joint venture	(447)	—
Changes in operating assets and liabilities:		
Trade accounts receivable	(11,620)	(864)
Inventories	2,662	(8,015)
Prepaid expenses and other current assets	252	(275)
Other long-term assets	1,246	—
Trade accounts payable	(6,651)	7,319
Accrued expenses and other liabilities	1,081	(2,599)
NET CASH USED IN OPERATING ACTIVITIES	(14,295)	(12,881)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(2,742)	(1,420)
Purchase of intangible assets	—	(50)
Proceeds from sale of fixed assets	74	—
NET CASH USED IN INVESTING ACTIVITIES	(2,668)	(1,470)
FINANCING ACTIVITIES		
Repayment of long-term debt	(208)	(293)
Restricted cash for revolving credit agreement	(2,050)	—
Proceeds from line of credit	5,727	—
Proceeds from warrants exercised	37	2,507
Proceeds from subordinated note	5,000	—
Proceeds under stock option and stock purchase plans	599	579
NET CASH PROVIDED BY FINANCING ACTIVITIES	9,105	2,793
DECREASE IN CASH AND CASH EQUIVALENTS	(7,858)	(11,558)
Cash and cash equivalents at beginning of period	7,948	21,818
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 90	$ 10,260
SUPPLEMENTAL DISCLOSURES		
Leasehold improvements funded by lessor	$ 1,768	$ —
Assets acquired through capital lease	$ 85	$ —
Amount paid for interest	$ 534	$ 43
Amount paid for income taxes	$ 3	$ 3

AKORN, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A — BUSINESS AND BASIS OF PRESENTATION

Business: Akorn, Inc. and its wholly owned subsidiary, Akorn (New Jersey), Inc. (collectively, the "Company" or "Akorn"), manufacture and market diagnostic and therapeutic pharmaceuticals in specialty areas such as ophthalmology, rheumatology, anesthesia, antidotes and vaccines, among others. Customers, including physicians, optometrists, wholesalers, group purchasing organizations and other pharmaceutical companies, are served primarily from three operating facilities in the United States. In September 2004, the Company, along with a venture partner, Strides Arcolab Limited ("Strides"), formed a mutually owned limited liability company, Akorn-Strides, LLC (the "Joint Venture Company"). The accompanying unaudited condensed consolidated financial statements include the accounts of Akorn, Inc. and Akorn (New Jersey) Inc. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation: These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and accordingly do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments of a normal and recurring nature considered necessary for a fair presentation have been included in these financial statements. Operating results for the nine-month period ended September 30, 2008 are not necessarily indicative of the results that may be expected for a full year. For further information, refer to the consolidated financial statements and footnotes for the year ended December 31, 2007, included in the Company's Annual Report on Form 10-K.

NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. Significant estimates and assumptions for the Company relate to the allowance for doubtful accounts, the allowance for chargebacks, the allowance for rebates, the allowance for product returns and discounts, the reserve for slow-moving and obsolete inventories, the carrying value of intangible assets and the carrying value of deferred income tax assets.

Chargebacks: The Company enters into contractual agreements with certain third parties such as hospitals and group-purchasing organizations to sell certain products at predetermined prices. The parties have elected to have these contracts administered through wholesalers that buy the product from the Company and subsequently sell it to these third parties. When a wholesaler sells products to one of these third parties that are subject to a contractual price agreement, the difference between the price paid to the Company by the wholesaler and the price under the specific contract is charged back to the Company by the wholesaler. The Company tracks sales and submitted chargebacks by product number and contract for each wholesaler. Utilizing this information, the Company estimates a chargeback percentage for each product. The Company reduces gross sales and increases the chargeback allowance by the estimated chargeback amount for each product sold to a wholesaler. The Company reduces the chargeback allowance when it processes a request for a chargeback from a wholesaler. Actual chargebacks processed by the Company can vary materially from period to period based upon actual sales volume through the wholesalers. However, the Company's expense provision for chargebacks is recorded at the time when sales revenues are recognized.

Management obtains certain wholesaler inventory reports to aid in analyzing the reasonableness of the chargeback allowance. The Company assesses the reasonableness of its chargeback allowance by applying the product chargeback percentage based on historical activity to the quantities of inventory on hand per the wholesaler inventory reports and an estimate of in-transit inventory that is not reported on the wholesaler inventory reports at the end of the period. In accordance with its accounting policy, the Company's estimate of the percentage amount of wholesaler inventory that will ultimately be sold to a third party that is subject to a contractual price agreement is based on a six-quarter trend of such sales through wholesalers. The Company uses this percentage estimate (95% in 2008 and 2007) until historical trends indicate that a revision should be made.

On an ongoing basis, the Company evaluates its actual chargeback rate experience and new trends are factored into its estimates each quarter as market conditions change.

Sales Returns: Certain of the Company's products are sold with the customer having the right to return the product within specified periods and guidelines for a variety of reasons, including but not limited to, pending expiration dates. Provisions are made at the time of sale based upon tracked historical experience, by customer in some cases. The Company estimates its sales returns reserve based on a historical percentage of returns to sales utilizing a twelve month look back period. One-time historical factors or pending new developments that would impact the expected level of returns are taken into account to determine the appropriate reserve estimate at each balance sheet date.

As part of the evaluation of the balance required, the Company considers actual returns to date that are in process, the expected impact of any product recalls and the wholesaler's inventory information to assess the magnitude of unconsumed product that may result in a sales return to the Company in the future. The sales returns level can be impacted by factors such as overall market demand and market competition and availability for substitute products which can increase or decrease the end-user pull through for sales of the Company's products and ultimately impact the level of sales returns. Actual returns experience and trends are factored into the Company's estimates each quarter as market conditions change.

NOTE C — STOCK BASED COMPENSATION

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "Share Based Payment" (SFAS 123(R)), applying the modified prospective method. Prior to the adoption of SFAS 123(R), the Company applied the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for its stock-based awards, and accordingly, recognized no compensation cost for its stock plans other than for its restricted stock awards.

Under the modified prospective method, SFAS 123(R) applies to new awards and to awards that were outstanding as of December 31, 2005 that are subsequently vested, modified, repurchased or cancelled. Compensation expense recognized during the first nine months of 2008 includes the portion vesting during the period for (1) all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123) and (2) all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated using the Black-Scholes option-pricing model.

Stock option compensation expense of $438,000 and $1,329,000 was recognized during the three and nine-month periods ended September 30, 2008. For awards issued prior to January 1, 2006, the Company used the multiple award method for allocating the compensation cost to each period. For awards issued on or after January 1, 2006, concurrent with the adoption of SFAS 123(R), the Company has elected to use the single-award method for allocating the compensation cost to each period.

The weighted-average assumptions used in estimating the fair value of the stock options granted during the period, along with the weighted-average grant date fair values, were as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2008	THREE MONTHS ENDED SEPTEMBER 30, 2007
Expected volatility	48%	43%
Expected life (in years)	4.0	4.0
Risk-free interest rate	3.1%	4.4%
Dividend yield	—	—
Fair value per stock option	$ 1.79	$ 2.76
Forfeiture rate	10%	10%

A summary of stock-based compensation activity within the Company's stock-based compensation plans for the nine-month period ended September 30, 2008 is as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2008	4,719	$ 4.69		
Granted	196	4.62		
Exercised	(217)	2.81		
Forfeited	(308)	6.11		
Outstanding at September 30, 2008	4,390	$ 4.68	2.30	$ 4,232
Exercisable at September 30, 2008	2,945	$ 4.08	1.79	$ 4,020

The aggregate intrinsic value for stock options outstanding and exercisable is defined as the difference between the market value of the Company's common stock as of the end of the period and the exercise price of the stock options. The total intrinsic value of stock options exercised during the three and nine-month periods ended September 30, 2008 was $43,000 and $798,000, respectively. As a result of the stock options exercised, the Company recorded cash received and additional paid-in-capital of $97,000 and $608,000 during the three and nine-month periods ended September 30, 2008.

The Company also grants restricted stock awards to certain employees and members of its Board of Directors. Restricted stock awards are valued at the closing market value of the Company's common stock on the day of grant and the total value of the award is recognized as expense ratably over the vesting period of the employees receiving the grants. The Company granted restricted stock awards valued at $367,000 during the first quarter of 2008. No restricted stock awards were granted during the second or third quarters of 2008. As of September 30, 2008, the total amount of unrecognized compensation expense related to nonvested restricted stock awards was $464,000. The Company recognized compensation expense of $134,000 and $492,000 during the three and nine-month periods ended September 30, 2008, related to outstanding restricted stock awards.

The following is a summary of nonvested restricted stock activity:

	Number of Shares (in thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2007	175	$ 5.05
Granted	50	7.34
Vested	(100)	5.34
Nonvested at September 30, 2008	125	$ 5.74

NOTE D — REVENUE RECOGNITION

The Company recognizes product sales for its ophthalmic, hospital drugs & injectables, and biologics & vaccines business segments upon the shipment of goods or upon the delivery of goods as appropriate. Revenue is recognized when all obligations of the Company have been fulfilled and collection of the related receivable is probable.

The contract services segment, which produces products for third party customers based upon their specifications and at pre-determined prices, also recognizes sales upon the shipment of goods or upon delivery of the product or service as appropriate. Revenue is recognized when all obligations of the Company have been fulfilled and collection of the related receivable is probable.

Provision for estimated doubtful accounts, chargebacks, rebates, discounts and product returns is made at the time of sale and is analyzed and adjusted, if necessary, at each balance sheet date.

NOTE E — ACCOUNTS RECEIVABLE ALLOWANCES

The nature of the Company's business inherently involves, in the ordinary course, significant amounts and substantial volumes of transactions and estimates relating to allowances for doubtful accounts, product returns, chargebacks, rebates and discounts given to customers. This is a natural circumstance of the pharmaceutical industry and not specific to the Company and inherently lengthens the

final net collections process. Depending on the product, the end-user customer, the specific terms of national supply contracts and the particular arrangements with the Company's wholesaler customers, certain rebates, chargebacks and other credits are deducted from the Company's accounts receivable. The process of claiming these deductions depends on wholesalers reporting to the Company the amount of deductions that were earned under the respective terms with end-user customers (which in turn depends on which end-user customer, with different pricing arrangements might be entitled to a particular deduction). This process can lead to partial payments against outstanding invoices as the wholesalers take the claimed deductions at the time of payment.

The provisions for the following customer reserves are reflected in the accompanying financial statements as reductions of revenues in the statements of operations with the exception of the allowance for doubtful accounts which is reflected as part of selling, general and administrative expense. The ending reserve amounts are included in trade accounts receivable in the balance sheet.

Net trade accounts receivable consists of the following (in thousands):

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
Gross accounts receivable	$ 28,334	$ 17,317
Less:		
Allowance for doubtful accounts	(13)	(5)
Returns reserve	(1,683)	(1,153)
Discount and allowances reserve	(507)	(357)
Chargeback and rebates reserves	(10,399)	(11,690)
Net trade accounts receivable	$ 15,732	$ 4,112

For the three-month periods ended September 30, 2008 and 2007, the Company recorded chargeback and rebate expense of $7,390,000 and $8,221,000, respectively. This decrease was primarily due to a favorable sales mix of lower chargeback products in 2008. For the nine-month periods ended September 30, 2008 and 2007, the Company recorded chargeback and rebate expense of $23,566,000 and $23,911,000, respectively. This decrease was primarily due to product mix and increased sales volumes through distributors which do not generate chargebacks.

For the three-month period ended September 30, 2008, the Company recorded a provision for product returns of $764,000. For the three-month period ended September 30, 2007, the Company recorded a recovery for product returns of $(166,000) which recognized significantly improved customer returns experience in the period. For the nine-month periods ended September 30, 2008 and 2007, the Company recorded a provision for product returns of $1,714,000 and $324,000, respectively. The increase in the provision was due to increased sales and less favorable wholesaler returns experience.

For the three-month periods ended September 30, 2008 and 2007, the Company recorded a net provision for doubtful accounts of $8,000 and $2,000, respectively. For the nine-month periods ended September 30, 2008 and 2007, the Company recorded a net provision for doubtful accounts of $8,000 and a net benefit for doubtful accounts of $(5,000), respectively.

For the three-month periods ended September 30, 2008 and 2007, the Company recorded a provision for cash discounts of $618,000 and $348,000, respectively. For the nine-month periods ended September 30, 2008 and 2007, the Company recorded a provision for cash discounts of $1,409,000 and $955,000, respectively. These increases primarily relate to the increases in sales for these periods.

NOTE F — INVENTORIES

The components of inventories are as follows (in thousands):

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
Finished goods	$ 19,167	$ 20,804
Work in process	2,010	2,173
Raw materials and supplies	7,256	8,118
	$ 28,433	$ 31,095

The Company maintains reserves and records provisions for slow-moving and obsolete inventory as well as inventory with a carrying value in excess of its net realizable value. Inventory at September 30, 2008 and December 31, 2007 is reported net of these

reserves of $1,380,000 and $1,260,000, respectively, primarily related to finished goods. For the three-month periods ended September 30, 2008 and 2007, the Company recorded a provision of $510,000 and $522,000, respectively. For the nine-month periods ended September 30, 2008 and 2007, the Company recorded a provision of $568,000 and $761,000, respectively. The Company has $1,517,000 included in its inventory related to the Company's generic Vancomycin product. The Company has not yet received U.S. Food and Drug Administration ("FDA") approval, however, management believes that FDA approval is probable for its generic Vancomycin and believes the costs of such inventory will be fully realizable upon FDA approval.

NOTE G — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	SEPTEMBER 30, 2008	DECEMBER 31, 2007
Land	$ 396	$ 396
Buildings and leasehold improvements	20,451	18,236
Furniture and equipment	39,447	39,085
Sub-total	60,294	57,717
Accumulated depreciation	(31,927)	(31,645)
	28,367	26,072
Construction in progress	6,109	6,190
Property, Plant, & Equipment, net	$ 34,476	$ 32,262

Construction in progress represents capital expenditures principally related to the Company's lyophilization (freeze-dry) operations. The accumulated spending for the Company's new sterile solutions and lyophilization facility expansion through September 30, 2008 was $22,680,000. In December 2006, the Company placed $17,237,000 of this cost into service which is for the facility and sterile solutions portion of this operation which augments its existing production capacities. The remaining $5,443,000 of construction in progress, which is specific to lyophilization operations, is awaiting final validation testing for the Company to place this equipment into commercial production which is anticipated in the fourth quarter of 2008. The Company estimates an additional $25,000 in spending will be required to complete the final lyophilizer validations.

The Company spent $2,263,000 for facility build-out and furniture/equipment along with lessor-paid build-out costs of $1,768,000 for its new leased warehouse facilities in Gurnee, Illinois and office space in Lake Forest, Illinois. In conjunction with the move of the warehousing and office space from its former Buffalo Grove, Illinois facility, the Company removed assets for leasehold improvements, fixtures, and furniture/equipment that had a net book value of $49,000 (gross cost $2,099,000, accumulated depreciation of $2,050,000). Certain items were sold and yielded gross proceeds of $74,000 and the Company recorded a gain of $25,000 as Other Income.

NOTE H — FINANCING ARRANGEMENTS

Mortgage Payable

In June 1998, the Company entered into a $3,000,000 mortgage agreement with Standard Mortgage Investors, LLC of which there were outstanding borrowings of $0 and $208,000 at September 30, 2008 and December 31, 2007, respectively. The principal balance was payable over 10 years, and the final principal/interest payment was made in the second quarter of 2008 to retire this mortgage. The mortgage note bore a fixed interest rate of 7.375% and was secured by the real property located in Decatur, Illinois.

Credit Facility

On October 7, 2003, the Company entered into a credit agreement with LaSalle Bank National Association ("LaSalle Bank") providing the Company with a revolving line of credit (the "Credit Facility" or "Revolver") secured by substantially all of the assets of the Company. LaSalle Bank was acquired by, and officially became part of Bank of America in October, 2007. The Credit Facility contains certain restrictive covenants including but not limited to financial covenants such as minimum EBITDA and certain financial ratios. The Credit Facility and related covenants have been subsequently amended including an amendment on March 10, 2008 as discussed below. If the Company is not in compliance with the covenants of the Credit Facility, Bank of America has the right to declare an event of default and all of the outstanding balances owed under the Credit Facility would become immediately due and payable. The Credit Facility also contains subjective covenants providing that the Company would be in default if, in the judgment of the lenders,

there is a material adverse change in its financial condition. Because the Credit Facility also requires the Company to maintain its deposit accounts with Bank of America, the existence of these subjective covenants, pursuant to EITF Abstract No. 95-22, require that the Company classify outstanding borrowings under the Revolver as a current liability. The Revolver bears interest at prime plus 0.75% (5.75% as of September 30, 2008) and had a weighted average interest rate of 6.18% during 2008.

Availability under the Revolver is determined by the sum of (i) 80% of eligible accounts receivable, (ii) 65% of raw material, finished goods and component inventory excluding packaging items, not to exceed 75% of the revolving commitment amount, and (iii) the difference between 90% of the forced liquidation value of machinery and equipment, $4,092,000, and $1,750,000. As of September 30, 2008, the Company had $4,752,000 of undrawn availability under the Credit Facility with Bank of America.

On March 10, 2008, the Company entered into an Amendment to Credit Agreement with Bank of America (the "Amendment"). Among other things, the Amendment adjusted the definition of EBITDA, set minimum EBITDA requirements, increased the restricted cash requirement to $3,300,000 from the prior $1,250,000 requirement, and amended certain covenants of the parties set forth in the Credit Facility. The Amendment also extended the termination date of the Credit Agreement to January 1, 2009.

The Company wrote off certain product related filing and license fees in the first quarter of 2008 totaling $1,246,000. As a result, the Company was not in compliance with its Credit Facility covenants and the Company requested and received an amendment from Bank of America dated May 9, 2008 which adjusted the EBITDA covenant calculation to exclude these additional research and development expense items. As of September 30, 2008, the Company was in compliance with all loan covenants for the Revolver.

Subordinated Note Payable

On July 28, 2008, the Company borrowed $5,000,000 from The John N. Kapoor Trust Dated September 20, 1989, the sole trustee and sole beneficiary of which is Dr. John N. Kapoor, the Company's Chairman of the Board of Directors and the holder of a significant stock position in the Company, in return for issuing the trust a Subordinated Promissory Note in the principal amount of $5,000,000. The note accrues interest at a rate of 15% per year and is due and payable on July 28, 2009 if the Revolver has been paid in full. The proceeds from this Note were used in conjunction with the amended Exclusive Distribution Agreement that was negotiated with the Massachusetts Biologic Laboratories of the University of Massachusetts Medical School ("MBL"), which resulted in favorable pricing and reduced purchase commitments for the Company (see also Note L – Commitments and Contingencies).

NOTE I — COMMON STOCK ISSUANCE

On March 8, 2006 the Company issued 4,311,669 shares of its common stock in a private placement with various investors at a price of $4.50 per share which included warrants to purchase 1,509,088 additional shares of common stock. The warrants are exercisable for a five year period at an exercise price of $5.40 per share and may be exercised by cash payment of the exercise price or by means of a cashless exercise. As of September 30, 2008, there were 1,509,088 warrants outstanding.

NOTE J — EARNINGS PER COMMON SHARE

Basic net income (loss) per common share is based upon weighted average common shares outstanding. Diluted net income (loss) per common share is based upon the weighted average number of common shares outstanding, including the dilutive effect, if any, of stock options and warrants using the treasury stock method. However, for the three-month period ended September 30, 2007 and the nine-month periods ended September 30, 2008 and 2007, the assumed exercise or conversion of any of these securities would have been anti-dilutive; and, accordingly, the diluted loss per share equals the basic loss per share for these periods.

A reconciliation of the share data from a basic to a fully diluted basis is detailed below (share data in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
Basic Shares	89,250	87,651	89,169	86,971
Effect of Dilutive Securities:				
Warrants	117	—	—	—
Options	698	—	—	—
Fully Diluted Shares	90,065	87,651	89,169	86,971

NOTE K — INDUSTRY SEGMENT INFORMATION

The Company classifies its operations into four business segments: ophthalmic, hospital drugs & injectables, biologics & vaccines, and contract services. The ophthalmic segment manufactures, markets and distributes diagnostic and therapeutic pharmaceuticals. The hospital drugs & injectables segment manufactures, markets and distributes drugs and injectable pharmaceuticals, primarily in niche markets. The biologics & vaccines segment markets adult Tetanus Diphtheria ("Td") and Flu vaccines directly to hospitals and physicians as well as through wholesalers and national distributors. The contract services segment manufactures products for third party pharmaceutical and biotechnology customers based on their specifications. The Company's basis of accounting in preparing its segment information is consistent with that used in preparing its consolidated financial statements.

Selected financial information by industry segment is presented below (in thousands).

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2008	2007	2008	2007
REVENUES				
Ophthalmic	$ 5,121	$ 5,001	$ 15,362	$ 13,111
Hospital Drugs & Injectables	6,293	4,627	16,226	15,248
Biologics & Vaccines	17,879	4,733	29,698	4,733
Contract Services	2,581	1,453	6,276	6,095
Total revenues	$ 31,874	$ 15,814	$ 67,562	$ 39,187
GROSS PROFIT				
Ophthalmic	$ 1,553	$ 1,123	$ 4,363	$ 2,445
Hospital Drugs & Injectables	2,384	1,425	4,813	4.411
Biologics & Vaccines	5,290	—	7,444	—
Contract Services	679	420	1,860	1,487
Total gross profit	9,906	2,968	18,480	8,343
Operating expenses	7,681	7,835	24,130	23,115
Operating income/(loss)	2,225	(4,867)	(5,650)	(14,772)
Interest & other income (expense)	(271)	140	(756)	569
Equity in earnings of unconsolidated joint venture	447	—	447	—
Income/(loss) before income taxes	$ 2,401	$ (4,727)	$ (5,959)	$ (14,203)

The Company manages its business segments to the gross profit level and manages its operating and other costs on a company-wide basis. Intersegment activity at the gross profit level is minimal. The Company does not identify assets by segment for internal purposes, as certain manufacturing and warehouse facilities support more than one segment.

NOTE L — COMMITMENTS AND CONTINGENCIES

(i) On March 29, 2007, the Company received an FDA Warning Letter (the "Warning Letter") following a routine inspection of its Decatur, Illinois manufacturing facility conducted from September 12 through September 29, 2006. The Warning Letter alleged violations of the current Good Manufacturing Practice ("cGMP") regulations. The Warning Letter stated that failure to promptly correct the cited violations may result in legal action without further notice, including, without limitation, seizure and injunction. It also stated that approval of pending new drug applications may be withheld until the violations are corrected and that a subsequent confirmatory FDA inspection may be made. The Company responded to the Warning Letter on April 19, 2007 providing clarifying information and describing corrective actions planned and/or completed. The Warning Letter had no impact on FDA approved products

manufactured or distributed by the Company's Decatur facility.

The FDA conducted another inspection of the Decatur facility from July 23, 2007 to August 17, 2007. The FDA investigators identified a number of observations representing potential violations of the cGMP regulations. The Company submitted comprehensive responses to these observations on September 28, 2007. Subsequently, in a letter received on December 20, 2007, the FDA advised the Company that all cGMP issues had been satisfactorily resolved resulting in removal of the Warning Letter's potential restrictions on new product approvals; approval of the lyophilization and filling operations of the Decatur facility; and approval of the site transfer for manufacture of IC Green to the Decatur facility. Since then, the Company has received FDA approval of several Abbreviated New Drug Applications ("ANDAs") for manufacture of product at the Decatur facility.

(ii) On October 8, 2003, the Company, pursuant to the terms of the Letter Agreement dated September 26, 2002 between the Company and AEG Partners LLC ("AEG"), terminated AEG. On August 2 and 3, 2004, the Company and AEG participated in a mandatory and binding arbitration hearing. The arbitrator took the matter under submission and rendered his decision dated August 19, 2004, which was received on August 23, 2004. The arbitrator's decision directed the following: (1) payment to AEG for the sum of $300,000, plus interest of 5% per annum from October 7, 2003 (approximately $13,479), (2) issuance of warrants to AEG to purchase 1,250,000 shares of the Company's common stock at an exercise price of $0.75 per share, and (3) denial of AEG's request that the Company pay AEG's attorneys' fees and costs. As a result of the arbitrator's decision, the Company reported a one-time net gain of approximately $295,000 in the third quarter of 2004. None of the anti-dilution provisions in the Company's outstanding securities were triggered by the issuance of the AEG Warrants. AEG exercised the final residual 50,000 warrants during the first quarter of 2008 and had no warrants remaining as of September 30, 2008.

(iii) The Company is a party in other legal proceedings and potential claims arising in the ordinary course of its business. The amount, if any, of ultimate liability with respect to such matters cannot be determined. Despite the inherent uncertainties of litigation, management of the Company at this time does not believe that such proceedings will have a material adverse impact on the financial condition, results of operations, or cash flows of the Company.

(iv) The Company has an outstanding DTPA product warranty reserve which relates to a ten year expiration guarantee on DTPA sold to the U.S. Department of Health and Human Services in 2006. The Company is performing yearly stability studies for this product and, if the annual stability does not support the ten-year product life, it will replace the product at no charge. The Company's supplier, Hameln Pharmaceuticals, will also share this cost if the product does not meet the stability requirement. If the ongoing product testing confirms the ten-year stability for DTPA, the Company will not incur a replacement cost and this reserve will be eliminated with a corresponding reduction to cost of sales after the ten-year period.

(v) In July 2008, the Company and the Massachusetts Biologic Laboratories of the University of Massachusetts Medical School ("MBL") amended their Exclusive Distribution Agreement dated as of March 22, 2007 (the "Original Distribution Agreement") to: (i) allow the Company to destroy its remaining inventory of Tetanus Diphtheria vaccine, 15 dose/vial, in exchange for receiving an equivalent number of doses of preservative-free Tetanus Diphtheria vaccine, 1 dose/vial (the "Single-dose Product") at no additional cost other than destruction and documentation expenses; (ii) reduce the aggregate purchase price of the Single-dose Product during the first year of the Original Distribution Agreement by approximately 14.4%; (iii) reduce the Company's purchase commitment for the second year of the Original Distribution Agreement by approximately 34.7%; and (iv) reduce the Company's purchase commitment for the third year of the Original Distribution Agreement by approximately 39.5%.

NOTE M — CUSTOMER AND SUPPLIER CONCENTRATION

AmerisourceBergen Health Corporation ("Amerisource"), Cardinal Health, Inc. ("Cardinal") and McKesson Drug Company ("McKesson") are all distributors of the Company's products, as well as suppliers of a broad range of health care products. These three customers accounted for 51% and 63% of the Company's gross revenues and 40% and 50% of net revenues for the three months ended September 30, 2008 and 2007, respectively. They accounted for approximately 59% and 62% of the gross accounts receivable balance as of September 30, 2008 and 2007, respectively. These three customers accounted for 58% and 72% of the Company's gross revenues and 45% and 51% of net revenues for the nine months ended September 30, 2008 and 2007, respectively.

If sales to any of Amerisource, Cardinal or McKesson were to diminish or cease, the Company believes that the end users of its products would find little difficulty obtaining the Company's products either directly from the Company or from another distributor.

For the three months ended September 30, 2008, MBL (Td vaccine) and McKesson (Flu vaccine) accounted for 52% and 16%, respectively, of the Company's purchases. For the three months ended September 30, 2007, MBL (Td vaccine) accounted for 80% of the Company's purchases. For the nine months ended September 30, 2008, MBL (Td vaccine) and McKesson (Flu vaccine) accounted for 55% and 11%, respectively, of the Company's purchases. For the nine months ended September 30, 2007, MBL (Td vaccine) and Alcan Inc. (packaging materials) accounted for 43% and 10%, respectively, of the Company's purchases.

The Company requires a supply of quality raw materials and components to manufacture and package pharmaceutical products for its own use and for third parties with which it has contracted. The principal components of the Company's products are active and inactive pharmaceutical ingredients and certain packaging materials. Certain of these ingredients and components are available from only a single source and, in the case of certain of the Company's ANDAs and New Drug Applications ("NDAs"), only one supplier of raw materials has been identified. Because FDA approval of drugs requires manufacturers to specify their proposed suppliers of active ingredients and certain packaging materials in their applications, FDA approval of any new supplier would be required if active ingredients or such packaging materials were no longer available from the specified supplier. The qualification of a new supplier could delay the Company's development and marketing efforts. If for any reason the Company is unable to obtain sufficient quantities of any of the raw materials or components required to produce and package its products, it may not be able to manufacture its products as planned, which could have a material adverse effect on the Company's business, financial condition and results of operations.

NOTE N — RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February of 2008, the FASB issued FASB Staff position 157-2 which delays the effective date of SFAS 157 for non-financial assets and liabilities which are not measured at fair value on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008. The Company adopted SFAS 157 effective January 1, 2008 and the adoption did not have a material impact on the Company's results of operation or financial position.

In December 2007, the FASB issued SFAS No. 160, "Non-Controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new standards for the accounting for and reporting of non-controlling interests (formerly minority interests) and for the loss of control of partially owned and consolidated subsidiaries. SFAS 160 does not change the criteria for consolidating a partially owned entity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The provisions of SFAS 160 will be applied prospectively upon adoption except for the presentation and disclosure requirements which will be applied retrospectively. The Company does not expect the adoption of SFAS 160 will have a material impact on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141R"), a revision of SFAS 141, "Business Combinations." SFAS 141R establishes requirements for the recognition and measurement of acquired assets, liabilities, goodwill, and non-controlling interests. SFAS 141R also provides disclosure requirements related to business combinations. SFAS 141R is effective for fiscal years beginning after December 15, 2008. SFAS 141R will be applied prospectively to business combinations with an acquisition date on or after the effective date.

In April 2008, the FASB issued FSP SFAS No. 142-3, *Determination of the Useful Life of Intangible Assets.* The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of the FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007), *Business Combinations,* and other U.S. GAAP. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The Company does not believe that FSP SFAS No. 142-2 will have a material impact on its financial statements.

NOTE O — UNCONSOLIDATED JOINT VENTURE

The Joint Venture Company launched its first commercialized product in the third quarter of 2008. The Joint Venture Company purchases product from Strides while the Company assists with the sales and product distribution/fulfillment functions. The Company and Strides each own a 50% interest in the Joint Venture Company.

Operating results of the Joint Venture Company for the three months ended September 30, 2008 included revenue of $1,083,000, gross profit of $976,000 and net income of $895,000. The Company's 50% share of the Joint Venture Company net income, $447,000, is reflected as equity in earnings of unconsolidated joint venture on the Company's statement of operations and statement of cash flows.

Item 2.

AKORN, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS AND FACTORS AFFECTING FUTURE RESULTS

Certain statements in this Form 10-Q constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act. When used in this document, the words "anticipate," "believe," "estimate" and "expect" and similar expressions are generally intended to identify forward-looking statements. Any forward-looking statements, including statements regarding the intent, belief or expectations of Akorn or its management are not guarantees of future performance. These statements involve risks and uncertainties and actual results may differ materially from those in the forward-looking statements as a result of various factors, including but not limited to:

- Our ability to comply with all of the requirements of the U.S. Food and Drug Administration ("FDA"), including current Good Manufacturing Practices regulations;
- Our ability to avoid defaults under debt covenants;
- Our ability to obtain regulatory approvals for products manufactured in our new lyophilization facility;
- Our ability to generate cash from operations sufficient to meet our working capital requirements;
- The effects of federal, state and other governmental regulation on our business;
- Our success in developing, manufacturing, acquiring and marketing new products;
- The success of our strategic partnerships for the development and marketing of new products;
- Our ability to bring new products to market and the effects of sales of such products on our financial results;
- The effects of competition from generic pharmaceuticals and from other pharmaceutical companies;
- Availability of raw materials needed to produce our products; and
- Other factors referred to in this Form 10-Q, our Form 10-K and our other Securities and Exchange Commission ("SEC") filings.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2008 COMPARED TO 2007

The following table sets forth, for the periods indicated, revenues by segment, excluding intersegment sales (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2008	2007
Ophthalmic segment	$ 5,121	$ 5,001
Hospital Drugs & Injectables segment	6,293	4,627
Biologics & Vaccines segment	17,879	4,733
Contract Services segment	2,581	1,453
Total revenues	$ 31,874	$ 15,814

Consolidated revenues increased by $16,060,000 or 101.6% in the quarter ended September 30, 2008 compared to the same period in 2007 mainly due to vaccine sales which we initially launched in September 2007.

Vaccine sales increased by $13,146,000 of which $8,088,000 related to our Td vaccine products and $5,058,000 related to the initial launch of our flu vaccine products. Hospital Drugs & Injectables segment revenues increased by $1,667,000 or 36.0% mainly due to the increased sales of antidote products in 2008. Our Contract Services segment revenues increased by $1,128,000 or 77.7% mainly due to revenues from three new contract customer agreements. Ophthalmic segment revenues increased by $119,000 or 2.4%.

Consolidated gross profit was $9,906,000 or 31.1% for the third quarter of 2008 as compared to a gross profit of $2,968,000 or 18.8% in the same period a year ago mainly due to the $5,290,000 of gross profit contributed by vaccine sales combined with the sales increases for each segment discussed above. The higher gross profit percentage was due to lower purchase costs for unit dose Td vaccine, partially offset by lower margin Flu vaccine sales. We continue to seek margin enhancement opportunities through our product offerings as well as through efficiencies and cost reductions at our operating facilities.

Selling, general and administrative ("SG&A") expenses increased by $837,000 or 15.6%, during the quarter ended September 30, 2008 as compared to the same period in 2007. The key components of this increase in 2008 were $412,000 due to the addition of 13 field and vaccine sales representatives and related selling expenses, increased building rent of $339,000 for our new Gurnee, Illinois warehouse facility and Lake Forest, Illinois corporate headquarters, and increased legal fees of $191,000, partially offset by decreased recruiting and relocation fees of $116,000.

Research and development ("R&D") expense decreased $992,000 or 46.5% in the quarter, to $1,143,000 from $2,135,000 for the same period in 2007, mainly due to reduced milestone payments to our strategic business partners ($624,000) and reduced product development activities ($287,000).

Net interest expense for the third quarter of 2008 was $295,000 as compared to net interest income of $140,000 for the same period in 2007 as a result of increased borrowings against our Credit Facility and lower average balances on short-term investments.

For the three month period ended September 30, 2008 and September 30, 2007, there was no federal or state income tax provision.

We reported a net income of $2,401,000 for the three months ended September 30, 2008, as compared to a net loss of $4,727,000 for the same period in 2007 mainly due to the increased sales volumes, and lower R&D expense, partially offset by the higher SG&A expenses discussed above.

NINE MONTHS ENDED SEPTEMBER 30, 2008 COMPARED TO 2007

The following table sets forth, for the periods indicated, revenues by segment, excluding intersegment sales (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30	
	2008	2007
Ophthalmic segment	$ 15,362	$ 13,111
Hospital Drugs & Injectables segment	16,226	15,248
Biologics & Vaccines segment	29,698	4,733
Contract Services segment	6,276	6,095
Total revenues	$ 67,562	$ 39,187

Consolidated revenues increased $28,375,000 or 72.4% for the nine months ended September 30, 2008 compared to the same period in 2007, mainly due to increased sales of Td vaccine and the launch of Flu vaccine.

Vaccine sales increased by $24,965,000 of which $19,907,000 related to our Td vaccine products and $5,058,000 related to our initial launch of our Flu vaccine products. Ophthalmic segment revenues increased $2,251,000 or 17.2%, primarily due to increased sales of IC Green ($735,000), which was on backorder during the first half of 2007 and sales of a new ophthalmic solution which was launched in the first quarter of 2008 ($929,000). Hospital Drugs & Injectables segment revenues increased by $979,000 or 6.4%, mainly due to increased sales of antidote and anesthesia products. Our contract services segment revenues increased by $181,000 or 3.0%, mainly due to increased order volumes on contract products

Year-to-date consolidated gross profit was $18,480,000 or 27.4% for 2008 as compared to a gross profit of $8,343,000 or 21.3% for the same period a year ago mainly due to the $7,444,000 of gross profit contributed by vaccine sales combined with the sales increases for each segment discussed above. The higher gross profit percentage was due to lower purchase costs for unit dose Td vaccine, partially offset by lower margin Flu vaccine sales. We continue to seek margin enhancement opportunities through our product offerings as well as through cost reductions at our operating facilities.

SG&A expenses increased by $2,577,000 or 16.3%, for the year to date period ended September 30, 2008 as compared to the same period in 2007. The key components of this increase in 2008 were $1,555,000 for additional field and vaccine sales representatives and related selling expenses, $369,000 related to increased technical consulting and professional fees, $306,000 for increased advertising and sales meeting expenses, $244,000 for increased FDA facility and product fees, and $519,000 for increased building rent related to our new Gurnee, Illinois warehouse and Lake Forest, Illinois corporate headquarters, offset by decreased SFAS 123(R) stock option compensation expense of $676,000 and decreased recruiting and relocation fees of $433,000.

R&D expense decreased $1,563,000 or 24.8% for the nine months ended September 30, 2008, to $4,744,000 from $6,307,000 for the same period in 2007 mainly due to reduced product development activities ($1,192,000) and reduced milestone payments to our strategic business partners ($1,255,000). These reductions were partially offset by the first quarter 2008 write-off of certain product related filing and license fees totaling $1,246,000.

Net interest expense for the nine-month period ended September 30, 2008 was $579,000 as compared to interest income of $568,000 for the same period in 2007 as a result of increased borrowings against our Credit Facility and lower average balances on short-term investments.

For the nine-month period ended September 30, 2008, the income tax provision was $3,000 as compared to an income tax provision of $1,000 for the same period in 2007. These amounts reflect minimum state income tax assessments as we incurred tax losses in both periods.

We reported a net loss of $5,962,000 for the nine months ended September 30, 2008, as compared to a net loss of $14,204,000 for the same period in 2007 mainly due to the increased sales volumes and lower R&D expense, offset by the higher SG&A expenses discussed above.

FINANCIAL CONDITION AND LIQUIDITY

Overview

During the nine-month period ended September 30, 2008, we used $14,295,000 in cash from operations, primarily due to the $5,962,000 net loss, a $11,641,000 change in working capital items mainly due to an increase in accounts receivable related to increased sales and reduced accounts payable related to payments for vaccine inventory, partially offset by a reduction in vaccine inventory and non-cash expenses of $3,322,000 for the period. Investing activities generated a $2,668,000 reduction in cash flow mainly due to capital expenditures for production equipment and our new warehouse/office facilities. Financing activities provided $9,105,000 in cash, primarily due to the $5,727,000 in proceeds from our Credit Facility and $5,000,000 in proceeds from the Subordinated Note issued to The John N. Kapoor Trust Dated September 20, 1989 (the “Kapoor Trust”) in July 2008.

During the nine-month period ended September 30, 2007, we used $12,881,000 in cash from operations, primarily due to the $14,204,000 net loss, an $8,015,000 build in inventories (primarily vaccines and materials for new products), and also reduced compensation, royalty, and other liabilities of $2,599,000. This was partially offset by non-cash expenses of $5,757,000 for the period and higher payables of $7,319,000. Investing activities generated a $1,470,000 reduction in cash flow mainly due to capital expenditures for production equipment. Financing activities provided $2,793,000 in cash, primarily due to $2,507,000 in proceeds from warrant exercises.

As of September 30, 2008, we had $90,000 in cash and cash equivalents and $4,752,000 of undrawn availability under our Credit Facility with Bank of America (formerly LaSalle Bank) which is based on our level of accounts receivable and inventory and certain equipment. The borrowing against the Revolver was $10,248,000 at September 30, 2008. The net trade accounts receivables of $15,732,000 at September 30, 2008 are expected to be collected during the fourth quarter of 2008 over an aggregate average period of approximately 40 days.

On March 10, 2008, we entered into an Amendment to Credit Agreement with Bank of America (the "Amendment"). Among other things, the Amendment adjusted the definition of EBITDA, set minimum EBITDA requirements, increased the restricted cash requirement to $3,300,000 from the prior $1,250,000 requirement, and amended certain covenants of the parties set forth in the Credit Facility. The Amendment also extended the termination date of the Credit Agreement to January 1, 2009.

We wrote off certain product related filing and license fees in the first quarter of 2008 totaling $1,246,000. As a result, we were not in compliance with our Credit Facility covenants and we requested and received an amendment from Bank of America dated May 9, 2008 which adjusted the EBITDA covenant calculation to exclude these additional research & development expense items. As of September 30, 2008, we were in compliance with all loan covenants for the Revolver.

On July 28, 2008, we borrowed $5,000,000 from the Kapoor Trust, the sole trustee and sole beneficiary of which is Dr. John N. Kapoor, our Chairman of the Board of Directors and the holder of a significant stock position in Akorn, in return for issuing the Kapoor Trust a Subordinated Promissory Note in the principal amount of $5,000,000. The note accrues interest at a rate of 15% per year and is due and payable on July 28, 2009 if the Revolver has been paid in full. The proceeds from this Note were used in conjunction with the amended Exclusive Distribution Agreement that was negotiated with the Massachusetts Biologic Laboratories of the University of Massachusetts Medical School ("MBL"), which resulted in favorable pricing and reduced purchase commitments to us (see also Note L – Commitments and Contingencies).

Facility Expansion

We are in the final stages of completing an expansion of our Decatur, Illinois manufacturing facility to add capacity to provide lyophilization manufacturing services, a manufacturing capability we currently do not have.

As of September 30, 2008, we had spent approximately $22,680,000 on our new sterile solutions and lyophilization facility expansion. In December 2006, we placed $17,237,000 of this cost into service which is for the facility and sterile solutions portion of this operation which augments our existing production capacities. The remaining $5,443,000 of construction in progress, which is specific to lyophilization operations, is awaiting final validation testing for us to place this equipment into commercial production which we expect to complete in the fourth quarter of 2008. We anticipate the need to spend approximately $25,000 of additional funds to complete the final lyophilizer validations. In addition, we are working toward the development of an internal ANDA lyophilized product pipeline for these operations.

CONTRACTUAL OBLIGATIONS

In July 2008, we amended our Exclusive Distribution Agreement with the Massachusetts Biologic Laboratories of the University of Massachusetts Medical School dated as of March 22, 2007 (the "Original Distribution Agreement") to: (i) allow us to destroy our remaining inventory of Tetanus Diphtheria vaccine, 15 dose/vial, in exchange for receiving an equivalent number of doses of preservative-free Tetanus Diphtheria vaccine, 1 dose/vial (the "Single-dose Product") at no additional cost other than destruction and documentation expenses; (ii) reduce the aggregate purchase price of the Single-dose Product during the first year of the Original Distribution Agreement by approximately 14.4%; (iii) reduce our purchase commitment for the second year of the Original Distribution Agreement by approximately 34.7%; and (iv) reduce our purchase commitment for the third year of the Original Distribution Agreement by approximately 39.5%.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. A summary of our significant accounting policies is included in Item 1. Financial Statements, Note B — Summary of Significant Accounting Policies, which are included in our Annual Report on Form 10-K for the year ended December 31, 2007. Certain of our accounting policies are considered critical, as these policies require significant, difficult or complex judgments by management, often employing the use of estimates about the effects of matters that are inherently uncertain. Such policies are summarized in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2007. There have been no significant changes in the application of the critical accounting policies since December 31, 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. In February of 2008, the FASB issued FASB Staff position 157-2 which delays the effective date of SFAS 157 for non-financial assets and liabilities which are not measured at fair value on a recurring basis (at least annually) until fiscal years beginning after November 15, 2008. We adopted SFAS 157 effective January 1, 2008 and the adoption did not have a material impact on our results of operation or financial position.

In December 2007, the FASB issued SFAS No. 160, "Non-Controlling Interests in Consolidated Financial Statements an amendment of ARB No. 51" ("SFAS 160"). SFAS 160 establishes new standards for the accounting for and reporting of non-controlling interests (formerly minority interests) and for the loss of control of partially owned and consolidated subsidiaries. SFAS 160 does not change the criteria for consolidating a partially owned entity. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The provisions of SFAS 160 will be applied prospectively upon adoption except for the presentation and disclosure requirements which will be applied retrospectively. We do not expect the adoption of SFAS 160 will have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) ("SFAS 141R"), a revision of SFAS 141, "Business Combinations." SFAS 141R establishes requirements for the recognition and measurement of acquired assets, liabilities, goodwill, and non-controlling interests. SFAS 141R also provides disclosure requirements related to business combinations. SFAS 141R is effective for fiscal years beginning after December 15, 2008. SFAS 141R will be applied prospectively to business combinations with an acquisition date on or after the effective date.

In April 2008, the FASB issued FSP SFAS No. 142-3, *Determination of the Useful Life of Intangible Assets.* The FSP amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, *Goodwill and Other Intangible Assets*. The intent of the FSP is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007), *Business Combinations,* and other U.S. GAAP. The FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. We do not believe that FSP SFAS No. 142-2 will have a material impact on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risk associated with changes in interest rates if we draw a balance under our Credit Facility. Our only current interest rate exposure involves our Revolver debt under the Credit Facility which bears interest at prime plus 0.75% (5.75% as of September 30, 2008). The balance on the Revolver at September 30, 2008 was $10,248,000. We estimate that a change of 1.0% in our variable rate debt from the interest rates in effect at September 30, 2008 would result in a $102,000 pre-tax change in annual interest expense based on our existing $10,248,000 borrowing against our revolving line of credit.

We have no material foreign exchange risk. We have no market risk sensitive instruments entered into for trading purposes.

Our financial instruments consist mainly of cash, accounts receivable, accounts payable and debt. The carrying amounts of these instruments, except debt, approximate fair value due to their short-term nature. The carrying amounts of our bank borrowings under our debt instruments approximate fair value because the interest rates are reset periodically to reflect current market rates.

The fair value of the debt obligations approximated the recorded value as of September 30, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed, under the supervision and with the participation of Company management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Act")).

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including cost limitations, judgments used in decision making, assumptions regarding the likelihood of future events, soundness of internal controls, fraud, the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable, and not absolute, assurance of achieving their control objectives. Based on that evaluation, management, including the CEO and CFO, has concluded that, as of September 30, 2008, the Company's disclosure controls and procedures were effective in all material respects at the reasonable assurance level to ensure that information required to be disclosed in reports that the Company files or submits under the Act is recorded, processed, summarized and timely reported in accordance with the rules and forms of the SEC.

Changes in Internal Control Over Financial Reporting

In the third fiscal quarter ended September 30, 2008, there had been no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are a party in legal proceedings and potential claims arising in the ordinary course of our business. The amount, if any, of ultimate liability with respect to such matters cannot be determined. Despite the inherent uncertainties of litigation, at this time we do not believe that such proceedings will have a material adverse impact on our financial condition, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Form 10-K filed March 17, 2008.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 23, 2005, we filed a Registration Statement on Form S-3 (File No. 333-127794) (the "S-3") with the SEC, which was declared effective on September 7, 2005. Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in the S-3 is a combined prospectus and relates to the previously filed Registration Statement on Form S-1 (File No. 333-119168) (the "S-1"), as to which the S-3 constitutes Post-Effective Amendment No. 3. Such Post-Effective Amendment became effective concurrently with the effectiveness of the S-3. The S-3 relates to the resale of 64,964,680 shares, no par value per share, of our common stock by the selling stockholders identified in the S-3, which have been issued or reserved for issuance upon the conversion or exercise of shares of our Series A Preferred Stock, shares of Series B Preferred Stock, warrants and convertible notes, including shares estimated to be issuable or that have been issued in satisfaction of accrued and unpaid dividends and interest on shares of preferred stock and convertible notes, respectively. Of the 64,964,680 shares of our common stock registered under the S-3, 60,953,394 of such shares were registered under the S-1. The shares of common stock registered by the S-3 and the S-1 represent the number of shares that have been issued or are issuable upon the conversion or exercise of the Series A Preferred Stock, Series B Preferred Stock, warrants and convertible notes described in the Registration Statement, including shares estimated to be issuable in satisfaction of dividends accrued and unpaid through December 31, 2007 on such securities. All shares of Series A Preferred Stock, Series B Preferred Stock and all convertible notes have been converted to shares of our common stock.

With respect to the S-1, we estimated the aggregate offering price of the amount registered to be $182,246,053, which was derived from the average of the bid and asked prices of our common stock on September 17, 2004, as reported on the OTC Bulletin Board(R). With respect to the S-3, we estimated the aggregate offering price of the amount registered to be $10,870,585, which was derived from the average of the high and low prices of our common stock as reported on the American Stock Exchange on August 18, 2005. Such amounts were estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(h) under the Securities Act of 1933. As of September 30, 2008, we are aware of the sale of 14,631,701 shares of common stock by selling stockholders under the S-3 or the S-1. We do not know at what price such shares were sold, or how many shares of common stock will be sold in the future or at what price. We have not and will not receive any of the proceeds from the sale of the shares by the selling stockholders. The selling stockholders will receive all of the proceeds from the sale of the shares and will pay all underwriting discounts and selling commissions, if any, applicable to the sale of the shares. We will, in the ordinary course of business, receive proceeds from the issuance of shares upon exercise of the warrants described in the S-3 or the S-1, which we will use for working capital and other general corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Those exhibits marked with an asterisk (*) refer to exhibits filed herewith. The other exhibits are incorporated herein by reference, as indicated in the following list. Portions of the exhibits marked with a (^) are the subject of a Confidential Treatment Request under 17 C.F.R. §§ 200.80(b)(4), 200.83 and 240.24b-2.

Exhibit No.	Description
(3.1)	Restated Articles of Incorporation of Akorn, Inc. dated September 16, 2004, incorporated by reference to Exhibit 3.1 to Akorn, Inc.'s Registration Statement on Form S-1 filed on September 21, 2004.
(3.2)	Amended and Restated Bylaws of Akorn, Inc., incorporated by reference to Exhibit 3.2 to Akorn, Inc.'s Registration Statement on Form S-1 filed on June 14, 2005.
(3.3)	Amendment to Bylaws of Akorn, Inc., incorporated by reference to Exhibit 3.1 to Akorn, Inc.'s report on Form 8-K filed on March 31, 2006 (Commission file No. 001-32360).
(3.4)	Amendment to Bylaws of Akorn, Inc., incorporated by reference to Exhibit 3.1 to Akorn, Inc.'s report on Form 8-K filed on December 14, 2006 (Commission file No. 001-32360).
(3.5)	Amendment to Bylaws of Akorn, Inc., incorporated by reference to Exhibit 3.1 to Akorn, Inc.'s report on Form 8-K filed on April 16, 2007 (Commission file No. 001-32360).
(4.1)	Form of Securities Purchase Agreement dated March 1, 2006, between Akorn, Inc. and certain investors, incorporated by reference to Exhibit 4.1 to Akorn, Inc.'s report on Form 8-K filed on March 7, 2006 (Commission file No. 001-32360).
(4.2)	Form of Warrant issued in connection with the Securities Purchase Agreement dated March 1, 2006, incorporated by reference to Exhibit 4.2 to Akorn, Inc.'s report on Form 8-K filed on March 7, 2006. (Commission file No. 001-32360). (All warrants are dated March 8, 2006. Please see Exhibit 99.1 to Akorn, Inc.'s report on Form 8-K filed on March 14, 2006, which is hereby incorporated by reference, for a schedule setting forth the other material details for each of the warrants.)
(4.3)	Securities Purchase Agreement dated September 13, 2006, between Akorn, Inc. and Serum Institute of India, incorporated by reference to Exhibit 4.1 to Akorn Inc.'s report on Form 8-K filed on September 14, 2006 (Commission file No. 001-32360).
(4.4)	Securities Purchase Agreement dated November 14, 2007, between Akorn, Inc. and Serum Institute of India Ltd., incorporated by reference to Exhibit 4.1 to Akorn, Inc.'s report on Form 8-K filed on November 20, 2007 (Commission file No. 001-32360).
(10.1)^	Binding Term Sheet dated July 3, 2008, by and between Akorn, Inc. and Massachusetts Biologic Laboratories of the University of Massachusetts Medical School, incorporated by reference to Exhibit 10.1 to Akorn, Inc.'s report on Form 8-K filed on July 11, 2008.
(10.2)^	Amendment to Exclusive Distribution Agreement dated July 3, 2008, by and between Akorn, Inc. and Massachusetts Biologic Laboratories of the University of Massachusetts Medical School, incorporated by reference to Exhibit 10.1 to Akorn, Inc.'s report on Form 8-K filed on July 18, 2008.
(10.3)	Mutual Release dated July 3, 2008, by and between Akorn, Inc. and Massachusetts Biologic Laboratories of the University of Massachusetts Medical School, incorporated by reference to Exhibit 10.2 to Akorn, Inc.'s report on Form 8-K filed on July 18, 2008.
(10.4)	Subordinated Promissory Note dated July 28, 2008, issued by Akorn, Inc. to The John N. Kapoor Trust Dated September 20, 1989, in the principal amount of $5,000,000, incorporated by reference to Exhibit 10.1 to Akorn, Inc.'s report on Form 8-K filed on August 1, 2008.

Exhibit No.	Description
(10.5)	Subordination and Intercreditor Agreement dated July 28, 2008, by and among Akorn, Inc., The John N. Kapoor Trust Dated September 20, 1989, LaSalle Bank National Association, as administrative agent for all senior lenders party to the senior credit agreement, and Akorn (New Jersey), Inc., incorporated by reference to Exhibit 10.2 to Akorn, Inc.'s report on Form 8-K filed on August 1, 2008.
(10.6)	Consent to Credit Agreement dated July 28, 2008, by and among Akorn, Inc., LaSalle Bank National Association, as administrative agent, the financial institutions party thereto and Akorn (New Jersey), Inc., incorporated by reference to Exhibit 10.3 to Akorn, Inc.'s report on Form 8-K filed on August 1, 2008.
(10.7)^	Second Amendment to Exclusive Distribution Agreement dated July 30, 2008, by and between, Akorn, Inc. and Massachusetts Biologic Laboratories of the University of Massachusetts Medical School.
(10.8)^	Third Amendment to Exclusive Distribution Agreement dated August 1, 2008, by and between, Akorn, Inc. and Massachusetts Biologic Laboratories of the University of Massachusetts Medical School.
(10.9)	Commitment Letter dated November 2, 2008, by and between Akorn, Inc. and General Electric Capital Corporation, incorporated by reference to Exhibit 10.1 to Akorn Inc.'s report on Form 8-K filed on November 5, 2008.
(31.1)*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
(31.2)*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
(32.1)*	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
(32.2)*	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AKORN, INC.

/s/ JEFFREY A. WHITNELL
Jeffrey A. Whitnell
Sr. Vice President, Chief Financial Officer
(Duly Authorized and Principal Financial Officer)

Date: November 10, 2008

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Arthur S. Przybyl, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akorn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ARTHUR S. PRZYBYL
Arthur S. Przybyl
Chief Executive Officer

Date: November 10, 2008

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Jeffrey A. Whitnell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Akorn, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JEFFREY A. WHITNELL
Jeffrey A. Whitnell
Chief Financial Officer

Date: November 10, 2008

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C 1350

In connection with the Quarterly Report of Akorn, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned officer of the Company does hereby certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) and Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934 (17 CFR 240.13a-14(b)), that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2008

/s/ ARTHUR S. PRZYBYL
Arthur S. Przybyl
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. 1350

In connection with the Quarterly Report of Akorn, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2008, as filed with the Securities and Exchange Commission and to which this Certification is an exhibit (the "Report"), the undersigned officer of the Company does hereby certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) and Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934 (17 CFR 240.13a-14(b)), that to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2008

/s/ JEFFREY A. WHITNELL
Jeffrey A. Whitnell
Chief Financial Officer