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, 2007

☐ **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: 0-13976

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.)
2500 MILLBROOK DRIVE BUFFALO GROVE, ILLINOIS (Address of Principal Executive Offices)	60089 (Zip Code)

(847) 279-6100

(Registrant's telephone number)

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, or a non-accelerated filer (as defined in Exchange Act Rule 12b-2).

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

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

Yes ☐ No ☑

At October 31, 2007 there were 87,742,613 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, 2007 (UNAUDITED)	DECEMBER 31, 2006 (AUDITED)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,260	$ 21,818
Trade accounts receivable (less allowance for doubtful accounts of $3 and $3, respectively)	5,645	4,781
Inventories	19,749	11,734
Prepaid expenses and other current assets	721	1,321
TOTAL CURRENT ASSETS	36,375	39,654
PROPERTY, PLANT AND EQUIPMENT, NET	32,648	33,486
OTHER LONG-TERM ASSETS		
Intangibles, net	7,860	8,825
Other	993	118
TOTAL OTHER LONG-TERM ASSETS	8,853	8,943
TOTAL ASSETS	$ 77,876	$ 82,083
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of debt	$ 309	$ 394
Trade accounts payable	12,038	4,719
Accrued compensation	944	1,849
Customer accrued liabilities	235	391
Accrued expenses and other liabilities	1,362	2,900
TOTAL CURRENT LIABILITIES	14,888	10,253
LONG-TERM LIABILITIES		
Long-term debt, less current installments	—	208
Product warranty liability	1,308	1,308
TOTAL LONG-TERM LIABILITIES	1,308	1,516
TOTAL LIABILITIES	16,196	11,769
SHAREHOLDERS' EQUITY		
Common stock, no par value — 150,000,000 shares authorized; 87,730,355 and 85,990,964 shares issued and outstanding at September 30, 2007 and December 31, 2006, respectively	157,887	150,250
Warrants to acquire common stock	2,795	4,862
Accumulated deficit	(99,002)	(84,798)
TOTAL SHAREHOLDERS' EQUITY	61,680	70,314
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 77,876	$ 82,083

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,	
	2007	2006	2007	2006
Revenues	$ 15,814	$ 14,490	$ 39,187	$ 56,695
Cost of sales	12,846	8,539	30,844	34,056
GROSS PROFIT	2,968	5,951	8,343	22,639
Selling, general and administrative expenses	5,362	4,226	15,793	13,379
Amortization and write-down of intangibles	338	345	1,015	1,046
Research and development expenses	2,135	2,649	6,307	6,815
TOTAL OPERATING EXPENSES	7,835	7,220	23,115	21,240
OPERATING (LOSS) INCOME	(4,867)	(1,269)	(14,772)	1,399
Interest income/(expense) - net	140	230	568	(855)
Debt Retirement Expense	—	—	—	(391)
Other income/(expense)	—	(28)	1	(57)
(LOSS)/INCOME BEFORE INCOME TAXES	(4,727)	(1,067)	(14,203)	96
Income tax provision	—	—	1	—
NET (LOSS)/INCOME	(4,727)	(1,067)	(14,204)	96
Preferred stock dividends and adjustments	—	(182)	—	(742)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (4,727)	$ (1,249)	$ (14,204)	$ (646)
NET LOSS PER SHARE:				
BASIC	$ (0.05)	$ (0.02)	$ (0.16)	$ (0.01)
DILUTED	$ (0.05)	$ (0.02)	$ (0.16)	$ (0.01)
SHARES USED IN COMPUTING NET LOSS PER SHARE:				
BASIC	87,651	76,420	86,971	71,050
DILUTED	87,651	76,420	86,971	71,050

See notes to condensed consolidated financial statements.

AKORN, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
UNAUDITED
(In Thousands)

Nine Months Ended September 30, 2007

	Common Stock		Series A Preferred Stock	Series B Preferred Stock	Warrants to acquire Common Stock	Retained Earnings (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 withheld for payment of employee tax liability	115	(445)	—	—	—	—	(445)
FAS123R share based payment expense	—	2,005	—	—	—	—	2,005
BALANCES AT SEPTEMBER 30, 2007	87,730	$157,887	$ —	$ —	$ 2,795	$ (99,002)	$ 61,680

Nine Months Ended September 30, 2006

	Common Stock		Series A Preferred Stock	Series B Preferred Stock	Warrants to acquire Common Stock	Retained Earnings (Accumulated Deficit)	Total
	Shares	Amount					
BALANCES AT DECEMBER 31, 2005	27,619	$ 67,339	$ 27,232	$ 10,758	$ 13,696	$ (77,992)	$ 41,033
Net income	—	—	—	—	—	96	96
Preferred stock dividends earned	—	—	55	435	—	(490)	—
Intrinsic value of beneficial conversion features in convertible preferred stock	—	252	—	—	—	(252)	—
Conversion of preferred stock into common stock	38,123	30,626	(27,287)	(3,339)	—	—	—
Exercise of warrants into common stock	5,682	9,418	—	—	(8,205)	—	1,213
Conversion of convertible notes into common stock	3,540	7,298	—	—	—	—	7,298
Net proceeds from issuance of common stock and warrants	5,312	19,800	—	—	1,821	—	21,621
Stock issuance under stock option and stock purchase plans	724	606	—	—	—	—	606
Amortization of deferred compensation related to restricted stock awards	—	498	—	—	—	—	498
FAS123R share based payment expense	—	1,026	—	—	—	—	1,026
BALANCES AT SEPTEMBER 30, 2006	81,000	$136,863	$ —	$ 7,854	$ 7,312	$ (78,638)	$ 73,391

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

	NINE MONTHS ENDED SEPTEMBER 30	
	2007	2006
OPERATING ACTIVITIES		
Net (loss)/income	$ (14,204)	$ 96
Adjustments to reconcile net (loss)/income to net cash (used in)/provided by operating activities:		
Depreciation and amortization	3,273	2,444
Amortization of debt discounts	—	1,059
Non-cash stock compensation expense	2,484	1,524
Changes in operating assets and liabilities:		
Trade accounts receivable	(864)	(3,717)
Inventories	(8,015)	(142)
Prepaid expenses and other current assets	(275)	218
Trade accounts payable	7,319	(1,007)
Product warranty liability	—	1,131
Accrued customer liability	(156)	403
Accrued expenses and other liabilities	(2,443)	(137)
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(12,881)	1,872
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1,420)	(3,571)
Purchase of intangible assets	(50)	—
NET CASH USED IN INVESTING ACTIVITIES	(1,470)	(3,571)
FINANCING ACTIVITIES		
Repayment of long-term debt	(293)	(3,009)
Proceeds from common stock and warrant offering	—	21,621
Proceeds from warrants exercised	2,507	1,213
Proceeds under stock option and stock purchase plans	579	606
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,793	20,431
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(11,558)	18,732
Cash and cash equivalents at beginning of period	21,818	791
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 10,260	$ 19,523
Amount paid for interest	$ 43	$ 577
Amount paid for income taxes	$ 3	$ 2

Note 1: In March 2006, $7,298 in principal and interest related to convertible notes was retired by conversion to the common stock of Akorn, Inc. (See Note H – Financing Arrangements)

NOTE A — BUSINESS AND BASIS OF PRESENTATION

Business: Akorn, Inc. and its wholly owned subsidiary, Akorn (New Jersey), Inc. (collectively, the "Company"), manufacture and market diagnostic and therapeutic pharmaceuticals in specialty areas such as ophthalmology, rheumatology, anesthesia and antidotes, 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 (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in these financial statements. Operating results for the nine-month period ended September 30, 2007 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, 2006, 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 inventory, 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 those 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 provision for chargebacks is fully reserved for at the time when sales revenues are recognized.

Management obtains certain wholesaler inventory reports to aid in analyzing the reasonableness of the chargeback allowance that will be paid out in the future. 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 each reporting 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 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 2007 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 $496,000 and $2,005,000 was recognized during the three and nine-month periods ended September 30, 2007. Stock option compensation expense of $325,000 and $1,026,000 was recognized during the three and nine-month periods ended September 30, 2006. 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.

As of September 30, 2007, the total amount of unrecognized compensation cost related to nonvested stock options was $3,696,000 which is expected to be recognized as expense over a weighted-average period of 2.1 years.

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, 2007 (SFAS 123(R))	THREE MONTHS ENDED SEPTEMBER 30, 2006 (SFAS 123 (R))
Expected Volatility	43%	52%
Expected Life (in years)	4.0	3.5
Risk-free interest rate	4.4%	4.8%
Dividend yield	—	—
Fair value per stock option	$ 2.76	$ 1.60
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, 2007 is as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	3,155	$ 3.22		
Granted	2,249	$ 6.34		
Exercised	(293)	$ 2.91		
Forfeited	(123)	$ 5.36		
Outstanding at September 30, 2007	4,988	$ 4.59	3.1	$ 14,445
Exercisable at September 30, 2007	2,480	$ 3.25	2.1	$ 10,515

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, 2007 was $620,000 and $1,165,000, respectively. As a result of the stock options exercised, the Company recorded cash received and additional paid-in-capital of $321,000 and $853,000 during the three and nine-month periods ended September 30, 2007.

The Company also grants restricted stock awards to certain employees. 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 has not granted restricted stock awards during 2007. As of September 30, 2007, the total amount of unrecognized compensation expense related to nonvested restricted stock awards was $700,000. The Company recognized compensation expense of $110,000 and $479,000 during the three and nine-month periods ended September 30 2007, related to outstanding restricted stock awards. The Company recognized compensation expense of $221,000 and $498,000 during the three and nine-month periods ended September 30, 2006, respectively, 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, 2006	350	$ 5.05
Granted	—	—
Vested	(175)	$ 5.05
Canceled	—	—
Nonvested at September 30, 2007	175	$ 5.05

NOTE D — REVENUE RECOGNITION

The Company recognizes product sales for its ophthalmic and hospital drugs & injectables business segments upon the shipment of goods or upon the delivery of goods, depending on the sales terms. 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 collection 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 income statement 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 the net trade accounts receivable and customer accrued liabilities in the balance sheet.

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

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Gross Accounts Receivable	$ 18,976	$ 15,827
Less:		
Allowance for Doubtful Accounts	(3)	(3)
Returns Reserve	(1,271)	(2,437)
Discount and Allowances Reserve	(340)	(236)
Chargeback and Rebates Reserves	(11,717)	(8,370)
Net Trade Accounts Receivable	$ 5,645	$ 4,781

For the three-month periods ended September 30, 2007 and 2006, the Company recorded chargeback and rebate expense of $8,221,000 and $7,898,000, respectively. For the nine-month periods ended September 30, 2007 and 2006, the Company recorded chargeback and rebate expense of $23,911,000 and $19,641,000, respectively. This increase was primarily due to increased sales to wholesalers in 2007.

For the three-month period ended September 30, 2007, the Company recorded a recovery for product returns of $(166,000). For the three-month period ended September 30, 2006, the Company recorded a provision for product returns of $1,335,000. For the nine-month periods ended September 30, 2007 and 2006, the Company recorded a provision for product returns of $324,000 and $2,942,000, respectively. The decrease in the provision and reserve in 2007 was to recognize significantly improved customer returns experience in the period as the Company has worked with key customers to improve inventory rotation and reduce product expiration returns.

For the three-month periods ended September 30, 2007 and 2006, the Company recorded a net provision for doubtful accounts of $2,000 and a net benefit of $9,000, respectively. For the nine-month periods ended September 30, 2007 and 2006, the Company recorded a net benefit for doubtful accounts of $5,000 and $97,000, respectively.

For the three-month periods ended September 30, 2007 and 2006, the Company recorded a provision for cash discounts of $348,000 and $380,000, respectively. For the nine-month periods ended September 30, 2007 and 2006, the Company recorded a provision for cash discounts of $955,000 and $1,332,000, respectively. This decrease primarily related to a cash discount for a large sale of the Company's radiation antidote products in the March 2006 period.

NOTE F — INVENTORIES

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

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Finished goods	$ 7,610	$ 2,923
Work in process	2,285	1,293
Raw materials and supplies	9,854	7,518
	$ 19,749	$ 11,734

Inventory at September 30, 2007 and December 31, 2006 is reported net of reserves for slow-moving, unsalable and obsolete items of $854,000 and $510,000, respectively, primarily related to finished goods. For the three-month periods ended September 30, 2007 and 2006, the Company recorded a provision of $522,000 and $190,000, respectively. For the nine-month periods ended September 30, 2007 and 2006, the Company recorded a provision of $761,000 and $390,000, respectively. Finished Goods inventories of the recently launched Tetanus Diphtheria vaccine product were $3,400,000 at September 30, 2007.

NOTE G — PROPERTY, PLANT AND EQUIPMENT

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

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Land	$ 396	$ 396
Buildings and leasehold improvements	18,089	18,071
Furniture and equipment	38,448	37,826
Automobiles	55	55
Sub-total	56,988	56,348
Accumulated depreciation	(30,895)	(28,637)
	26,093	27,711
Construction in progress	6,555	5,775
Property, Plant, & Equipment, net	$ 32,648	$ 33,486

Construction in progress primarily represents capital expenditures related to the Company's lyophilization (freeze-dry) project. Future costs are estimated to be less than $100,000. The Company is awaiting a final decision by the U.S. Food and Drug Administration ("FDA") on the status of the lyophilization operations following the FDA's inspection of the Decatur facility in July/August 2007. The timing and outcome of the FDA's action cannot be predicted with certainty. (See Note L — Commitments and Contingencies). There can be no assurance the Company will realize the anticipated benefits from its investment into lyophilization capability and, if not, material impairment charges may be required.

NOTE H — FINANCING ARRANGEMENTS

The Company's long-term debt consists of (in thousands):

	SEPTEMBER 30, 2007	DECEMBER 31, 2006
Mortgages payable	$ 309	$ 602
Less current installments of debt	(309)	(394)
Long-term debt	$ —	$ 208

On September 30, 2005, the Company renewed its credit agreement (the "Credit Facility") with LaSalle Bank National Association ("LaSalle Bank"). The renewal extended the existing Credit Facility until September 30, 2008 and increased the Revolving Commitment amount (the "Revolver") from $5,000,000 to $10,000,000, as well as made modifications of prior existing covenants and the addition of a tangible net worth financial covenant. The borrowing rate was reduced to the LaSalle Bank prime rate (7.75% at September 30, 2007) plus 0.50%. On September 30, 2007, the Company had $10,000,000 of undrawn availability under the Credit Facility, which is based on its level of accounts receivable, inventory and certain equipment as of September 30, 2007. There was no borrowing against the Revolver at September 30, 2007.

On August 8, 2007, the Company entered into an Amendment to Credit Agreement with LaSalle Bank (the "Amendment"). Among other things, the Amendment added certain financial covenants and adjusted the definitions EBITDA, Borrowing Base and Revolving Commitment Amount. The Amendment also included the option, subject to additional underwriting review, to increase the maximum borrowings under the Revolver to $20,000,000 over the life of the Credit Facility, which expires in September 2008.

On November 2, 2007, the Company entered into an Amendment to Credit Agreement with LaSalle Bank (the "November Credit Amendment"). Among other things, the November Credit Amendment increased the revolving commitment amount from $10,000,000 to $15,000,000 under the Credit Facility and amended certain covenants of the parties set forth in the Credit Facility. The description of the November Credit Amendment herein is only a summary and is qualified in its entirety by the full text of such November Credit Amendment, which is filed as an exhibit hereto and is incorporated by reference herein.

In 2003, the Company issued subordinated promissory notes in the aggregate principal amount of $2,767,000 (the "2003 Subordinated Notes") along with warrants to purchase 276,714 shares of common stock at an exercise price of $1.10 per share. The Company retired the 2003 Subordinated Notes with cash payments totaling $3,288,000 on March 20, 2006. The 2003 Subordinated Notes warrants to purchase 276,714 shares of common stock were exercised on a cashless basis during 2006. The net common stock issuance was 199,412 shares.

In 2001, the Company entered into a $5,000,000 convertible subordinated debt agreement, which included a $3,000,000 Tranche A note ("Tranche A Note") and a $2,000,000 Tranche B note ("Tranche B Note"), (collectively, the "Convertible Note Agreement"). Under the terms of the Convertible Note Agreement, both the Tranche A Note and the Tranche B Note were due on December 20, 2006 and were issued with detachable warrants (the "Tranche A Warrants" and the "Tranche B Warrants") to purchase shares of common stock.

The convertible feature of the Convertible Note Agreement, as amended, allowed for conversion of the subordinated debt plus interest into the Company's common stock, at a price of $2.28 per share of common stock for the Tranche A Note and $1.80 per share of common stock for the Tranche B Note.

The Company negotiated an early settlement of the Tranche A Note and the Tranche B Note in March 2006. The associated principal and accumulated interest of approximately $7,298,000 was retired by conversion into 3,540,281 shares of the Company's common stock on March 31, 2006. A debt retirement fee of approximately $391,000 was paid as an inducement to retire these notes prior to the original maturity date of December 20, 2006. The detachable warrants to purchase 1,667,000 shares of common stock were exercised on a cashless basis on November 15, 2006 and the associated net common stock issuance was 807,168 shares.

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 $309,000 and $602,000 at September 30, 2007 and December 31, 2006, respectively. The principal balance is payable over 10 years, with the final payment due in June 2008. The mortgage note bears a fixed interest rate of 7.375% and is secured by the real property located in Decatur, Illinois.

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. The aggregate offering price of the private placement was approximately $19,402,000 and the net proceeds to the Company, after payment of approximately $1,324,000 of commissions and expenses, was approximately $18,078,000.

The net proceeds of $18,078,000 were allocated based on the relative fair market values of the common stock and warrants with $16,257,000 allocated to the common stock and $1,821,000 allocated to the warrants.

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 of convertible preferred stock, stock options, warrants and convertible debt using the treasury stock and if converted methods. However, for the three and none-month periods ended September 30, 2007 and 2006, 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 that period.

The number of such shares as of September 30, 2007 and September 30, 2006 subject to warrants, convertible debt, and convertible preferred stock was 2,015,000 and 7,060,000, respectively. The number of such shares as of September 30, 2007 and September 30, 2006 subject to stock options and restricted stock awards was 5,163,000 and 4,076,000, respectively.

NOTE K — INDUSTRY SEGMENT INFORMATION

The Company classifies its operations into three business segments: ophthalmic, hospital drugs & injectables 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 contract services segment manufactures products for third party pharmaceutical and biotechnology customers based on their specifications. Selected financial information by industry segment is presented below (in thousands).

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006	2007	2006
REVENUES				
Ophthalmic	$ 5,001	$ 6,139	$ 13,111	$ 15,649
Hospital Drugs & Injectables	9,360	6,028	19,981	35,029
Contract Services	1,453	2,323	6,095	6,017
Total revenues	$ 15,814	$ 14,490	$ 39,187	$ 56,695
GROSS PROFIT				
Ophthalmic	$ 1,123	$ 2,198	$ 2,445	$ 5,483
Hospital Drugs & Injectables	1,425	3,070	4,411	15,437
Contract Services	420	683	1,487	1,719
Total gross profit	2,968	5,951	8,343	22,639
Operating expenses	7,835	7,220	23,115	21,240
Operating (loss)/income	(4,867)	(1,269)	(14,772)	1,399
Interest & Other income (expense)	140	202	569	(912)
Debt Retirement expense	—	—	—	(391)
(Loss)/Income before income taxes	$ (4,727)	$ (1,067)	$ (14,203)	$ 96

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

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 September 12-29, 2006. The Warning Letter cited 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 has not interrupted or delayed the manufacture and distribution of the Company's Decatur products currently approved by the FDA. However, it has resulted in the delay of the FDA's approval of the Company's Decatur lyophilization operations and, consequently, delayed the commercial re-launch of IC-Green. The Company has obtained FDA approval of an alternate contract manufacturer for IC-Green. The Company is dependent upon timely deliveries from this contract manufacturer to eliminate its backorder level for IC-Green which was approximately $1,300,000 as of September 30, 2007.

Following the Warning Letter, the FDA conducted another inspection of the Decatur facility from July 23 to August 17, 2007. The inspection was to determine if the Company had corrected the violations cited in the Warning Letter and to determine if the Company's lyophilization operations could be approved for the manufacture of products subject of pending new drug applications. 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 and has requested to meet with FDA officials. The FDA has not yet communicated its conclusion relative to the inspectional observations. It is not possible to determine what actions the FDA may or may not take if it concludes that the company is not in compliance. These actions could include, among others, another inspection, a new warning letter, seizure and/or injunction and further continued delay in obtaining approvals of new drug applications.

The Company recorded product warranty expense of zero for the three months ended September 30, 2007 and September 30, 2006. For the nine months ended September 30, 2007 and September 30, 2006, the Company recorded product warranty expense of zero and $1,131,000, respectively, and recognized the corresponding long-term liability for its obligation pertaining to the sale of two injectable radiation antidotes ("DTPA") to the United States Department of Health and Human Services ("HHS"). This obligation provides that the Company will guarantee the stability of the injectable radiation antidotes to HHS for a period of ten years from the shipment date. In the event either of these two products does not retain its stability during this ten-year period, the Company is obligated to replace the product at no cost to HHS. Our supplier, Hameln Pharmaceuticals, will also share this cost if we do not meet the DTPA stability requirement. If the ongoing product testing confirms the ten-year stability for DTPA, we 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.

The Company is a party in 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.

The Company has entered into strategic business agreements for the development and marketing of finished dosage form pharmaceutical products with various pharmaceutical development companies.

Each strategic business agreement includes a future payment schedule for contingent milestone payments and in certain strategic business agreements, minimum royalty payments. The Company will be responsible for contingent milestone payments and minimum royalty payments to these strategic business partners based upon the occurrence of future events. Each strategic business agreement defines the triggering event of its future payment schedule, such as meeting product development progress timelines, successful product testing and validation, successful clinical studies, various FDA and other regulatory approvals and other factors as negotiated in each agreement. None of the contingent milestone payments or minimum royalty payments is individually material to the Company. These costs, when realized, will be reported as part of Research & Development or as a component of Cost of Sales in the Company's Condensed Consolidated Statement of Operations.

The table below summarizes contingent potential milestone payments and minimum royalty payments for the fourth quarter 2007 and the periods 2008 and beyond assuming all such contingencies occur.

Table of Contingent Payments to Strategic Partners (in thousands):

For the three months ended 12/31/07	$ 285
For the year ended 12/31/08	$3,806
For the year ended 12/31/09	$1,915
For the year ended 12/31/10	$1,279
For the year ended 12/31/11	$ —
For the year ended 12/31/12	$1,000

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 63% and 71% of the Company's gross revenues and 50% and 58% of net revenues for the three months ended September 30, 2007 and 2006, respectively. They accounted for approximately 62% and 78% of the gross accounts receivable balances as of September 30, 2007 and 2006, respectively. These three customers accounted for 72% and 49% of the Company's gross revenues and 51% and 32% of net revenues for the nine months ended September 30, 2007 and 2006, respectively. The Company's major customer for the nine month period ended September 30, 2006 was the United States Department of Health and Human Services ("HHS") which purchased $21,962,000 of the Company's injectable radiation antidote products during the first quarter of 2006.

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, 2007, the University of Massachusetts, as represented by the Massachusetts Biological Laboratories ("MBL") (vaccine product), accounted for 80% of the Company's purchases, while no supplier of products accounted for more than 10% of the Company's purchases in the three months ended September 30, 2006. For the nine months ended September 30, 2007, MBL (vaccine product) and Alcan Inc. (packaging materials) accounted for 43% and 10%, respectively, of the Company's purchases. For the nine months ended September 30, 2006, Hameln Pharmaceuticals GmbH (injectable radiation antidote products) accounted for 15% 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 Abbreviated New Drug Applications ("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

On January 1, 2007, the Company adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step process for the financial statement measurement and recognition of a tax position taken or expected to be taken in a tax return. The first step involves the determination of whether it is more likely than not (greater than 50 percent likelihood) that a tax position will be sustained upon examination, based on the technical merits of the position. The second step requires that any tax position that meets the more-likely-than-not recognition threshold be measured and recognized in the financial statements at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the accounting for related interest and penalties, accounting in interim periods, financial statement classification and disclosure.

The Company has determined it does not have material uncertain tax positions or unrecognized tax benefits and there is no material impact on its financial position, results of operations or cash flows. The adoption of FIN 48 by the Company had no impact on its opening balance of retained earnings. The Company classifies interest on tax settlements as a component of interest expense and penalties on tax settlements as a component of administrative expense in its financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another U.S. GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard will also require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have a material impact on the Company's results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value, which are currently not required to be measured at fair value. Under SFAS 159, an entity may, at specified election dates, choose to measure items at fair value on an instrument-by-instrument basis. Entities would be required to report a cumulative adjustment to retained earnings for unrealized gains and losses at the adoption date, and to recognize changes in fair value in earnings for any items for which the fair value option has been elected. SFAS 159 will be effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on the Company's results of operations or financial position.

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 FDA, including current Good Manufacturing Practices regulations;
- Our ability to resolve our Food and Drug Administration compliance issues at our Decatur, Illinois facilities;
- Our ability to obtain regulatory approvals of, commence operations at and obtain business for 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, 2007 COMPARED TO 2006

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

	THREE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Ophthalmic segment	$ 5,001	$ 6,139
Hospital Drugs & Injectables segment	9,360	6,028
Contract Services segment	1,453	2,323
Total revenues	$ 15,814	$ 14,490

Consolidated revenues increased by $1,324,000 or 9.1% in the quarter ended September 30, 2007 compared to the same period in 2006 mainly due to the introduction of $4,734,000 in vaccine revenues in September 2007. Ophthalmic segment revenues decreased by $1,138,000 or 18.5% due to lower sales of diagnostic ophthalmic products and customer backorders for IC-Green. Hospital Drugs & Injectables segment revenues increased by $3,332,000 or 55.3% mainly due to the vaccine revenues as discussed above, partially offset by decreased sales of antidote products in 2007. Our contract services segment revenues decreased by $870,000 or 37.5% due to reduced orders from various contract customers and delays in start-up with new customers.

Consolidated gross profit was $2,968,000 or 18.8 % for the third quarter of 2007 as compared to a gross profit of $5,951,000 or 41.1% in the same period a year ago mainly due to the sales mix and volume variation matters for each segment discussed above and introductory pricing levels for the multi-dose Tetanus Diphtheria vaccine product combined with increased unfavorable manufacturing variances at our Decatur and Somerset facilities. This was primarily due to additional production shutdown time incurred at our two manufacturing locations. 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 $1,136,000 or 26.9%, during the quarter ended September 30, 2007 as compared to the same period in 2006. The key components of this increase in 2007 were the addition of 19 field and vaccine sales representatives and related selling expenses of $558,000, along with an increase in administrative compensation expense including SFAS 123(R) stock option compensation expense of $611,000.

Research and development ("R&D") expense decreased $514,000 or 19.4% in the quarter, to $2,135,000 from $2,649,000 for the same period in 2006, mainly due to a reduction in validation testing and development of our lyophilization processes which was partially offset by an increase in personnel and spending for new product development.

Interest income for the third quarter of 2007 was $140,000 versus interest income of $230,000 for the same period in 2006 due to lower average balances on short-term investments.

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

We reported a net loss of $4,727,000 for the three months ended September 30, 2007, versus a net loss of $1,249,000 for the same period in 2006 mainly due to unfavorable plant manufacturing variances and higher cost of goods sold and SG&A expenses as discussed above.

NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO 2006

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2007	2006
Ophthalmic segment	$ 13,111	$ 15,649
Hospital Drugs & Injectables segment	19,981	35,029
Contract Services segment	6,095	6,017
Total revenues	$ 39,187	$ 56,695

Consolidated revenues decreased $17,508,000 or 30.9% for the nine months ended September 30, 2007 compared to the same period in 2006, mainly due to the $21,962,000 of first quarter sales of injectable radiation antidote products ("DTPA") to the United States Department of Health and Human services ("HHS") in 2006, partially offset by the addition of $4,734,000 in vaccine sales during the third quarter of 2007. Ophthalmic segment revenues decreased $2,538,000 or 16.2%, as a result of customer backorders for IC-Green, which totaled $1,300,000 as of September 30, 2007. Hospital Drugs & Injectables segment revenues decreased by $15,048,000 or 43.0% mainly due to the 2006 DTPA sales as mentioned above which was partially offset by the introduction of vaccine sales. Our contract services segment revenues increased by $78,000 or 1.3% mainly due to orders from new customers offsetting reduced orders received from prior existing customers.

Year-to-date consolidated gross profit was $8,343,000 or 21.3% for 2007 as compared to a gross profit of $22,640,000 or 39.9% for the same period a year ago mainly due to the sales volume variation matters for each segment discussed above and unfavorable manufacturing variances at our Decatur and Somerset facilities due to below standard production yields and underutilization of our manufacturing capacities. 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 $2,414,000 or 18.0%, for the year to date period ended September 30, 2007 as compared to the same period in 2006. The key components of this increase in 2007 were the addition of 19 field and vaccine sales representatives and related selling expenses of $988,000 along with increased administrative compensation expense including SFAS 123(R) stock option expense of $1,574,000.

R&D expense decreased $508,000 or 7.5% for the nine months ended September 30, 2007, to $6,307,000 from $6,815,000 for the same period in 2006. The key components of this decrease in 2007 were a decrease in the lyophilization facility validation expense of $2,377,000 partially offset by increases in product development test batch expense of $975,000 and strategic partner milestone payments of $609,000.

Interest income for the nine month period ended September 30, 2007 was $568,000 versus interest expense of $855,000 for the same period in 2006 as we retired our subordinated and convertible debt instruments in early 2006 and invested our cash proceeds from our operations and the March 2006 common stock and warrant offering in short-term interest bearing certificates of deposit.

For the nine-month period ended September 30, 2007, there was no federal income tax provision and a $1,000 state income tax provision. There was no federal or state tax provision for the same period in 2006.

We reported a net loss of $14,204,000 for the nine months ended September 30, 2007, versus net income of $96,000 for the same period in 2006 mainly due to the decreased sales volumes, unfavorable plant manufacturing variances and higher SG&A expenses as discussed above.

FINANCIAL CONDITION AND LIQUIDITY

Overview

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.

During the nine-month period ended September 30, 2006, we generated $1,872,000 in cash provided from operations, primarily due to non-cash expenses of $5,027,000 for the period, offset by a $3,251,000 change in working capital items mainly due to higher receivables levels with wholesalers. Investing activities generated a $3,571,000 reduction in cash flow mainly due to capital expenditures for production equipment, including an early buyout of our Serail Lyophilization equipment operating lease from National City Leasing Corporation for $1,505,000. Financing activities provided $20,431,000 in cash, primarily due to the $18,078,000 net proceeds from the March 2006 common stock and warrants offering and the $3,542,000 net proceeds from the offering to the Serum Institute of India, Ltd. (“Serum”) (see Item 1. Financial Statements, Note I - Common Stock Issuance), along with proceeds of $1,819,000 from stock option and warrant exercises, offset by $2,767,000 repayment of long-term debt. In addition, on March 31, 2006, $7,298,000 in principal and accrued interest on certain outstanding convertible notes was retired by conversion into 3,540,281 shares of our common stock (see Item 1. Financial Statements, Note H - Financing Arrangements).

As of September 30, 2007, we had $10,260,000 in cash and $10,000,000 of undrawn availability under our Credit Facility with LaSalle Bank which is based on our level of accounts receivable and inventory and certain equipment. There was no borrowing against the Revolver at September 30, 2007.

On August 8, 2007, we entered into an Amendment to Credit Agreement with LaSalle Bank (the “Amendment”). Among other things, the Amendment added certain financial covenants and adjusted the definitions EBITDA, Borrowing Base and Revolving

Commitment Amount. The Amendment also included the option, subject to additional underwriting review, to increase the maximum borrowings under the Revolver to $20,000,000 over the life of the Credit Facility, which expires in September 2008.

On November 2, 2007, we entered into an Amendment to Credit Agreement with LaSalle Bank (the "November Credit Amendment"). Among other things, the November Credit Amendment increased the revolving commitment amount from $10,000,000 to $15,000,000 under the Credit Facility and amended certain covenants of the parties set forth in the Credit Facility. The description of the November Credit Amendment herein is only a summary and is qualified in its entirety by the full text of such November Credit Amendment, which is filed as an exhibit hereto and is incorporated by reference herein.

During November 2007, Serum will increase their equity position in Akorn. We shall sell 1,000,000 shares of our common stock to Serum at the then current market price in a private placement pursuant to a separate Securities Purchase Agreement.

Facility Expansion

We are in the process of completing an expansion of our Decatur, Illinois manufacturing facility to add capacity to provide lyophilization manufacturing services. As of September 30, 2007, we had spent approximately $22,595,000 on the lyophilization expansion and anticipate the need to spend less than $100,000 of additional funds to complete the expansion. The additional spending will be focused on lyophilization validation as the major capital equipment items are currently in place. In December 2006, we placed the sterile solutions portion of this operation in service which augments our existing production capacities. The remaining $5,357,000 of construction in progress, which is specific to lyophilization (freeze-dry) operations, is awaiting final review and a Pre-Approval Inspection ("PAI") by the U.S. Food and Drug Administration ("FDA") for us to place this equipment into commercial production (see Item 1. Financial Statements, Note L - Commitments and Contingencies).

We are working toward the development of an internal Abbreviated New Drug Application ("ANDA") lyophilized product pipeline and expect manufacturing capabilities for lyophilized products to be in place contingent upon a successful PAI being conducted by the FDA. However, there is no guarantee that we will be successful in completing development of lyophilization capability, or that other intervening events will not occur that reduce or eliminate the anticipated benefits from such capability. For instance, the market for lyophilized products could significantly diminish or be eliminated, or new technological advances could render the lyophilization process obsolete, prior to our entry into the market. There can be no assurance that we will realize the anticipated benefits from our significant investment into lyophilization capability at our Decatur manufacturing facility, and our failure to do so could significantly limit our ability to grow our business in the future.

Our ability to successfully remediate the issues raised in the Warning Letter and address subsequent observations by the FDA will impact the timing of the PAI and the start date for commissioning the lyophilization facility. We expect that the FDA inspection which commenced July 23, 2007 will address the PAI of the lyophilization facility. The commissioning of the lyophilization facility is contingent upon a successful PAI.

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, 2006. 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, 2006. There have been no significant changes in the application of the critical accounting policies since December 31, 2006.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 1, 2007, we adopted Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a two-step process for the financial statement measurement and recognition of a tax position taken or expected to be taken in a tax return. The first step involves the determination of whether it is more likely than not (greater than 50 percent likelihood) that a tax position will be sustained upon examination, based on the technical merits of the position. The second

step requires that any tax position that meets the more-likely-than-not recognition threshold be measured and recognized in the financial statements at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN 48 also provides guidance on the accounting for related interest and penalties, accounting in interim periods, financial statement classification and disclosure.

We have determined we do not have material uncertain tax positions or unrecognized tax benefits and there is no material impact on our financial position, results of operations or cash flows. The adoption of FIN 48 had no impact on our opening balance of retained earnings. We classify interest on tax settlements as a component of interest expense and penalties on tax settlements as a component of administrative expense in our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another U.S. GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard will also require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 157 is not expected to have a material impact on our results of operations or financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" (SFAS 159"), which permits entities to choose to measure many financial instruments and certain other items at fair value, which are currently not required to be measured at fair value. Under SFAS 159, an entity may, at specified election dates, choose to measure items at fair value on an instrument-by-instrument basis. Entities would be required to report a cumulative adjustment to retained earnings for unrealized gains and losses at the adoption date, and to recognize changes in fair value in earnings for any items for which the fair value option has been elected. SFAS 159 will be effective for financial statements issued for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 is not expected to have a material impact on our results of operations or financial position.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are no longer affected by changes in market interest rates as our variable interest rate debt has been paid off (See Item 1. Financial Statements, Note H — Financing Arrangements). At September 30, 2007, our only outstanding debt is the mortgage on our Decatur property which is set at a fixed rate of 7.375%.

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, 2007, 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, 2007, 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, we at this time do not believe that such proceedings will have a material adverse impact on the financial condition, results of operations, or cash flows of us.

ITEM 1A. RISK FACTORS

The following is an additional risk factor to those risk factors disclosed in part 1, Item 1A, of our Form 10-K filed March 16, 2007:

On March 29, 2007, we received an FDA Warning Letter (the "Warning Letter") following a routine inspection of our Decatur, Illinois manufacturing facility. The Warning Letter cited deviations from cGMP Regulations. Failure to promptly correct the violations cited in the Warning Letter may result in legal action without further notice, including, without limitation, seizure and injunction. The FDA may withhold approval of pending new drug applications listing the Decatur manufacturing facility as a manufacturer until the violations are corrected. The FDA may also withhold approval of our lyophilization facility. As a result of the Warning Letter we may be forced to find alternative manufacturing facilities for certain of our products on terms that may not be favorable to us.

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 presently outstanding shares of our Series A 6.0% Participating Convertible Preferred Stock ("Series A Preferred Stock"), shares of Series B 6.0% Participating Convertible Preferred Stock ("Series B Preferred Stock"), warrants and convertible notes, including shares estimated to be issuable 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 and interest accrued and unpaid through December 20, 2006 on such securities.

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, 2007, we are aware of the sale of 10,401,212 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.

For the quarter ended September 30, 2007, we issued the following equity securities: (i) On August 6, 2007, a warrantholder exercised warrants to purchase 20,000 shares of our common stock at an exercise price of $0.75 per share in exchange for cash of $15,000. The issuance of the common stock upon exercise of the warrants described herein was exempt from registration requirements under the Securities Act pursuant to Section 4(2) thereof, because none of the transactions thereof involved a public offering.

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 By-laws 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 By-laws of Akorn, Inc. incorporated by reference to Exhibit 3.1 to the Akorn, Inc.'s report on Form 8-K filed on March 31, 2006.
(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.
(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.
(4.1)	First Amendment dated October 7, 2003 to Registration Rights Agreement dated July 12, 2001 between Akorn, Inc. and The John N. Kapoor Trust dated 9/20/89, incorporated by reference to Exhibit 4.1 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.2)	Form of Warrant Certificate, incorporated by reference to Exhibit 4.2 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.3)	Form of Warrant Agreement dated October 7, 2003 between Akorn, Inc. and certain investors, incorporated by reference to Exhibit 4.3 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.4)	Warrant Agreement dated October 7, 2003 between Akorn, Inc. and The John N. Kapoor Trust dated 9/20/89 issued with respect to New Credit Facility guaranty, incorporated by reference to Exhibit 4.4 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.5)	Warrant Agreement dated October 7, 2003 between Akorn, Inc. and Arjun C. Waney issued with respect to New Credit Facility guaranty, incorporated by reference to Exhibit 4.5 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.6)	Warrant Agreement dated October 7, 2003 between Akorn, Inc. and The John N. Kapoor Trust dated 9/20/89 issued with respect to the Notes, incorporated by reference to Exhibit 4.6 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.7)	Warrant Agreement dated October 7, 2003 between Akorn, Inc. and Arjun C. Waney issued with respect to the Notes, incorporated by reference to Exhibit 4.7 to the Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.8)	Warrant Agreement dated October 7, 2003 between Akorn, Inc. and Argent Fund Management Ltd. issued with respect to the Notes, incorporated by reference to Exhibit 4.8 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.9)	Registration Rights Agreement dated October 7, 2003 among Akorn, Inc. and certain investors, incorporated by reference to Exhibit 4.9 to Akorn, Inc.'s report on Form 8-K filed on October 24, 2003.
(4.10)	Form of Subscription Agreement between Akorn, Inc. and certain investors, incorporated by reference to Exhibit 4.1 to Akorn, Inc.'s report on Form 8-K filed on August 24, 2004.

Exhibit No.	Description
(4.11)	Form of Common Stock Purchase Warrant between Akorn, Inc. and certain investors, incorporated by reference to Exhibit 4.2 to Akorn, Inc.'s report on Form 8-K filed on August 24, 2004.
(4.12)	Warrant Purchase and Registration Agreement dated June 18, 2003 between Akorn Inc. and AEG Partners LLC, incorporated by reference to Exhibit 4.1 to Akorn, Inc.'s report on Form 8-K filed on August 27, 2004.
(4.13)	Stock Registration Rights Agreement dated November 15, 1990 between Akorn, Inc. and The John N. Kapoor Trust dated 9/20/89, incorporated by reference to Exhibit 4.12 to Akorn, Inc.'s Registration Statement on Form S-1 filed on September 21, 2004.
(4.14)	Stock Purchase Agreement dated November 15, 1990 between Akorn, Inc. and The John N. Kapoor Trust dated 9/20/89, incorporated by reference to Exhibit 4.13 to Akorn, Inc.'s Registration Statement on Form S-1 filed on September 21, 2004.
(4.15)	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 March 7, 2006.
(4.16)	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. (All warrants are dated March 8, 2006. Please see Exhibit 99.1 of Akorn, Inc.'s report on Form 8-K filed March 14, 2006, which is hereby incorporated by reference, for a schedule setting forth the other material details for each of the warrants.)
(4.17)	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 September 14, 2006.
(10.1)	Amendment to Credit Agreement dated August 8, 2007 between Akorn, Inc., LaSalle Bank, the financial institutions party thereto and Akorn (New Jersey), Inc., incorporated by reference to Exhibit 10.2 to Akorn Inc.'s report on Form 10-Q filed August 8, 2007.
(10.2)*	First Amendment to Sales and Marketing Agreement dated September 28, 2007, by and among Akorn-Strides, LLC, and Akorn, Inc.
(10.3)*	Sixth Amendment to OEM Agreement dated September 28, 2007 between Akorn-Strides, LLC and Strides Arcolab Limited.
(10.4)	Industrial Building Lease dated October 23, 2007 by and between CV II Gurnee LLC and Akorn, Inc., incorporated by reference to Exhibit 10.1 to Akorn Inc.'s report on Form 8-K filed October 29, 2007.
(10.5)#	Exclusive Memorandum of Understanding dated October 24, 2007 by and between Akorn, Inc. and Serum Institute of India Ltd., incorporated by reference to Exhibit 10.1 to Akorn Inc.'s report on Form 8-K filed October 30, 2007.
(10.6)*	Amendment to Credit Agreement dated November 2, 2007, by and among LaSalle Bank National Association, Akorn, Inc. and Akorn (New Jersey), Inc.
(10.7)*	Note (Replacement Note) dated October 7, 2003, by Akorn, Inc. and Akorn (New Jersey), Inc. for the benefit of LaSalle Bank National Association, issued in connection with the Amendment to Credit Agreement dated November 2, 2007.
(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. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002
(32.2)*	Certification of Chief Financial Officer pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 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 8, 2007

Exhibit 10.2

FIRST AMENDMENT TO
SALES AND MARKETING AGREEMENT

This First Amendment to Sales and Marketing Agreement (this "Amendment") is effective as of September 28, 2007 ("Effective Date") by and among Akorn-Strides, LLC, a Delaware limited liability company having its principal place of business at 2500 Millbrook Drive, Buffalo Grove, Illinois 60089-4694 ("A-S"), and Akorn, Inc., a Louisiana corporation having its principal place of business at 2500 Millbrook Drive, Buffalo Grove, Illinois 60089-4694 ("Akorn"), (each a "Party" and collectively, the "Parties").

RECITALS

A. The parties have entered into that certain Sales and Marketing Agreement dated September 22, 2004 (the "Agreement"); and

B. The Parties desire to amend the Agreement pursuant to the terms and conditions of this Amendment.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and conditions set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Definitions**. Unless otherwise defined in this Amendment, all capitalized terms herein shall have the meanings ascribed to them in the Agreement.

2. **Commission Schedule**. Section 1.4 of the Agreement is deleted in its entirety and replaced with the following:

"1.4 Reserved"

3. **Compensation.** Section 5.1 of the Agreement is deleted in its entirety and replaced with the following:

"5.1 Compensation. As compensation for Services rendered under this Agreement, A-S shall pay to Akorn a commission on the Net Sales of Products originating from the Territory ("Commission"). The calculation and amount of such Commission shall be seven and one-half percent (7.5%) of Net Sales."

4. **Exhibit A – Commission Schedule**. Exhibit A of the Agreement is deleted in its entirety.

5. **Counterparts.** This Amendment may be executed in several counterparts that together shall be originals and constitute one and the same instrument. Each of the parties warrants to each of the other parties that the individual executing this Amendment on behalf of such party has the requisite authority to execute this Amendment and to bind such party to all the provisions of this Amendment.

6. **Continuing Validity**. Except as expressly modified by this Amendment, the terms and conditions of the Agreement will remain unchanged and in full force and effect, and are expressly incorporated by reference in this Amendment. In the event of a conflict between the terms of this Amendment and the Agreement, the terms of this Amendment will prevail.

IN WITNESS WHEREOF, the Parties have executed this Amendment as of the Effective Date.

AKORN-STRIDES, LLC

By: /s/ Arun Kumar
Name: Arun Kumar
Title: Manager

AKORN, INC.

By: /s/ Arthur S. Przybyl
Name: Arthur S. Przybyl
Title: President and Chief Executive Officer

Exhibit 10.3

SIXTH AMENDMENT TO
OEM AGREEMENT

This Sixth Amendment to OEM Agreement ("Amendment") is made and entered into as of September 28, 2007 ("Amendment Date"), by and between Akorn-Strides, LLC, a Delaware limited liability company, having a principal place of business at 2500 Millbrook Drive, Buffalo Grove, Illinois 60089-4694, United States of America ("A-S"), and Strides Arcolab Limited, a company organized under the laws of India having a principal place of business at Strides House, Bilekahalli, Bannerghatta Road, Bangalore 560 076, India ("Strides"), (each a "Party" and collectively the "Parties").

RECITALS

A. A-S and Strides are parties to that certain OEM Agreement dated September 22, 2004, as amended ("Agreement"); and

B. The Parties desire to further amend the Agreement pursuant to the terms and conditions of this Amendment.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Definitions. All capitalized terms used herein shall have the same meanings set forth in the Agreement, unless otherwise defined in this Amendment.

2. Pricing. Section 4.3 of the Agreement is deleted in its entirety and replaced with the following:

"Pricing. A-S's purchase price for a Product shall be calculated in advance prior to A-S placing the first Purchase Orders therefore, pursuant to this Section 4.3 ("Net Price"). The Net Price for a Product, in each case, shall be calculated by the Parties as that dollar amount that is equal to the Product's Cost of Production plus twenty percent (20%). The Parties will mutually agree to the dollar amount of the Net Price for each Product according to this Section 4.3 and such Net Price will remain effective until and unless revised as necessary to continue to meet the above Net Price calculation test. NOTWITHSTANDING ANYTHING ELSE TO THE CONTRARY, A-S IS FREE TO ESTABLISH ITS OWN PRICING FOR SALE OF THE PRODUCTS IN THE TERRITORY."

3. Counterparts. This Amendment may be executed in several counterparts that together shall be originals and constitute one and the same instrument.

4. Effect. Except as modified above, the Agreement shall remain in full force and effect in accordance with its specific terms.

[The Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto, through their duly authorized officers, have executed this Amendment as of the Amendment Date.

Akorn-Strides, LLC

By: /s/ Arthur S. Przybyl
Name: Arthur S. Przybyl
Its: Member Manager

Strides Arcolab Limited

By: /s/ Arun Kumar
Name: Arun Kumar
Its: Executive Vice Chairman & MD

Exhibit 10.6

Execution Copy

AMENDMENT TO CREDIT AGREEMENT

THIS AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is executed and delivered as of this 2nd day of November 2007 among LASALLE BANK NATIONAL ASSOCIATION, as administrative agent (the "Administrative Agent"), the financial institutions party hereto (the "Lenders"), AKORN, INC., a Louisiana corporation ("Akorn") and AKORN (NEW JERSEY), INC., an Illinois corporation ("Akorn New Jersey").

W I T N E S S E T H:

A. The Administrative Agent, Akorn, Akorn New Jersey and the Lenders entered into a Credit Agreement dated as of October 7, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used but not defined herein shall have the meanings attributed to them in the Credit Agreement.

B. The Companies have requested that the Administrative Agent and the Required Lenders consent to certain terms of the Credit Agreement, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto hereby agree as follows:

1. **Amendment**. Upon the Effective Date (as defined below), the Credit Agreement shall be amended as follows:

(a) Definitions. The following definitions shall be inserted alphabetically into Section 1.1:

Consolidated Total Liabilities means at any date all liabilities of the Companies and their Subsidiaries recorded on the consolidated balance sheet of the Companies and their Subsidiaries in accordance with GAAP.

Consolidated Total Liabilities Ratio means, with respect to any Computation Date, the ratio of (a) Consolidated Total Liabilities to (b) Consolidated Tangible Net Worth, in each case as of such Computation Date.

Cash to Principal and Interest Ratio means, with respect to any Computation Date, the ratio of (a) the aggregate amount of Cash Equivalent Investments of the Companies and their Subsidiaries as of such Computation Date to (b) the amount of all payments of principal of Funded Debt and Interest Expense required to be made by the Companies and their Subsidiaries in the following Computation Period, including without limitation, in connection with the Decatur Mortgage and all Debt under this Credit Agreement and otherwise owing to LaSalle.

(b) Applicable Margin. The definition of "Applicable Margin" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Applicable Margin means, for any day, the rate per annum set forth below opposite the level (the "Level") then in effect and corresponding to the applicable Senior Debt to EBITDA Ratio, it being understood that the Applicable Margin for (a) Revolving Loans that bear interest at the Base Rate shall be the percentage set forth under the columns "Applicable Margins — Base Rate Loans", (b) Revolving Loans that bear interest at the LIBOR Rate shall be the percentage set forth under the column "Applicable Margins — LIBOR Loans", (c) the Non-Use Fee Rate shall be the percentage set forth under the column "Non-Use Fee Rate" and(d) the L/C Fee Rate shall be the percentage set forth under the column "L/C Fee Rate":

Level	Consolidated Total Liabilities Ratio	Senior Debt to EBITDA Ratio	Applicable Margins} Base Rate Loans	Applicable Margins} LIBOR Loans	Non-Use Fee Rate	L/C Fee Rate
I		□1.75	1.25%	3.25%	0.50%	1.50%
II	<0.75 □ 0.50	<1.75 □ 1.50	1.00%	3.00%	0.50%	1.50%
III	<0.50 □ 0.25	<1.50 □ 1.25	0.75%	2.75%	0.375%	1.50%
IV	<0.25	<1.25	0.50%	2.50%	0.375%	1.50%

If at any time the Companies are not required to comply with Section 11.14.1, Applicable Margin means for any day, the rate per annum set forth opposite the Level then in effect as determined by the Consolidated Total Liabilities Ratio.

The Applicable Margins shall be adjusted based on the Level corresponding to the Senior Debt to EBITDA Ratio reported for each Fiscal Quarter (or in the case of the Fiscal Quarters ending September 30, 2007, December 31, 2007 and March 31, 2007, the level corresponding to the Consolidated Total Liabilities Ratio for each such Fiscal Quarter), to the extent applicable, on the fifth (5th) Business Day after the Companies provide or are required to provide a Compliance Certificate pursuant to Section 10.1.3. Notwithstanding anything contained in this paragraph to the contrary, (a) if the Companies fail to deliver such Compliance Certificate in accordance with the provisions of Section 10.1.3, the Applicable Margins shall be based upon Level I above beginning on the date such Compliance Certificate was required to be delivered until the fifth (5th) Business Day after such Compliance Certificate is actually

delivered, whereupon the Applicable Margins shall be determined by the then current Level; (b) no reduction to any Applicable Margin shall become effective at any time when an Event of Default or Unmatured Event of Default has occurred and is continuing; and (c) the initial Applicable Margins on the Fourth Amendment Date shall be based on Level IV until the date on which the Compliance Certificate is required to be delivered for the Fiscal Quarter ending September 30, 2005, and on such date the Applicable Margins shall be adjusted, if necessary, as set forth above.

(c) Borrowing Base. The definition of "Borrowing Base" set forth in Section 1.1 of the Credit Agreement is hereby amended and restated in its entirety to read as follows:

Borrowing Base means an amount equal to the total of (a) 80% of the unpaid amount (net of (i) such reserves and allowances as the Administrative Agent deems necessary in its reasonable discretion and (ii) liabilities and reserves for chargebacks, returns, rebates and discounts) of all Eligible Accounts plus (b) either (x) for the period from and after November 2, 2007 through and including June 29, 2008, the lesser of (i) 65% of the value of all Eligible Inventory valued at the lower of cost or market or (ii) 75% of the Revolving Commitment Amount or (y) at any time from and after June 30, 2008, the lesser of (i) 65% of the value of all Eligible Inventory valued at the lower of cost or market or (ii) 50% of the Revolving Commitment Amount plus (d) the Adjusted Forced Liquidation Value (net of such reserves and allowances as the Administrative Agent deems necessary in its reasonable discretion).

(d) Revolving Commitment Amount. Following the satisfaction of the conditions set forth in Section 4 below, the definition of "Revolving Commitment Amount" shall be amended by deleting "$10,000,000" where it appears therein and replacing it with "$15,000,000".

(e) Cash Equivalent Investments. The following is inserted into the Credit Agreement as a new Section 10.13:

"10.13 From and after November 2, 2007 and until delivery of a Compliance Certificate for the Fiscal Quarter ending June 30, 2008 showing compliance with each of the covenants required to be complied with at such time, maintain at all times a minimum balance of $1,250,000 in Cash Equivalent Investments on deposit in an account with the Administrative Agent subject to a pledge agreement satisfactory in form and substance to the Administrative Agent."

(f) Senior Debt to EBITDA Ratio. Section 11.14.1 of the Credit Agreement is hereby amended by adding the following proviso following the chart found therein:

"; provided that for the Computation Periods ending September 30, 2007, December 31, 2007 and March 31, 2008, the Companies shall not be required to be in compliance with this Section 11.14.1."

(g) EBITDA to Interest Expense Ratio. Section 11.14.2 of the Credit Agreement is hereby amended by adding the following proviso immediately following the word "thereafter":

"; provided that for the Computation Periods ending September 30, 2007, December 31, 2007 and March 31, 2008, the Companies shall not be required to be in compliance with this Section 11.14.2."

(h) Consolidated Tangible Net Worth. Section 11.14.3 of the Credit Agreement is hereby amended by deleting "$30,000,000" where it appears therein and replacing it with "$40,000,000".

(i) Consolidated Total Liabilities Ratio. The following is inserted into the Credit Agreement as a new Section 11.14.4:

11.14.4 Consolidated Total Liabilities Ratio. For the Computation Periods ending September 30, 2007, December 31, 2007 and March 31, 2008, not permit the Consolidated Total Liabilities Ratio to exceed 0.75:1.00.

(j) Cash to Principal and Interest Ratio. The following is inserted into the Credit Agreement as a new Section 11.14.5:

11.14.5 Cash to Principal and Interest Ratio. For the Computation Periods ending September 30, 2007, December 31, 2007 and March 31, 2008, not permit the Consolidated Total Liabilities Ratio to be less than 1.50:1.00.

2. **Commitment Increase**. Pursuant to Section 6.5 of the Credit Agreement, the Companies have requested an increase in the Revolving Commitment Amount so that following the effectiveness of the requested increase, the Revolving Commitment Amount shall be $15,000,000. The signatures of the Lenders on the commitment increase supplement, a form of which is attached hereto as Exhibit A (the "Commitment Increase Supplement"), shall evidence the acceptance by such Lenders of the amount of the increase in the Revolving Commitment Amount to which such Lenders agree.

3. **Representations and Warranties**. To induce the Administrative Agent and the Lenders to execute this Amendment, each Company jointly and severally represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Each Company is in good standing under the laws of its jurisdiction of formation and in each jurisdiction where, because of the nature of its activities or properties, such qualification is required, except for such jurisdictions where the failure to so qualify would not have a Material Adverse Effect.

(b) Each Company is duly authorized to execute and deliver this Amendment and is duly authorized to perform its obligations hereunder.

(c) The execution, delivery and performance by the Companies of this Amendment do not and will not (i) require any consent or approval of any governmental agency or authority (other than any consent or approval which has been obtained and is in full force and effect), (ii) conflict with (A) any provision of law, (B) the charter, by-laws or other organizational documents of any Company or (C) any agreement, indenture, instrument or other document, or any judgment, order or decree, which is binding upon any Company or any of its properties or (iii) require, or result in, the creation or imposition of any Lien on any asset of any Company.

(d) This Amendment is the legal, valid and binding obligation of each Company, enforceable against such Company in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting enforceability of creditors' rights generally and to general principals of equity.

(e) The representations and warranties in the Loan Documents (including but not limited to Section 9 of the Credit Agreement) are true and correct in all material respects with the same effect as though made on and as of the date of this Amendment (except to the extent stated to relate to a specific earlier date, in which case such representations and warranties were true and correct as of such earlier date).

(f) Except as specifically waived in this Amendment, no Event of Default or Unmatured Event of Default has occurred and is continuing.

4. **Conditions to Effectiveness**. (i)The effectiveness of this Amendment and the Commitment Increase Supplement is expressly conditioned upon the following:

(a) Amendment. This Amendment shall have been executed by each Company, the Administrative Agent and the Required Lenders. The date on which such event has occurred is the "Effective Date".

(b) Charter and Good Standing. Each Loan Party shall provide (i) copies of its certificate of incorporation or formation or other constitutive document, together with all amendments thereto, (ii) good standing certificates in its state of incorporation, and (iii) good standing certificates and certificates of qualification to do business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification (but excluding, with respect to Akorn New Jersey, its certificate of qualification to do business in the State of New Jersey), each dated a recent

date prior to the date hereof and certified by the applicable Secretary of State or other authorized governmental authority.

(c) Bylaws and Resolutions. Each Loan Party shall provide (a) its bylaws, operating agreement or similar governing document together with all amendments thereto and (b) resolutions or unanimous written consent of each Loan Party's board of directors, managers or other similar governing body approving and authorizing the execution, delivery and performance of this Amendment, the Commitment Increase Supplement, the pledge agreement required by Section 5 and the transactions to be consummated in connection herewith and therewith, each certified as of the date hereof by such Loan Party's corporate secretary or an assistant secretary as being in full force and effect without any modification or amendment.

(d) Incumbency Certificates. Each Loan Party shall provide signature and incumbency certificates of the officers of each such Person executing this Amendment and the Commitment Increase Supplement, certified as of the date hereof by such Person's corporate secretary or an assistant secretary as being true, accurate, correct and complete.

(e) Increased Commitment Fee. The Companies shall pay (a) to the Administrative Agent, for the ratable benefit of the Lenders, a closing fee in the amount of $10,000, which fee shall be fully earned and non-refundable when paid.

(ii) Additionally, the effectiveness of the Commitment Increase Supplement is expressly conditioned upon the following:

(a) Commitment Increase Supplement. The Commitment Increase Supplement shall have been executed by each Company, the Administrative Agent and the applicable Lenders.

(b) Note. The Companies shall have executed and delivered a Note evidencing the increase in the Revolving Commitment Amount.

(c) Officer's Certificate. The Companies shall have executed and delivered an Officer's Certificate dated as of the Increase Effective Date (as defined in the Commitment Increase Supplement) (i) certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in Section 9 of the Credit Agreement and in the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) no Unmatured Event of Default or Event of Default exists or shall result from such increase to the Revolving Commitment Amount.

5. **Additional Agreement**. The Companies shall execute and deliver to the Administrative Agent, within 15 days of the date hereof, the pledge agreement referred to in

Section 10.13 of the Credit Agreement and shall comply with the reasonable requests of the Administrative Agent relating to such pledge agreement.

6. **Affirmation**. Except as specifically provided in this Amendment, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver or forbearance of any Unmatured Event of Default or Event of Default or any right, power or remedy of the Administrative Agent or any Lender under the Credit Agreement or any of the other Loan Documents, or constitute a consent, waiver or modification with respect to any provision of the Credit Agreement or any of the other Loan Documents, and the Company hereby fully ratifies and affirms each Loan Document to which it is a party. Reference in any of this Amendment, the Credit Agreement or any other Loan Document to the Credit Agreement shall be a reference to the Credit Agreement as modified hereby and as further amended, modified, restated, supplemented or extended from time to time. This Amendment shall constitute a Loan Document for purposes of the Credit Agreement and the other Loan Documents.

7. **Counterparts**. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute one instrument. Delivery of an executed counterpart of this Amendment by facsimile shall be effective as delivery of an original counterpart.

8. **Headings.** The headings and captions of this Amendment are for the purposes of reference only and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

9. **Further Assurances.** Each Company agrees to execute and deliver, or cause to be executed and delivered, in form and substance satisfactory to the Administrative Agent and the Lenders, such further documents, instruments, amendments and financing statements and to take such further action, as may be necessary from time to time to perfect and maintain the liens and security interests created by the Loan Documents.

10. **APPLICABLE LAW.** THIS AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT GIVING EFFECT TO ILLINOIS CHOICE OF LAW DOCTRINE.

11. **Acknowledgment**. Each Company hereby waives, discharges and forever releases the Administrative Agent and each of the Lenders, and each of said Person's employees, officers, directors, attorneys, stockholders and successors and assigns, from and of any and all claims, causes of action, allegations or assertions that either Company has or may have had at any time through (and including) the date of this Amendment, against any or all of the foregoing, regardless of whether any such claims, causes of action, allegations or assertions are known to either Company or whether any such claims, causes of action, allegations or assertions arose as a result of the Administrative Agent's or any Lender's actions or omissions in connection with the Credit Agreement, including any amendments or modifications thereto, or otherwise.

[signature pages follow]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered as of the day and year first above written.

AKORN, INC.

By: /s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

AKORN (NEW JERSEY), INC.

By: /s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

LASALLE BANK NATIONAL ASSOCIATION,
as Administrative Agent and Lender

By: /s/ Patrick J. O'Toole
Title: First Vice President

EXHIBIT A

FORM OF COMMITMENT INCREASE SUPPLEMENT

THIS COMMITMENT INCREASE SUPPLEMENT is made as of the 2nd day of November, 2007, by and among LASALLE BANK NATIONAL ASSOCIATION, as administrative agent (the "Administrative Agent"), the financial institution party hereto as an increasing lender (the "Increasing Lender"), AKORN, INC., a Louisiana corporation ("Akorn") and AKORN (NEW JERSEY), INC., an Illinois corporation ("Akorn New Jersey").

RECITALS

A. The Administrative Agent, Akorn, Akorn New Jersey and the Lenders entered into a Credit Agreement dated as of October 7, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used but not defined herein shall have the meanings attributed to them in the Credit Agreement.

B. Pursuant to Section 6.5 of the Credit Agreement, the Companies have the right to request an increase in the Revolving Commitment Amount by an amount (for all such requests) not exceeding $10,000,000.

C. The Companies have requested that the Revolving Commitment Amount be increased by $5,000,000 from $10,000,000 to $15,000,000 (the "Increase"), and the Increasing Lender has agreed to such increase upon the terms and conditions specified herein.

AGREEMENT

12. The Companies, the Administrative Agent, and the party signatory hereto as the Increasing Lender hereby agree that from and after the date hereof, the Increasing Lender shall have the respective Commitment as set forth on the attached Supplement to Annex A. Such increase in the Commitment of the Increasing Lender shall represent an increase in the Aggregate Revolving Commitment pursuant to Section 6.5 of the Credit Agreement.

13. This Commitment Increase Supplement shall be effective on the date (the "Increase Effective Date") that (i) the Companies and the Increasing Lender execute a counterpart hereof and deliver the same to the Administrative Agent, (ii) the Administrative Agent executes a counterpart hereof, (iii) each of the conditions set forth in that certain Amendment to Credit Agreement, dated as of November 2, 2007, by and among the Companies, the Administrative and the Lenders shall have been fulfilled.

14. The Companies (i) represent and warrant that before and after giving effect to the Increase, (A) the representations and warranties contained in Section 9 of the Credit Agreement and in the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (B) no Unmatured Event of Default or Event of Default exists or shall result from such Increase, (ii) ratify and confirm each of the Loan Documents to which it is a party, (iii) agree that all Loan Documents shall apply to the Obligations as they are increased by this Commitment Increase Supplement, and (iv) agree

that their obligations and covenants under each Loan Document are otherwise unimpaired hereby and shall remain in full force and effect.

15. This Commitment Increase Supplement may not be amended, changed, waived or modified, except by a writing executed by the parties hereto.

16. This Commitment Increase Supplement together with the Credit Agreement embody the entire agreement among the Increasing Lender, the Companies and the Administrative Agent with respect to the subject matter hereof and supersedes all other prior arrangements and understandings relating to the subject matter hereof.

17. This Commitment Increase Supplement may be executed in any number of counterparts, each of which shall be deemed to be an original. Each such counterpart shall become effective when counterparts have been executed by all parties hereto. Delivery of an executed counterpart of this Commitment Increase Supplement by telecopier shall be effective as delivery of a manually executed counterpart of this Commitment Increase Supplement.

18. This Commitment Increase Supplement shall be binding upon and inure to the benefit of each Lender, the Administrative Agent, and the Companies and their respective successors and permitted assigns, except that no party may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other parties.

19. THIS COMMITMENT INCREASE SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT GIVING EFFECT TO ILLINOIS CHOICE OF LAW DOCTRINE.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Administrative Agent, the Companies, and the Increasing Lender have executed this Commitment Increase Supplement as of the date shown above.

AKORN, INC.

By: /s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

AKORN (NEW JERSEY), INC.

By: /s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

LASALLE BANK NATIONAL ASSOCIATION,
as Administrative Agent and Lender

By: /s/ Patrick J. O'Toole
Title: First Vice President

SUPPLEMENT TO ANNEX A

LENDERS AND PRO RATA SHARES

Lender	Revolving Commitment Amount	Pro Rata Share
LaSalle Bank National Association	$15,000,000	100%
TOTALS	$15,000,000	100%

Exhibit 10.7

NOTE

Replacement Note
October 7, 2003
Chicago, Illinois
$15,000,000

The undersigned, for value received, promise, joint and severally, to pay to the order of LaSalle Bank National Association (the "Lender") at the principal office of LaSalle Bank National Association (the "Administrative Agent") in Chicago, Illinois the aggregate unpaid amount of all Loans made to the undersigned by the Lender pursuant to the Credit Agreement referred to below (as shown on the schedule attached hereto (and any continuation thereof) or in the records of the Lender), such principal amount to be payable on the dates set forth in the Credit Agreement.

The undersigned further promise, joint and severally, to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such Loan is paid in full, payable at the rate(s) and at the time(s) set forth in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States of America.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, the Credit Agreement, dated as of October 7, 2003 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms not otherwise defined herein are used herein as defined in the Credit Agreement), among the undersigned, certain financial institutions (including the Lender) and the Administrative Agent, to which Credit Agreement reference is hereby made for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note supersedes and replaces the Note (the "Prior Note") previously issued by undersigned under the Credit Agreement and evidences a continuation of and not a repayment and reborrowing, termination or novation of, the indebtedness heretofore outstanding under the Prior Note.

This Note is made under and governed by the laws of the State of Illinois applicable to contracts made and to be performed entirely within such State.

AKORN, INC., a Louisiana corporation

By: /s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

AKORN (NEW JERSEY), INC., an Illinois corporation

By: s/ Jeffrey A. Whitnell
Title: Chief Financial Officer, Treasurer and Secretary

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 8, 2007

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 8, 2007

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, 2007, 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 8, 2007

/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, 2007, 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 8, 2007

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