

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

FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 1995

() 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.)

100 Akorn Drive
Abita Springs, Louisiana
(Address of Principal Executive Offices)

70420
(Zip Code)

(504) 893-9300
(Inssuer's telephone number)

Indicate by check mark whether the issuer (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

At February 9, 1996 there were 14,964,982 shares of common stock, no par value, outstanding.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

The following financial statements are provided on the page numbers indicated below:

Condensed Consolidated Balance Sheets - December 31, 1995 and June 30, 1995	2
Condensed Consolidated Statements of Income - Three months and six months ended December 31, 1995 and 1994	4
Condensed Consolidated Statements of Cash Flows - Six months ended December 31, 1995 and 1994	5
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Item 2. Management's Discussion and Analysis
of Financial Condition and Results of
Operations

The information called for by this item is provided on page 8.

AKORN, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	December 31, 1995	June 30, 1995*
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 456,053	\$ 767,286
Short-term investments	1,495,971	1,568,793
Accounts receivable (less allowance for bad debts of \$269,811 and \$266,329 at December 31 and June 30, respectively)	4,462,914	4,918,753
Inventory	6,921,028	5,979,707
Prepaid expenses and other assets	1,523,002	1,068,338
TOTAL CURRENT ASSETS	14,858,968	14,302,877
OTHER ASSETS	1,099,841	957,099
PROPERTY, PLANT AND EQUIPMENT	18,011,438	13,820,135
Accumulated depreciation	(7,081,287)	(6,750,743)

	10,930,151	7,069,392
Construction in progress	259,150	3,926,553
	<u>11,189,301</u>	<u>10,995,945</u>
TOTAL ASSETS	\$ 27,148,110	\$ 26,255,921

	December 31, 1995	June 30, 1995*
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 262,400	\$ -
Current installments of long-term debt and capital lease obligations	826,831	641,994
Current portion of pre-funded development costs	500,000	667,000
Trade accounts payable	1,496,880	1,718,893
Income taxes payable	1,094,657	781,824
Accrued payroll and commissions	588,743	625,839
Accrued reorganization costs	654,532	727,423
Accrued expenses and other liabilities	1,400,254	1,237,232
TOTAL CURRENT LIABILITIES	<u>6,824,297</u>	<u>6,400,205</u>
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	3,516,729	3,900,389
OTHER LONG-TERM LIABILITIES	874,481	957,043
SHAREHOLDERS' EQUITY		
Common stock, no par value-- authorized 20,000,000 shares; issued 15,115,673 shares at December 31 and June 30; outstanding 14,964,982 and 14,904,653 shares at December 31 and June 30, respectively	13,701,845	13,701,845
Treasury stock, at cost--150,781 and 211,020 shares at December 31 and June 30, respectively	(170,589)	(291,067)
Retained earnings	2,401,347	1,500,109
Unrealized gain on marketable equity securities	-	87,397
TOTAL SHAREHOLDERS' EQUITY	<u>15,932,603</u>	<u>14,998,284</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 27,148,110	\$ 26,255,921

*Condensed from audited consolidated financial statements.
See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED)

	Three months ended December 31,		Six months ended December 31,	
	1995	1994	1995	1994
Net sales	\$ 7,387,217	\$ 8,384,252	\$ 15,275,765	\$ 16,925,378
Cost of sales	4,576,624	4,773,140	9,577,838	9,692,933
GROSS PROFIT	2,810,593	3,611,112	5,697,927	7,232,445
Selling, general and administrative expenses	1,963,062	2,486,079	3,900,915	4,718,258
Research and development	228,289	181,000	463,589	350,364
	2,191,351	2,667,079	4,364,504	5,068,622
OPERATING INCOME	619,242	944,033	1,333,423	2,163,823
Interest expense	(98,099)	-	(184,664)	-
Interest and other income, net	177,971	23,252	281,799	51,658
	79,872	23,252	97,135	51,658
INCOME BEFORE INCOME TAXES	699,114	967,285	1,430,558	2,215,481
Income taxes	258,882	362,531	529,516	824,364
NET INCOME	\$ 440,232	\$ 604,754	\$ 901,042	\$ 1,391,117
Per Share:				
NET INCOME	\$.03	\$.04	\$.06	\$.09
WEIGHTED AVERAGE SHARES OUTSTANDING	15,302,490	15,542,895	15,281,342	15,410,163

See notes to condensed consolidated financial statements.

AKORN, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six months ended December 31,	
	1995	1994
OPERATING ACTIVITIES		
Net income	\$ 901,042	\$ 1,391,117
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	362,641	441,337
Gain on sale of investments	(79,859)	-
Changes in operating assets and liabilities	(1,138,120)	(3,513,704)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	45,704	(1,681,250)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(523,900)	(3,528,197)
Net maturities of investments	65,284	561,719
Product licensing costs	(82,572)	(232,385)
NET CASH USED IN INVESTING ACTIVITIES	(541,188)	(3,198,863)
FINANCING ACTIVITIES		
Repayment of long-term debt	(155,662)	(862,005)

Proceeds from sale of stock	120,674	96,031
Proceeds from issuance of long-term debt	-	3,500,000
Reductions in capital lease obligations	(43,161)	(10,318)
Short-term borrowings	262,400	804,200
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	184,251	3,527,908
	-----	-----
DECREASE IN CASH AND CASH EQUIVALENTS	(311,233)	(1,352,205)
	-----	-----
Cash and cash equivalents at beginning of period	767,286	1,914,735
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 456,053	\$ 562,530
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid, net of amount capitalized	\$ 184,588	\$ -
	=====	=====
Income taxes paid, net of refunds	\$ 149,956	\$ 1,092,750
	=====	=====

See notes to condensed consolidated financial statements.

AKORN, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE A - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Akorn, Inc. (the Company) and its wholly owned subsidiaries, Spectrum Scientific Pharmaceuticals, Inc., Walnut Pharmaceuticals, Inc. and Akorn Manufacturing, Inc. Intercompany transactions and balances have been eliminated in consolidation.

These financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles 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. Operating results for the six-month period ended December 31, 1995 are not necessarily indicative of the results that may be expected for the year ending June 30, 1996. For further information, refer to the consolidated financial statements and footnotes for the year ended June 30, 1995, included in the Company's Annual Report on Form 10-KSB.

NOTE B - INCOME TAXES

The Company is currently in discussions with the Internal Revenue Service (IRS) regarding the examination of tax returns for years 1988 through 1993. The IRS has proposed adjustments to such returns which would result in additional taxes and interest due of approximately \$1.5 million. Although the Company does agree with approximately \$600,000 of the proposed adjustments, the Company

does intend to appeal the remainder of the assessment. The Company does not currently anticipate any adverse financial statement effect from this proposed assessment as accruals for the financial statement effects of these proposed adjustments have been previously recorded.

NOTE C - EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of common shares outstanding. The computation of the weighted average number of shares outstanding for all periods presented includes the dilutive effect of stock options and warrants using the treasury stock method.

NOTE D - INVENTORY

The components of inventory are as follows:

	December 31, 1995	June 30, 1995
Finished goods	\$ 3,899,405	\$ 3,742,411
Work in process	1,138,518	1,042,922
Raw materials and supplies	1,883,105	1,194,374
	<u>\$ 6,921,028</u>	<u>\$ 5,979,707</u>

The inventories are reported net of reserves for unsaleable items of \$307,126 and \$344,443 as of December 31, 1995 and June 30, 1995, respectively.

NOTE E - INVESTMENTS

At June 30, 1995, the market value of the Company's marketable equity securities exceeded the cost by \$87,397; therefore, an unrealized gain was recorded as a component of shareholders' equity to reflect this increase in value. Subsequent to year end, the Company sold the investment and recorded a realized gain of \$79,859 during the first quarter of fiscal 1996. This amount is included in interest and other income, net in the accompanying statement of income for the six months ended December 31, 1995.

NOTE F - INTEREST CAPITALIZATION

Interest incurred during construction periods is capitalized as part of the cost of the expansion project. During the six-month periods ended December 31, 1995 and 1994, the Company capitalized \$34,682 and \$43,725, respectively, in interest costs. During the quarter ended December 31, 1994, interest costs totaling \$30,291 were capitalized. No interest costs were capitalized during the second quarter of fiscal 1996.

NOTE G - LITIGATION

The Company is involved in various litigation and claims arising in the normal course of business. The Company's management believes that any liability the Company may have in these matters would not have a material effect on the consolidated financial statements.

AKORN, INC.

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

RESULTS OF OPERATIONS

Net Sales

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

	Three Months Ended		Six Months Ended	
	December 31, 1995	1994	December 31, 1995	1994
Ophthalmic distribution	\$ 5,503	\$ 6,286	\$ 11,120	\$ 12,358
Contract manufacturing	1,884	2,098	4,156	4,567
Total net sales	\$ 7,387	\$ 8,384	\$ 15,276	\$ 16,925

Total net sales declined 12% in the quarter ended December 31, 1995 compared to the same period in 1994, with sales of \$7.4 million versus \$8.4 million. For the first six months of fiscal 1996, sales of \$15.3 million were 10% lower than the prior-year sales of \$16.9 million.

For the quarter ended December 31, 1995, ophthalmic distribution sales declined 12% from the comparable period in 1994. For the six-month period ended December 31, 1995, net sales for this segment declined 10% as compared to the same period in the prior fiscal year. These declines in sales are primarily the result of the absence, since the second quarter of fiscal 1995, of AK-Con-A, the Company's lead allergy product, which accounted for sales of approximately \$700,000 and \$2 million in the prior-year quarter and six-month period, respectively.

Ophthalmic distribution sales, exclusive of AK-Con-A sales, were \$5.5 million and \$10.4 million, respectively, for the quarter and six-month period ended December 31, 1994. Excluding AK-Con-A sales, ophthalmic distribution sales for the quarter ended December 31, 1995 were flat as compared to the same period in 1994 while sales for the six-month period were 7% higher than the previous year. The flat sales for the quarter were primarily due to several product backorders and the stocking in of several products in the prior-year second quarter.

As previously announced, AK-Con-A was converted to over-the-counter (OTC) from prescription status by the Food and Drug Administration (FDA). The Company recently obtained FDA approval of its OTC version of AK-Con-A which has been licensed to Pfizer Inc. (Pfizer). The Company will begin to recognize royalty income and manufacturing margins on this product beginning in the fourth quarter of fiscal 1996. Such amounts are expected to bring additional profits of approximately one to two cents per share per quarter.

The Company has recently received several Abbreviated New Drug Application approvals (ANDAs) for ophthalmic products at its Akorn Manufacturing, Inc. (AMI) facilities. These approvals are expected to add incremental revenues to the ophthalmic distribution segment commencing in the fourth quarter of fiscal 1996, as the Company plans to introduce "commodity generic" labels for these products. These commodity generic sales will be in addition to the brand name sales of the products currently being recognized.

For the quarter ended December 31, 1995, contract manufacturing sales declined 10% over the comparable period in 1994. For the six-month period ended December 31, 1995, this segment's sales were 9% lower than the same period in 1994. These declines in contract manufacturing sales reflect fluctuations in ordering patterns from

contract customers which is common to this segment. In addition, these declines are due to a recent shift by several contract customers who, based on economic evaluation, have opted to transfer the manufacture of their injectable products in-house, or to discontinue the product line entirely.

As noted in previous Company disclosures, one of these customers is Akorn's largest contract customer, which accounted for 15% and 14% of consolidated net sales for the quarter and six-month period ended December 31, 1995, respectively. This customer has transferred a portion of its contract business to its own facilities and has decided to discontinue the remaining products currently being manufactured by AMI.

The transferred and discontinued products accounted for approximately \$1.4 million and \$2.9 million in sales, respectively, for AMI in fiscal 1995. The Company is in late stage negotiations to acquire the discontinued products. Pending such negotiations, this customer is continuing to order these products to keep them in the marketplace. The acquisition of these products would help to continue the current plant throughput and will provide Akorn an entre into the injectable distribution business, which would be synergistic with the ophthalmic distribution business.

In October 1995, the Company signed an agreement with Jordan Pharmaceuticals, Inc. (Jordan) to develop and manufacture three new generic injectable pharmaceutical products. In addition, the agreement secured the long-term manufacture of three generic injectables currently produced by AMI for Jordan. The three new products are exempt from FDA approval under "grandfather" rules, and, as such, the first of the three new products should be in commercial production by the fourth quarter of fiscal 1996. The combined contractual payments in the first year of the contract, including fees for product development, are expected to approximate \$2 million. Previously, Jordan represented approximately \$900,000 of the Company's contract manufacturing business. This additional throughput will help offset declines from other contract customers noted above.

The Jordan agreement allows Akorn to use information supporting the development of the products to pursue recently announced strategies in the injectable marketplace. The agreement further provides that best efforts will be used by both parties to develop two new products each year, under the same terms and conditions.

Gross Profit

Consolidated gross profit declined 22% to \$2.8 million in the quarter ended December 31, 1995 compared to \$3.6 million for the same period of the previous year, with gross margins declining five percentage points. For the first six months of fiscal 1996, gross profit of \$5.7 million was 21% lower than the comparable fiscal 1995 amount of \$7.2 million, with gross margins also declining six percentage points.

The loss of AK-Con-A sales (Akorn's highest margin product at 75%), decreased overhead absorption in manufacturing and higher product costs imposed by suppliers were the primary reasons for the decline in gross profit and margins for the quarter and six-month period. Gross margins are expected to remain relatively stable for the remainder of fiscal 1996.

Selling, General and Administrative Expenses

Selling, general and administrative (S,G&A) expenses declined 21% during the quarter ended December 31, 1995 as compared to the same period in 1994. For the first six months of fiscal 1996, S,G&A expenses were 17% lower than the comparable period in fiscal 1995. The reduction in S,G&A expenses is partly due to lower sales and partly due to the plan, which the Company implemented in the

quarter ended March 31, 1995, to reduce certain S,G&A expenses.

The percentage of S,G&A expenses to sales declined to 27% for the quarter ended December 31, 1995 from 30% in the comparable prior-year quarter. For the first six months ended December 31, 1995, the percentage of S,G&A expenses to sales declined to 26%, from 28% in 1994.

Research and Development

Research and development expenses increased 26% and 32% for the quarter and six months ended December 31, 1995 as compared to the same periods in 1994. This increase reflects an acceleration in the Company's R&D activities and a change in the mix of products under development to a lower concentration of products for which costs have been previously accrued.

Interest and Other Income/Expense

Interest costs incurred during the entire 1995 fiscal year and through July 1995 were capitalized as part of the cost of construction related to the Company's expansion project at AMI. The expansion is now complete and the first production of product from the new clean room (which initially will primarily be for production under the Pfizer contract) has begun. Consequently, interest costs for the current periods charged to results of operations increased compared to prior year periods during which time such costs were being capitalized

Included in interest and other income, net for the quarter ended December 31, 1995 is \$150,000 in fees associated with the licensing to Chauvin Pharmaceuticals, Inc., a French-based sterile products manufacturer, of certain technologies on two currently approved ANDAs. Under the agreement, Akorn will provide product information to be used in obtaining regulatory approvals for these products for manufacture and distribution in Europe. In addition, Akorn will manufacture the products for European distribution for a period of time and will receive a royalty stream on European sales of the product. The Company is in discussions with other companies regarding similar arrangements in other international markets.

Included in interest and other income for the six-month period ended December 31, 1995 are the fees from Chauvin discussed above and a \$80,000 gain recognized on the sale of the Company's only equity investment.

Income Taxes

The effective tax rates for all periods presented remained stable at 37%. The Company has been in discussions with the Internal Revenue Service (IRS) regarding the examination of tax returns for the periods 1988 through 1993. The IRS has proposed adjustments to such returns, some of which the Company has agreed to and some which the Company will appeal. The financial statement effects of these proposed agreed upon adjustments have been previously recorded.

Net Income

As a result of the factors noted above, net income for the quarter ended December 31, 1995 declined to \$440,000 or three cents per share compared to the prior year amount of \$605,000 or four cents per share. Net income for the first six months of fiscal 1995 declined to \$901,000 or six cents per share versus \$1.4 million or nine cents per share in the comparable 1994 period. Weighted average shares used in the calculation of per share amounts were relatively unchanged from period to period.

Financial Condition and Liquidity

The net cash provided by operating activities for the six months ended December 31, 1995 was \$46,000 compared to net cash used of

approximately \$1.7 million for the corresponding period in 1994. During the period, significant investments in inventory, primarily for raw materials and components associated with new ophthalmic products, were made. As a contract manufacturer, AMI's raw material and component inventories were relatively insignificant since such inventories were generally supplied by contract customers. All ophthalmic manufacturing, however, requires AMI to purchase the raw materials and components, thus resulting in the noted increases. Further increases in raw material and component inventory will be based on future product approvals and product sales.

In the prior year, in addition to inventory build up associated with the new product additions, final estimated tax payments for the fiscal year ended June 30, 1994 were made.

The Company has begun the development for ophthalmic use of a non-steroidal anti-inflammatory drug (NSAID) licensed from Pfizer. It is anticipated that the majority of the development costs, which are expected to be funded substantially by Pfizer, will be incurred over the next 15 to 18 months. In addition to ophthalmics, the Company recently announced its intention to enter the generic injectable business. This entree includes the plan to file two Abbreviated New Drug Applications (ANDAs) for injectable products over the next twelve months. Management believes that existing cash, cash flows from operations, and available working capital lines of credit are sufficient to handle the funding of these research projects.

In addition to these short-term needs, the Company may be required to pay additional interest and taxes in connection with the examination by the IRS of tax returns for the periods 1988 through 1993. The proposed adjustments by the IRS would result in additional interest and taxes currently due of approximately \$1.5 million. To date, the Company and the IRS have agreed upon issues resulting in approximately \$600,000 of current net taxes and interest due. Payment of the agreed upon items is expected to be made over the next nine months to one year under an agreement with the IRS pursuant to an arrangement with a commercial bank. Payment of the remaining unsettled issues, if any, would be based on the timing of the appeals process and the success of the Company in arguing its position with the IRS. The Company does not currently anticipate any adverse financial statement effect from this proposed assessment. The income statement effects of these proposed adjustments have been previously accrued.

The Company invested \$524,000 in new property, plant and equipment during the six-month period ended December 31, 1995 compared to \$3.5 million in the prior year comparable period. The current year additions were primarily related to expansion of the Company's R&D facilities, while the prior year additions were associated with the expansion of the Company's manufacturing facilities, including the addition of a high-speed ophthalmic line.

On September 30, 1994, the Company entered into a \$6.3 million credit facility with a commercial bank. The credit facility includes the following:

- a \$1.3 million Term loan for the payout of existing debt and reimbursement for the early payout of a capital lease on the AMI manufacturing facility.
- a \$3.5 million Revolver/Term construction loan to finance the expansion of the AMI facilities.
- a \$1.5 million Line of Credit for working capital purposes.

The entire Term loan was drawn in October 1994 and, as of December 31, 1995, \$2.6 million had been drawn on the Revolver/Term construction loan. In addition, approximately \$262,000 had been drawn on the Line of Credit at December 31, 1995.

The construction project at the Decatur facilities allows for new high-speed ophthalmic production, as well as the capabilities to add suspensions, ointments and unit-dose products with some additional investments. The total cost of the expansion project, including additional equipment, was approximately \$5.4 million. The Company has plans for capital improvements of approximately \$1.5 million to \$2 million during calendar 1996. It is currently anticipated that such expenditures will be financed through internal cash flows, \$900,000 remaining availability under the Revolver/Term loan and an additional \$500,000 loan obtained from the same commercial bank. The timing of such expenditures will be staged to ensure compliance with debt covenant requirements.

Financing activities provided \$184,000 and \$3.5 million in the six-month periods ended December 31, 1995 and 1994, respectively. The prior year amount is primarily related to draws on the various bank financing arrangements in support of the Company's expansion project.

In connection with the negotiations with its lead contract customer regarding the acquisition of a line of discontinued injectable products, the Company has a commitment from its commercial bank to lend up to \$1.5 million.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Certain legal proceedings in which the registrant, Akorn, Inc. (the "Company"), is involved are described in Item 3 to the Company's Form 10-KSB for the fiscal year ended June 30, 1995 and in Note R to the consolidated financial statements included in that report.

Item 2. Changes in Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

(10.1) Development and Supply Agreement with Jordan Pharmaceuticals, Inc. dated October 18, 1995

(10.2) Employment Agreement dated January 1, 1996 -- Barry D. LeBlanc

(10.3) Employment Agreement dated January 1, 1996 -- Harold O. Koch

- (10.4) Employment Agreement dated January 1, 1996 --
Tim J. Toney
- (99.1) Press release issued by Akorn, Inc. on
February 7, 1996 announcing its second
quarter 1996 financial results.
- (b) Reports on Form 8-K
- None.

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/ Barry D. LeBlanc

Barry D. LeBlanc
President and Chief Executive Officer
(Duly Authorized Officer)

/s/ Eric M. Wingerter

Eric M. Wingerter
Vice President - Finance and Administration
(Principal Financial Officer)

Date: February 9, 1996

EXHIBIT INDEX

Exhibit Number	Description	Sequentially Numbered Pages
(10.1)	Development and Supply Agreement with Jordan Pharmaceuticals, Inc. dated October 18, 1995	
(10.2)	Employment Agreement dated January 1, 1996 -- Barry D. LeBlanc	
(10.3)	Employment Agreement dated January 1, 1996 -- Harold O. Koch	
(10.4)	Employment Agreement dated January 1, 1996 -- Tim J. Toney	
(99.1)	Press release issued by Akorn, Inc. on February 7, 1996 announcing its second quarter 1996 financial results.	

October 18, 1995

Mr. Tim J. Toney
President
Akorn Manufacturing, Inc.
150 South Wyckles Road
P.O. Box 1220
Decatur, IL 62525

Re: Development Of: Sodium Chloride Injection, U.S.P. 0.9%,
Tetracaine Hydrochloride Injection, U.S.P. 1% & Epinephrine
Injection, U.S.P.

Supply Of: Sodium Chloride Injection, U.S.P. 0.9%, Tetracaine
Hydrochloride Injection, U.S.P. 1%, Epinephrine Injection,
U.S.P., Dextrose Injection, U.S.P. 10%, Ephedrine Sulfate
Injection, U.S.P. and Sterile Water for Injection, U.S.P.

Dear Tim:

In connection with our recent discussions and correspondence, this letter is intended as a binding agreement relative to (i) the development by Akorn Manufacturing, Inc. ("Akorn") of Sodium Chloride Injection, U.S.P. 0.9% ("Sodium Chloride"), Tetracaine Hydrochloride Injection, U.S.P. 1% ("Tetracaine Hydrochloride") and Epinephrine Injection, U.S.P. ("Epinephrine"), to include a complete Product Development Report on each of those three products, and (ii) the provision by Akorn to Jordan Pharmaceuticals, Inc. ("Jordan") of Sodium Chloride, Tetracaine Hydrochloride, Epinephrine, Dextrose Injection, U.S.P. 10% ("Dextrose"), Ephedrine Sulfate Injection, U.S.P. ("Ephedrine Sulfate") and Sterile Water for Injection, U.S.P. ("Sterile Water") in specified sizes and formats. The proposed terms and conditions of the agreement (the "Agreement") are as follows:

Product Development.

Subject to the terms and conditions of this Agreement, Akorn agrees to perform the necessary development work in order to manufacture and supply Sodium Chloride, Tetracaine Hydrochloride and Epinephrine (the "Development Products") to Jordan in accordance with the respective specifications for such products set forth in Exhibit 1 attached hereto. As part of such development work, Akorn shall prepare and properly document a complete Product Development Report for each Development Product, and shall produce three (3) lots of each of the Products for stability studies, consisting of the number of units per lot for each Development Product set forth in Exhibit 2 attached hereto. The Product Development Report shall contain the data relating to the development work for each Development Product, and shall contain, at a minimum, the information summarized in the section headings of the report as listed in Exhibit 9 attached hereto, and any other development work reasonably necessary for marketable product.

Jordan agrees to pay Akorn the amounts set forth in Exhibit 3 attached hereto (the "Development Cost") for the development of each of the Development Products. Development Costs shall not include the costs of the three lots of each of the Products for stability studies produced during the development work, which Products shall be paid for by Jordan pursuant to Paragraph 2(b), below. Akorn shall invoice Jordan for thirty percent (30%) of

the specified Development Cost for a Development Product upon Akorn's commencement of development work, an additional thirty percent (30%) of the specified Development Cost at such time as Akorn commences stability studies of such Product, and the balance of the Development Cost at such time as Akorn has submitted a Product Development Report for such Development Product to Jordan indicating successful completion of all product development activities, and Jordan has accepted such report.

Akorn will use its commercial best efforts to complete its development work with respect to all three Development Products by March 31, 1996. In performing its development work, Akorn shall give first priority to the development of the Tetracaine Hydrochloride, second priority to the development of Sodium Chloride, and third priority to the development of Epinephrine. Akorn will also use its best efforts to ensure that its development work and stability studies satisfy Food and Drug Administration ("FDA") requirements.

Akorn agrees that Jordan shall be entitled to all information pertaining to the development work and stability studies, including master batch records and analytical methods and results. Akorn shall, at Akorn's expense, promptly provide all of such information to Jordan upon its request. All stability batch test data and all actual Product(s) produced as a result of said tests shall be the exclusive property of Jordan, and Akorn shall not have the right to use said test data or Product(s) for or on behalf of itself (except for meeting its obligations to Jordan) or any other party without Jordan's prior written consent. All other information obtained in the development of the Products shall be the non-exclusive property of Jordan and Akorn shall be entitled to use any such information to produce the Products for any other party, including Akorn. However, in the event Akorn does generate its own stability data, stability batch records and stability batches for the purpose of marketing and selling the Product (s) to any party other than Jordan, Akorn shall refund to Jordan fifty (50%) per cent of the Development cost (as set out in Exhibit 3), attributable to such Product(s).

Agreements to Purchase and Supply Products.

Subject to the terms and conditions of this Agreement, Jordan hereby agrees to purchase from Akorn, for the term of this Agreement, one hundred percent (100%) of Jordan's purchase requirements for Sodium Chloride, Tetracaine Hydrochloride, Epinephrine, Dextrose, Ephedrine Sulfate and Sterile Water (the "Products") in accordance with the respective specifications for such products set forth in Exhibit 1 attached hereto, and Akorn hereby agrees to supply to Jordan, during the term of this Agreement, all of Jordan's purchase requirements for such Products. Notwithstanding the foregoing, Jordan may terminate its obligations under this Paragraph, as to any Development Product, should Akorn fail to provide Jordan with a complete Product Development Report as to that Product.

Jordan hereby agrees to provide Akorn, within thirty (30) days of execution of this Agreement, and thereafter ninety (90) days prior to each year for which this Agreement is in effect, with an annual forecast of its estimated purchase requirements for the Products for such year. Thereafter, Jordan agrees to place irrevocable rolling 90-day purchase orders for its actual purchase requirements. Such forecasts shall enable Akorn to manufacture the Products in whole batch increments as specified in Exhibit 4 attached hereto. Marketable Products produced by Akorn in the stability runs shall be deemed part of an initial purchase order and shall be purchased by Jordan as any other Product.

Jordan agrees that its purchases of each Product within any year shall not be less than the minimum annual purchase commitment for such Product specified in Exhibit 5; provided, however, Jordan shall have no obligation to purchase the minimum annual purchase commitment of Sterile Water specified in Exhibit 5 after December 31, 1997 unless and to the extent it has purchase orders for such minimum quantities from its customers after such date. Satisfaction of the minimum purchase commitments shall be determined on a basis corresponding with the anniversary dates of this Agreement. The minimum purchase order for Sterile Water for the period in which December 1997 falls within shall be appropriately prorated. Notwithstanding anything in this Subparagraph (c) to the contrary, Jordan may purchase quantities of one or more Products within a year without being in violation of its minimum purchase commitments so long as the aggregate dollar volume of purchases for all of the Products exceed the aggregate minimum purchase commitments specified in Exhibit 5. Additionally, Jordan agrees to use its best efforts to purchase additional sizes of Sterile Water from Akorn, and to purchase new development sizes of Sterile Water and Calcium Chloride for Injection, USP from Akorn, provided Akorn is able to meet Jordan's specifications.

Akorn agrees to use its commercial best efforts to accommodate Jordan's request to change the amount of Products specified in its purchase orders and/or the delivery dates for such Products, and anticipates that all reasonable requests will be accommodated. Nevertheless, Jordan understands that Akorn's ability to source Product purchases within any pending 90-day period are subject to limitations based upon lead times it is required to give its suppliers, and that Akorn therefore cannot guarantee that any requested changes in quantities ordered and/or delivery dates within such 90-day period following the requested change can be effectuated. Jordan agrees to pay any additional costs incurred by Akorn to accommodate Jordan's request.

Notwithstanding anything in this Agreement to the contrary, to the extent that Akorn cannot supply Jordan's purchase requirements, Jordan shall have the right to purchase any shortfall in its purchase requirements from another vendor without restriction. Should Akorn fail to fill any two consecutive purchase orders for any Product within one hundred twenty (120) days of the order, it shall be deemed to be unable to supply Jordan's purchase requirements for the purposes of the preceding sentence.

Notwithstanding anything in this Agreement to the contrary, Jordan shall have the right to manufacture any of the Products should it acquire the facilities to do so provided Jordan gives Akorn at least twelve (12) months prior written notice. If such notice is provided by Jordan, it shall be released from its purchase obligations for such Products hereunder.

Additional Products.

Commencing April 1, 1996, Akorn agrees that it shall use its commercial best efforts to perform the necessary development work in order to manufacture and supply to Jordan two new products per year which shall be jointly agreed to by Akorn and Jordan (the "Additional Products"). The parties agree to negotiate in good faith as to the development cost, minimum annual purchase commitments, and pricing for each of the Additional Products, and such agreement shall be a condition precedent to Akorn's obligation to develop the Additional Products. Upon such agreement, this Agreement and Exhibits 1 through 8 hereof shall be amended to make appropriate reference to the Additional Products. The development of the Additional Products (including payment of the development costs) shall be governed by the terms of

Paragraph 1, and the Additional Products shall be deemed to be Development Products for the purposes of Paragraph 1 as well as any other applicable provisions of this Agreement. The Additional Products shall also be deemed to be Products under Paragraph 2 and, as such, shall be governed by the provisions of Paragraph 2 as well as any other applicable provisions of this Agreement.

(b) Jordan may specify that one of the two Additional Products per year specified in Paragraph 3(a) above be an ANDA Product. Any such ANDA Additional Product, shall be considered for all purposes as a Development Product, and subject to the provisions of Paragraph 1 above, with the following modifications. Jordan shall own, exclusively, the stability data, stability batch records, stability batches as well as Jordan's ANDA filing with the FDA for the ANDA Additional Product. Jordan's ownership of the remaining data and information comprising the ANDA shall be non-exclusive and subject to the provisions of Paragraph 1(d), except that should Akorn use the non-exclusive ANDA data along with its own stability data, stability batch records, and stability batches to file its own ANDA to market and sell any Additional Products to any party other than Jordan, Akorn shall refund to Jordan forty (40%) per cent of the development cost attributable to such Additional Product.

4. Quality Standards. The Products shall meet all applicable United States Pharmacopeia ("U.S.P.") and Food and Drug Administration ("F.D.A.") regulations, including Good Manufacturing Practices, as such regulations may be in place at the time of delivery.

5. Manufacturing, Packaging and Labeling Standards. Akorn warrants that the Products shall be manufactured, packed and labeled in accordance with the standards and requirements set forth in Exhibit 6 attached hereto. Akorn shall assume the responsibility for the sourcing and purchasing of raw materials and components for the manufacture and packaging of the Products excepting labels and inserts, which will be provided by Jordan at its cost. Labels and inserts may be either in Jordan's name or that of its customers. Akorn and Jordan shall jointly develop label copy, with Akorn being responsible for ensuring that the label copy, including both content and layout, satisfies applicable U.S.P. and FDA regulations. Notwithstanding the foregoing, Akorn shall retain the responsibility and sole authority to select label stock and insert stock compatible with its machinery.

6. Price. Jordan agrees to pay Akorn with respect to its supply of the Products the applicable price specified in Exhibit 7 attached hereto, subject to adjustment as hereinafter provided. Beginning on the second annual anniversary date of this Agreement, and on each annual anniversary date thereafter, the specific price for the Products shall be increased by an amount equal to the percentage increase, if any, in the rate of inflation for the expiring year relative to the prior year thereto, but not to exceed five percent (5%). The rate of inflation shall be determined using the Producer Price Index (#063) published by the United States Bureau of Labor Statistics (the "Index"). In order to avoid any delays in calculating the increase, the percentage increase in the Index for any expiring year shall be determined by comparing the published Index for the month which occurs three months prior to the expiration of the year to the Index for the corresponding month for the immediately preceding year. For purposes of making calculations, all percentages shall be rounded to the nearest tenth of a percentage, and all monetary amounts shall be rounded to the cent.

7. Delivery and Payment Terms.

(a) The Products shall be delivered F.O.B. place of origin to the Jordan warehouse located in California or any designee of Jordan located within the continental United States, provided said shipments are in whole batch increments as specified in Exhibit 4 attached hereto. Freight method and carrier shall be selected and directly paid by Jordan. All customs, duties, costs, taxes, insurance premiums and other expenses relating to transportation and delivery shall be arranged and directly paid by Jordan.

(b) Akorn shall invoice Jordan no earlier than the shipment date for such order. Payment terms for an order shall be net forty-five (45) days of the date of the invoice. All invoiced amounts not paid within said forty-five (45) days shall bear interest at the rate of one and one-half percent (1.5%) per month from the date due until paid. Except as such terms may be inconsistent with the terms of this Agreement, all of such orders shall be delivered in accordance with conditions set forth on purchase orders submitted by Jordan to Akorn. If a conflict between the purchase order and the terms of this Agreement exists or develops, the terms of this Agreement shall prevail.

8. Rejected Products. If any of the delivered Products fail to meet quality standards as determined by U.S.P. or any applicable FDA standards, as well as any other specifications stipulated by the terms of this Agreement, then Akorn shall take possession of the rejected products at its cost and, at Jordan's option, reimburse Jordan the price of any rejected products, extend credit to Jordan for future purchases, or replace the rejected Products at Akorn's cost. Notwithstanding the foregoing, Akorn shall not be liable for any lost profits or consequential damages as a result of defective Products (with the exception of those matters set forth in Paragraph 11 of this Agreement). In the event of the operation of this Paragraph 8, Jordan agrees to give Akorn thirty (30) days from the shipment date to resolve any problem before returning the rejected Products.

9. Warranties and Remedies. Akorn warrants that the Products, when shipped to Jordan, (i) will conform in all respects to the specifications by the parties with respect to such Products as then in effect, (ii) will meet U.S.P. quality standards and all applicable F.D.A. regulations, and (iii) will not be adulterated or misbranded within the meaning of F.D.A. regulations. EXCEPT FOR THE FOREGOING WARRANTIES, AKORN DOES NOT WARRANT THE MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PRODUCTS OR THE PERFORMANCE THEREOF, DOES NOT MAKE ANY WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO PRODUCTS, SPECIFICATIONS, SUPPORT, SERVICE OR ANYTHING ELSE, AND DOES NOT MAKE ANY WARRANTY TO OR FOR THE BENEFIT OF JORDAN OR ITS CUSTOMERS OR AGENTS. AKORN HAS NOT AUTHORIZED ANYONE TO MAKE ANY REPRESENTATIONS OR WARRANTY OTHER THAN AS PROVIDED ABOVE. NEITHER PARTY SHALL IN ANY EVENT BE LIABLE WITH RESPECT TO THE SUBJECT MATTER OF THIS LETTER AGREEMENT OR ANY PORTION THEREOF UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY (A) FOR ANY SPECIAL INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR (B) SO LONG AS IT USED ITS DILIGENT COMMERCIAL EFFORTS, FOR FAILURE OR DELAY IN DELIVERY OF PRODUCTS.

10. Product Liability Insurance. Effective January 1, 1996, each party agrees to carry products liability insurance coverage in an amount not less than \$3 million, naming the other party as additional insured under said policies, and to promptly provide proof of insurance upon demand by the other party.

11. Product Liability Claims.

(a) Akorn agrees to indemnify, defend and hold Jordan harmless

from and against any and all liabilities, damages losses, costs and expenses (including reasonable attorneys' fees and costs of litigation regardless of outcome) with respect to all claims for personal injury, wrongful death or property damage by third parties which arise from Akorn's negligence or a manufacturing defect in Products purchased from Akorn or resold by Jordan hereunder or a failure of such Products to meet all specifications required by this Agreement or any deficiency in the Products's packaging, labelling or inserts.

(b) Jordan agrees to indemnify, defend and hold Akorn harmless from and against any and all liabilities, damages losses, costs and expenses (including reasonable attorneys' fees and costs of litigation regardless of outcome) with respect to all claims (other than those specified in Subparagraph (a)) for personal injury, wrongful death or property damage by third parties which arise from Products purchased or resold by Jordan hereunder including, without limitation, those alleged to arise from misstatements or misrepresentations made by Jordan in the course of selling such Products that are outside of or different from the approved labeling or package inserts.

Each party will promptly notify the other of any claim or action by reason of the manufacture, use or sale of any Products of which it becomes aware, and shall instruct its attorneys defending the case to share all information bearing on the claim and its defense with the other party.

(d) If either party intends to claim indemnification from the other party pursuant to this Paragraph 11, it shall not be entitled to settle any of the claims for which it claims or intends to claim indemnification without the consent of such other party, which consent shall not be unreasonably withheld.

(e) The indemnities of this Paragraph 11 shall not apply (i) if the indemnified party fails to give the indemnifying party prompt written notice of any claim it receives and such failure materially prejudices the indemnifying party, or (ii) unless the indemnifying party is given the opportunity to approve any settlement, which approval shall not be unreasonably withheld. Furthermore, the indemnifying party shall not be liable for attorneys' fees or expenses of litigation of the indemnified party unless the indemnified party gives the indemnifying party the opportunity to assume control of the defense or settlement. In addition, if the indemnifying party assumes such control, it shall only be responsible for the legal fees and litigation expenses of the attorneys it designates to assume control of the litigation. In no event shall the indemnifying party assume control of the defense of the indemnified party without the consent of the indemnified party (which consent shall be given or not at its sole discretion).

12. Force Majeure. The failure or omission by a party in the performance of an obligation contained in this Agreement shall not be deemed a breach and the performance of said obligation shall be suspended if the same shall arise from any of the following ("Events of Force Majeure"): provided, however, such cause was beyond the reasonable control and without the fault or negligence of such party: acts or orders of foreign, federal, state, or local governments or any officer, department, agency or instrumentality thereof; acts of God such as, by way of example, fire, earthquake, storm, flood, perils of the sea or waters; explosion or accident; acts of the public enemy, war, rebellion, insurrection, riot or other civil disturbances, sabotage, epidemic, or quarantine; labor disputes such as strikes; or transportation embargoes or failures or delays in transportation. Each party shall use its best efforts to minimize the duration and consequences of any failure or delay caused by an Event of

Force Majeure. The affected part shall notify the other party promptly of the existence of the Force Majeure and its estimated duration. Should performance of any party be suspended due to Force Majeure for more than six (6) months, then the other party shall have the right to terminate this Agreement. However, should the Event of Force Majeure affect less than all of the Products, the foregoing right to terminate shall apply only to those Products affected, and this Agreement shall otherwise remain in effect as to the other Products not so affected.

13.Term.

(a) The initial term of this Agreement shall be five (5) years from the date of execution by Akorn. Thereafter, Jordan may renew this Agreement for three consecutive one (1) year periods, providing it gives written notice to Akorn no later than ninety (90) days prior to the end of the expiring year. Thereafter, unless a party shall notify the other party in writing of its termination of this Agreement within ninety (90) days of the expiration of the expiring year, this Agreement shall automatically renew for additional one (1) year periods.

(b) This Agreement may be terminated at any time by either party in the event the other party commits a breach of the terms and conditions of this Agreement and fails to substantially remedy such breach within sixty (60) days after written notice thereof. Termination for breach hereunder shall not relieve the breaching party from its liability for damages.

(c) Either party may terminate this Agreement with respect to any Product at any time upon written notice to the other without any liability at law or equity if any of the following events occur:

(i) Governmental health authorities prohibit such Product from being sold and distributed.

(ii) Serious unexpected adverse reactions occur which cause removal of such Product from sale and distribution.

In the event of termination under this Subparagraph (c), this Agreement shall remain in force and effect as to all Products to which the termination does not apply.

(d) Akorn may terminate this Agreement at any time in the event Jordan does not meet its total minimum dollar annual purchase commitment in any one contract year.

In the event of termination under Subparagraphs 13(a), 13(b), 13(c)(i) or 13(d), Akorn shall fill all outstanding purchase orders received before the effective date of termination which orders are for delivery dates ninety (90) days or less from the date of the purchase order.

(f) The provisions of Paragraphs 8 through 12, 13(e), and 14 through 26 hereof, shall survive the termination of this Agreement.

(g) All notices of termination must be in writing and delivered in accordance with the notice provisions of Paragraph 25. Termination under Paragraphs 2(a), 12 and 13(d) hereof shall be effective as of the date specified in the notice, but in no event shall the effective date be less than ninety (90) days from the date of the notice. If the notice does not state an effective date, termination shall be deemed effective ninety (90) days after the deemed delivery date of the notice. Terminations under any other provisions hereof shall be effective as of the date of the notice.

(h) In the event of early termination of this Agreement by Jordan, Jordan agrees to reimburse Akorn for all unused in-house components and materials related to the manufacture and packaging of the products at Akorn's cost, unless such termination relates to Akorn's wrongful failure to provide Products to Jordan in accordance with the terms of this Agreement.

14. Covenant Not to Compete. To protect and preserve Jordan's business opportunities with Jordan's customers, Akorn agrees that it will not, during the term of this Agreement or any renewal thereof, either directly or indirectly, or knowingly by distribution means under Akorn's control, solicit and/or contract with any of Jordan's "Customers" (as such persons are listed on Exhibit 8 attached hereto) to meet their needs for the Products. The parties agree to update this list from time to time. This prohibition shall include the sale or provision of the Products to any of Jordan's Customers through intermediaries. This prohibition may be waived by the written consent of Jordan, but such waiver may be arbitrarily and unreasonably withheld.

15. Confidentiality.

(a) Each party (a "receiving party") shall maintain in confidence all information disclosed by the other (the "disclosing party") which such party knows or has reason to know comprises trade secrets and other proprietary information of the other including, by way of example and not limitation, information relating to the names of the disclosing party's customers (whether or not a customer for the Products or any other product), the names of the disclosing party's suppliers, the names of the disclosing party's distributors or sales representatives, and any marketing, competitive, or financial or other information to come into the receiving party's possession as a consequence of this Agreement, and shall not use such trade secrets or proprietary information except as permitted by this Agreement or disclose the same to anyone other than those of its employees, consultants and agents as are necessary in connection with such party's permissible activities as contemplated in this Agreement. To the extent permitted by applicable law, each party shall have obtained written agreement prior to disclosure to such employees, consultants, and agents to hold in confidence and not make use of such trade secrets or proprietary information for any purpose other than those permitted by this Agreement. Each party shall use its best efforts to ensure that its employees, consultants and agents do not disclose or make any unauthorized use of such trade secrets or proprietary information. Each party shall notify the other promptly upon discovery of any unauthorized use or disclosure of the other's trade secrets or proprietary information. Each party shall return all confidential information upon termination of this Agreement.

(b) The obligation of confidentiality contained in this Agreement shall not apply to the extent that (i) the receiving party is required to disclose information by applicable law, regulation or order of a governmental agency or a court of competent jurisdiction; (ii) the receiving party can demonstrate that the disclosed information was at the time of disclosure already in the public domain or has since come into the public domain other than as a result of actions or failure to act by the receiving party in violation hereof; (iii) the disclosed information was rightfully known by the receiving party (as shown by its written records) prior to the date of disclosure to the receiving party in connection with this Agreement; (iv) the disclosed information was developed by the receiving party (as shown by its written records) without access to the disclosed information; or (v) the disclosed information was received by the receiving party on an unrestricted basis from a source other than the receiving party and which is not under a duty of confidentiality to the

disclosing party.

16. Relationship of Parties. Anything else in this Agreement to the contrary notwithstanding, this Agreement does not establish a partnership, joint venture, association, agency or other relationship between the parties except as that of vendor and vendee. Neither party, nor such party's officers, employees, directors, shareholders and/or representatives, shall be deemed an employee or agent of the other party, or have any right or authority to act for and/or bind the other party in any way, or represent that the other party is in any way responsible for acts of the other. Each party shall have exclusive liability for the payment of all taxes imposed on such party or its employees or agents which arise in connection with the performance of this Agreement including, without limitation, the payment and/or withholding, as the case may be, of income taxes, property taxes, sales or use taxes, social security and other payroll taxes, workmen's compensation insurance, disability benefits and the like which are measured by the wages, salaries or other remunerations to the extent applicable to the personnel involved, and neither party shall be liable for any such payments which may be assessed against the other party. No right, express or implied, is granted by this Agreement to either party to use in any manner the name of the other or any other trade name or trademark of the other in connection with the performance of this Agreement.

17. Assignability. Neither party to this Agreement shall transfer, sell, assign, pledge or otherwise encumber any of its rights or obligations under this Agreement, without the prior written consent of the other parties hereto, which consent shall not be unreasonably withheld; provided, however, that each party may, without the prior written consent of the other party, (a) assign any or all of its right or obligations under this Agreement to any Affiliate (as such term is hereinbelow defined), which assignment shall not release the assigning party from any of its obligations under this Agreement, or (b) assign all of such party's rights or obligations under this Agreement to any other person or entity in connection with the transfer or sale of all or substantially all of its business to any person or entity or the merger or consolidation of the assigning party with or into any other entity, so long as such transferee, purchaser or surviving entity shall assume such obligations of the assigning party. The term "Affiliate" is defined as any person controlling a party, controlled by a party, or under common control with a party. Any transfer, sale, assignment, pledge or encumbrance in violation of this Paragraph 17 shall be null and void. Subject to the foregoing, this Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

18. Interpretation. This Agreement is an agreement between financially sophisticated and knowledgeable parties and is entered into by the parties in reliance upon the economic and legal bargains contained herein and shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party who prepared (or caused the preparation of) this instrument or the relative bargaining power of the parties.

19. Entire Agreement. Each party expressly acknowledges and agrees that this Agreement, including all exhibits attached hereto, (1) is the final, complete and exclusive statement of the agreement of the parties with respect to the subject matter hereof; (2) supersedes any prior or contemporaneous agreements or understandings of any kind, oral or written, and that any such prior agreements are of no force or effect except as expressly

set forth herein; and (3) may not be varied, supplemented or contradicted by evidence of prior agreements, or by evidence of subsequent oral agreements.

Amendment; Waiver; Forbearance. This Agreement nor any provision contained herein may be amended or modified or terminated (other than by performance), except by a written instrument signed by all of the parties to this Agreement. No waiver of any breach of any provision herein contained, or of the performance of any acts or obligations under this Agreement, shall be effective and binding unless such waiver shall be in a written instrument signed by each party. No such waiver shall be deemed a waiver of any other provision under this Agreement, or any preceding or subsequent breach thereof. No forbearance by a party to seek a remedy for any noncompliance or breach by another party hereto shall be deemed to be a waiver by such forbearing party with respect to such noncompliance or breach unless such waiver shall be in a written instrument signed by the forbearing party.

21. Governing Law/Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of Illinois. Subject to Paragraph 21, any legal action or other proceeding brought by any of the parties to enforce or interpret this Agreement shall be filed only in the County of Macon, State of Illinois.

22. Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach thereof will be settled by arbitration in accordance with the rules of the American Arbitration Association, and with the arbitration taking place in Macon County, Illinois. All awards shall be final and binding and may be filed with the clerk of any court having jurisdiction over the parties. The arbitrator shall have the power to issue any award or decree that a court of law or equity could issue, including specific performance and/or injunctive relief, and shall also have the same power to compel discovery and impose sanctions, including attorneys' fees and court cost, as a court of law or equity.

23. Attorneys' Fees. In the event of any litigation between the parties due to breach of this Agreement, the unsuccessful party agrees to pay the successful party all costs and expenses of litigation incurred by the successful party including, but not limited to, reasonable attorneys' fees for all legal counsel, depositions, witness fees and other expenses incurred in connection with such litigation, and if the successful party shall recover judgment in any action proceeding, the costs, expenses and attorneys' fees shall be included as part of the judgment.

24. Severability. If all or any portion of any of the provisions of this Agreement shall be invalid, illegal or unenforceable by laws applicable thereto, then the performance of said offending provision or provisions shall be excused by the parties hereto and such invalidity, illegibility, or unenforceability shall not affect any other provision of this Agreement.

25. Notices. Unless otherwise specifically provided in this Agreement, all notices, demands, requests, consents, approvals or other communications (collectively and severally called "notices") required or permitted to be given hereunder, or which are given with respect to this Agreement, shall be in writing, and shall be given: (A) by personal delivery (which form of notice shall be deemed to have been given upon delivery), (B) by telegraph or by private airborne/overnight delivery service (which forms of notice shall be deemed to have been given upon confirmed delivery by the delivery agency), (C) by electronic or facsimile or telephonic transmission, provided the receiving

party has a compatible device or confirms receipt thereof (which forms of notice shall be deemed delivered upon confirmed transmission or confirmation of receipt), or (D) by mailing in the United States mail by registered or certified mail, return receipt requested, postage prepaid (which forms of notice shall be deemed to have been given upon the fifth {5th} business day following the date mailed). Each party, and their respective counsel, hereby agree that if notice is to be given hereunder by such party's counsel, such counsel may communicate directly with all principals, as required to comply with the foregoing notice provisions. Notices shall be addressed at the addresses hereinabove set forth on the cover page of this Agreement or to such other address as the receiving party shall have specified most recently by like notice, with a copy to the other parties hereto. Notices to each party shall be directed to the attention of such party's President, by name if known or reasonably ascertainable.

26. Counterparts. This Agreement may be executed in several counterparts, including facsimile copies, each of which shall be deemed an original, and all of such counterparts together shall constitute one agreement, binding on all parties hereto.

If the terms and conditions of this Agreement are satisfactory, then indicate your approval by executing and dating this letter below and delivering it to the undersigned. In the event the terms and conditions described above are not satisfactory, or you have any question or comments, then please refrain from signing this Agreement and call me at your earliest convenience. Finally, please note that this Agreement is legally binding upon your execution thereof.

Very truly yours,

JORDAN PHARMACEUTICALS, INC.

By:
Earl Jordan, its President

By signature below in the space provided, Akorn Manufacturing, Inc. evidences its agreement with the terms of this Agreement and its intention to be legally bound hereby.

AKORN MANUFACTURING, INC.

By:
Tim J. Toney, its President

Date: _____, 1995

Exhibit 1

Product Description

Sodium Chloride:	Sodium Chloride Injection, U.S.P. 0.9%, 10 mL Ampul
Tetracaine Hydrochloride:	Tetracaine Hydrochloride Injection, U.S.P. 1%, 2mL Ampul

Epinephrine:	Epinephrine Injection, U.S.P., 1 mL Ampul (Preservative Free)
Dextrose:	Dextrose Injection, U.S.P. 10%, 3 mL Ampul
Ephedrine Sulfate:	Ephedrine Sulfate Injection, U.S.P., 1 mL Ampul
Sterile Water:	Sterile Water for Injection, U.S.P., 192 mL Vial

Exhibit 2

Stability Batch Size (Units)

Sodium Chloride*	65,000
Tetracaine Hydrochloride*	50,000
Epinephrine*	100,000

*Approximately 1,000 units will be removed per batch for stability studies.

Exhibit 3

Product Development Cost

Sodium Chloride	\$ 49,275
Tetracaine Hydrochloride	\$ 94,169
Epinephrine	\$100,285

Exhibit 4

Commercial Batch Sizes (Units)

Sodium Chloride	65,000 Ampuls
Tetracaine Hydrochloride	50,000 Ampuls
Epinephrine	100,000 Ampuls
Dextrose	48,500 Ampuls
Ephedrine Sulfate	47,500 Ampuls
Sterile Water	6,750 Vials

Exhibit 5

Minimum Annual Purchase

	Units	Price	Total
Sodium Chloride	400,000 Ampuls	.437	\$174,800
Tetracaine Hydrochloride	600,000 Ampuls	.388	\$232,800
Epinephrine	1,000,000 Ampuls	.309	\$309,000
Dextrose	600,000 Ampuls	.359	\$215,400
Ephedrine Sulfate	500,000 Ampuls	.312	\$156,000
Sterile Water	1996 - 250,000 Vials	2.65	\$662,500
	1997 - 125,000 Vials	2.65	\$331,250

Exhibit 6

Packing Specifications

Sodium Chloride -	Labeled Ampuls in Gross Pack Boxes (Master Case to be Defined)
Tetracaine Hydrochloride -	Labeled Ampuls in 100 Pack Boxes (Master Case to be Defined)
Epinephrine -	Labeled Ampuls in 100 Pack Boxes (Master Case to be Defined)
Dextrose -	Labeled Ampuls in Gross Pack Boxes (Master Case to be Defined)
Ephedrine Sulfate -	Labeled Ampuls in 100 Pack Boxes (Master Case to be Defined)
Sterile Water -	Labeled Vials in 20 Pack Boxes

Exhibit 7

Pricing

Sodium Chloride	\$437.00 per thousand Ampuls
Tetracaine Hydrochloride	\$388.00 per thousand Ampuls
Epinephrine	\$309.00 per thousand Ampuls
Dextrose	\$359.00 per thousand Ampuls
Ephedrine Sulfate	\$312.00 per thousand Ampuls
Sterile Water	\$ 2.65 per Vial (Akorn Mfg. Supplies Vial, Stopper, & Cap)

Exhibit 8

Jordan Customer List

1. Baxter Healthcare Corporation
Surgical Group Division
2. Baxter Healthcare Corporation
I.V. System Division
3. Baxter Healthcare Corporation
Biotech Group
Hyland Division
4. Kendall Healthcare Products Company
5. B. Braun Medical, Inc.
6. Arrow International
7. Sherwood Medical
8. Alpha Therapeutic Corporation
9. Becton Dickinson and Company
Becton Dickinson Division
10. UDL Laboratories, Inc.

Exhibit 9

Product Development Report

SECTION I	CERTIFICATIONS
SECTION II	LABELING
SECTION III	FORMULATION JUSTIFICATION
SECTION IV	RAW MATERIAL CONTROLS
SECTION V	MANUFACTURING & PROCESSING
SECTION VI	MICROBIOLOGICAL CONTROLS
SECTION VII	IN-PROCESS CONTROLS
SECTION VIII	CONTAINER/CLOSURES
SECTION IX	FINISHED PRODUCT CONTROLS
SECTION X	ANALYTICAL METHODS
SECTION XI	STABILITY

EMPLOYMENT AGREEMENT--BARRY D. LEBLANC

This Employment Agreement ("Agreement") between Akorn, Inc., a Louisiana corporation (the "Company"), and Barry D. LeBlanc (the "Employee") is dated as of January 1, 1996 (the "Agreement Date").

WHEREAS, Employee currently is employed by the Company;

WHEREAS, the Company desires to retain the services of Employee pursuant to the terms of this Agreement and Employee desires to continue in the service of the Company on such terms;

NOW, THEREFORE, for and in consideration of the continued employment of Employee by the Company and the payment of wages, salary and other compensation to Employee by the Company, the parties hereto agree as follows:

Section 1. Employment Capacity and Term

1.1 Capacity and Duties of Employee. The Employee is employed by the Company to render services on behalf of the Company as President and Chief Executive Officer. As the President and Chief Executive Officer, the Employee shall perform such duties as are assigned to the individual holding such title by the Company's Bylaws and such other duties, consistent with the Employee's job title, as may be prescribed from time to time by the Board of Directors of the Company (the "Board").

1.2 Employment Term. The term of this Agreement (the "Employment Term") shall commence on the Agreement Date and shall continue until and terminate one year after either the Company or the Employee has notified the other of such termination of the Employment Term; and provided, further, that the Employment Term is subject to extension as provided in Section 5.2 and Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

1.3 Devotion to Responsibilities. During the Employment Term, the Employee shall devote all of his business time to the business of the Company and its subsidiaries and affiliated companies, shall use his reasonable best efforts to perform faithfully and efficiently his duties under this Agreement, and shall not engage in or be employed by any other business; provided, however, that nothing contained herein shall prohibit the Employee from (a) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Employee receives compensation therefor, (b) investing his assets in such form or manner as shall require no more than nominal services on the part of the Employee in the operation of the business of or property in which such investment is made, or (c) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Employee's engaging in any activities permitted by virtue of clauses (a), (b) and (c) above does not materially interfere with the ability of the Employee to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (b) above, during the Employment Term, the Employee shall not perform any services for and shall not beneficially own more than 2% of the equity interests of a business organization that competes with the Company or its affiliates. For purposes of this paragraph, "beneficially own" shall have the meaning given to that term in Rule 13d-3 under the Securities Exchange Act of 1934 (the

"Exchange Act").

Section 2. Compensation and Benefits

During the Employment Term, the Company shall provide the Employee with the compensation and benefits described below:

2.1 Salary. A salary ("Base Salary") at the rate of \$210,000 per year; provided, however, that Employee's Base Salary shall increase to \$225,000 per year if the closing price at which the Company's common stock is traded on the Nasdaq National Market or other exchange on which such stock may be designated for trading, equals or exceeds \$4.00 per share for ten or more consecutive trading days and shall increase to \$250,000 if such price equals or exceeds \$5.50 per share for ten consecutive trading days; and provided, further, that Employee's Base Salary shall increase as of each anniversary of the Agreement Date by a factor equal to the increase in the Consumer Price Index maintained by the United States Department of Labor. Employee's Base Salary shall be payable to the Employee at such intervals as the salaries of other salaried employees of the Company are paid. Any increase in Employee's Base Salary shall take effect for the payroll period next following the date on which the condition to such increase is met.

2.2 Bonus. Employee shall be eligible to receive such bonuses and supplementary compensation as the Board may determine.

2.3 Benefits. The Company shall provide the Employee and, if applicable, his family members, with the following benefits and perquisites:

(a) The Company will continue to provide for Employee's use a new Oldsmobile Ninety-Eight or other equivalent new automobile of his choice, such automobile to be replaced every other year, and to provide or reimburse Employee for all gasoline, maintenance, repairs and insurance for such automobile.

(b) All such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accident health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company and its affiliated companies.

2.4 Office and Support Staff. Employee shall be entitled to an office or offices of the size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the those provided to him on the Agreement Date.

2.5 Expenses. The Employee shall be reimbursed for reasonable out-of-pocket expenses incurred from time to time on behalf of the Company or any subsidiary in the performance of his duties under this Agreement, upon the presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Section 3. Termination of Employment

3.1 Death. The Employee's status as an employee shall terminate immediately and automatically upon the Employee's death during the Employment Term.

3.2 Disability. The Employee's status as an employee may be terminated for "Disability" as follows:

(a) The Employee's status as an employee shall terminate if the Employee has a disability that would entitle him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy. Any such termination shall become effective on the first day on which the Employee is eligible to receive payments under such policy (or on the first day that he would be so eligible, if he had applied timely for such payments).

(b) If the Company has no long-term disability plan in effect, the Employee's status as an employee shall terminate if (i) the Employee is rendered incapable because of physical or mental illness of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing, the Board shall have the power to determine that the Employee has become disabled. If the Board makes such a determination, the Company shall have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Employee as an employee. Any such termination shall become effective 30 days after such notice of termination is given, unless within such 30-day period, the Employee becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing) and the Employee in fact resumes such services.

(c) The "Disability Effective Date" shall mean the date on which termination of employment becomes effective due to Disability.

3.3 Cause. The Company may terminate the Employee's status as an employee for Cause. As used herein, termination by the Company of the Employee's status as an employee for "Cause" shall mean termination as a result of (a) the Employee's breach of this Agreement, or (b) the willful engaging by the Employee in gross misconduct injurious to the Company, which in either case is not remedied within 10 days after the Company provides written notice to the Employee of such breach or willful misconduct.

3.4 Good Reason. The Employee may terminate his status as an employee for Good Reason. As used herein, the term "Good Reason" shall mean:

(a) The occurrence of any of the following during the Employment Term:

(i) the assignment by the Board or by any authorized person to the Employee of any duties or responsibilities that are inconsistent with the Employee's status, title and position as President and Chief Executive Officer;

(ii) any removal of the Employee from, or any failure to reappoint or reelect the Employee to, the position of President and Chief Executive Officer of the Company, except in connection with a termination of Employee's status as an employee as permitted by this Agreement;

(iii) the Company's requiring the Employee to be based anywhere other than at or within 50 miles of the Company's headquarters in Abita Springs, Louisiana, except for required travel in the ordinary course of the Company's business;

(b) any breach of this Agreement by the Company that continues for a period of 10 days after written notice thereof is given by the Employee to the Company;

(c) the failure by the Company to obtain the assumption of its obligations under this Agreement by any successor or assignee as contemplated by Section 6.1(c); or

(d) any purported termination by the Company of the Employee's status as an employee for Cause that is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement.

3.5 Voluntary Termination by the Company. Subject to the terms and conditions provided herein, the Company may terminate the Employee's status as an employee during the Employment Term for reasons other than death, Disability or Cause.

3.6 Voluntary Termination by the Employee. Subject to the terms and conditions provided herein, the Employee may terminate the Employee's status as an employee during the Employment Term for reasons other than Good Reason.

3.7 Notice of Termination. Any termination by the Company for Disability or Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 6.2. For purposes of this Agreement, a "Notice of Termination" means a written notice that (a) indicates the specific termination provision in this Agreement relied upon, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provisions so indicated and (c) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason, Disability or Cause shall not negate the effect of the notice nor waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

3.8 Date of Termination. "Date of Termination" means (a) if Employee's employment is terminated by reason of his death or Disability, the Date of Termination shall be the date of death of Employee or the Disability Effective Date, as the case may be, (b) if Employee's employment is terminated by the Company for Cause, or by Employee for Good Reason, the date of delivery of the Notice of Termination or any later date specified therein, (which date shall not be more than 30 days after the giving of such notice) as the case may be, (c) if the Employee's employment is terminated by the Company prior to the end of the Employment Term for reasons other than death, Disability or Cause, the Date of Termination shall be the date on which the Company notifies the Employee of such termination, (d) if the Employee's employment is terminated by the Employee prior to the end of the Employment Term for reasons other than Good Reason, the Date of Termination shall be the date on which the Employee notifies the Company of such termination, and (e) if the Employment Term terminates upon notice by the Company or the Employee as provided for in Section 1.2 or Section 5.2, the Date of Termination shall

be the date on which the Employment Term ends.

Section 4. Obligations Upon Termination

4.1 Death. If Employee's status as an employee is terminated by reason of Employee's death, this Agreement shall terminate without further obligations to Employee's legal representatives under this Agreement, other than the obligation to make any payments due pursuant to employee benefit plans maintained by the Company or its subsidiaries.

4.2 Disability. If Employee's status as an employee is terminated by reason of Employee's Disability, this Agreement shall terminate without further obligation to Employee, other than the obligation to make any payments due pursuant to employee benefit plans maintained by the Company or its subsidiaries.

4.3 Termination by Company for Reasons other than Death, Disability or Cause; Termination by Employee for Good Reason. If the Company terminates the Employee's status as an employee prior to the end of the Employment Term for reasons other than death, Disability or Cause, or the Employee terminates his employment prior to the end of the Employment Term for Good Reason, then

(a) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Employment Term had the notice contemplated by Section 1.2 been given as of the Date of Termination; and

(b) the amount of any performance-based bonus or options granted to the Employee shall be deemed to be the amount to which the Employee would have been entitled if the budgeted goals or other performance goals applicable thereto had been met but not exceeded and, whether or not the performance goals have been met as of the Date of Termination, such bonus shall be payable within 30 days of the Date of Termination and such options (if not already exercisable) shall become exercisable as of the Date of Termination and shall expire on the date of expiration of the options as provided in the applicable option agreement.

4.4 Termination for Cause, Without Good Reason or at End of Employment Term. This Agreement shall terminate without further obligation to the Employee other than obligations imposed by law and obligations imposed pursuant to any employee benefit plan maintained by the Company or its subsidiaries (a) if the Employee's status as an Employee is terminated by the Company for Cause or by the Employee for reasons other than Good Reason or (b), except as otherwise provided in Section 5.2, at the end of the Employment Term. If the Company or the Employee gives notice of termination of the Employment Term as provided for in Section 1.2, the Company may, at its option, terminate Employee's status as an employee, in which case such termination shall be deemed a termination by the Company without Cause for purposes of all provisions of this Agreement.

4.5 Resignation as Director. If Employee is a director of the Company and his employment is terminated for any reason other than death, the Employee shall, if requested by the Company, immediately resign as a director of the Company. If such resignation is not received when so requested, the Employee shall forfeit any right to receive any payments pursuant to this Agreement.

4.6 Accrued Obligations and Other Benefits. Upon termination of employment for any reason the Employee shall be entitled to receive promptly, and in addition to any other

benefits specifically provided, (a) the Employee's Base Salary through the Date of Termination to the extent not theretofore paid, (b) any accrued vacation pay, to the extent not theretofore paid, and (c) any other amounts or benefits required to be paid or provided or which the Employee is entitled to receive under any plan, program, policy practice or agreement of the Company.

4.7 Stock Options. The foregoing benefits are intended to be in addition to the value of any options to acquire Common Stock of the Company the exercisability of which may be accelerated pursuant to the terms of any stock option, incentive or other similar plan heretofore or hereafter adopted by the Company.

Section 5. Change of Control

5.1 Definitions. For purposes of this Section 5, the following terms shall have the meanings indicated below.

(a) Company. In the event of any assignment or succession as described in Section 6.1(c), the term "Company" as used in this Agreement shall refer also to such successor or assignee.

(b) Change of Control. A Change of Control shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or "person" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership of more than 30% of the outstanding shares of the Company's common stock, no par value per share (the "Common Stock"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (b)(iii) of this Section 5.1; or

(ii) individuals who, as of the Agreement Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in any such case, unless, following such Business Combination,

(A) all or substantially all of the individuals and entities who were the direct or indirect beneficial owners of the Company's outstanding common stock and the Company's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which, for purposes of this paragraph (A) and paragraphs (B) and (C), shall include a corporation which as a result of such transaction controls the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), and

(B) except to the extent that such ownership existed prior to the Business Combination, no person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the board of directors of the Company at the time of the initial action of the Board providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) Affiliate. The term "affiliate" or "affiliated companies" shall mean any company or other entity controlled by, controlling, or under common control with, the Company.

(d) Cause. After a Change of Control, "Cause," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.3:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties hereunder (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Employee by the Board of the Company which specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or its affiliates.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of a senior officer of the Company or based upon the advice of counsel for the Company or its affiliates shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Company or its affiliates. The cessation of employment of the Employee shall

not be deemed to be for Cause unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Employee and the Employee is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Employee has engaged in the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(e) Good Reason. After a Change of Control, "Good Reason," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.4:

(i) Any failure of the Company or its affiliates to provide the Employee with the position, authority, duties and responsibilities at least equivalent in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control;

(ii) The assignment to the Employee of any duties inconsistent in any respect with Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1.1, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iii) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iv) The Company or its affiliates requiring the Employee to be based at any office or location other than as provided in Section 3.4(a)(iii) hereof or requiring the Employee to travel on business to a substantially greater extent than required immediately prior to the Change of Control;

(v) Any purported termination of the Employee's employment otherwise than as expressly permitted by this Agreement; or

(vi) Any failure by the Company to comply with and satisfy Sections 6.1(c) and (d) of this Agreement.

For purposes of this Section 5, any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason during the 30-day period immediately following the first anniversary of the Change of Control shall be deemed to be a termination for Good Reason.

(f) Beneficial Ownership. The terms "beneficial ownership," "beneficial owner," "beneficially owns," and similar terms shall have the meanings set forth in Rule 13d-3 under the Exchange Act.

5.2 Employment Capacity and Term after Change of Control.

(a) If a Change of Control occurs during the Employment Term, the Employee's Employment Term (the "Modified Employment Term") shall be extended until and terminate at the close of business on the

later to occur of the second anniversary of the Change of Control; or the date one year after the date on which either the Company or the Employee has notified the other of such termination; and provided, further, that Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

(b) After a Change of Control and during the Modified Employment Term, (i) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities in and with respect to the Company shall be at least equivalent in all material respects to the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Employee's service shall be performed at the location where the Employee was employed immediately preceding the Change of Control or any office or location less than 50 miles from such location.

5.3 Compensation and Benefits. During the Modified Employment Term, in addition to the compensation and benefits described in Section 2, the Employee shall be entitled to the following compensation and benefits:

(a) Salary. During the Modified Employment Term, Employee's Base Salary shall be as provided for in Section 2.1.

(b) Benefit Plans. During the Modified Employment Term, the Employee and his family, if any, shall be entitled to participate in and receive applicable benefits under all such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company and its affiliated companies in effect generally after the Change of Control or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(c) Expenses. During the Modified Employment Term, the Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Employee in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(d) Office and Support Staff. During the Modified Employment Term, the Employee shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

5.4 Termination of Employment after a Change of Control. After a Change of Control and during the Modified Employment Term, the Employee's status as an employee shall terminate or may be terminated as provided in Section 3 of this Agreement; provided, however, that after a Change of Control and during the Modified Employment Term the terms "Cause" and "Good Reason," as

used in Section 3 and elsewhere in this Agreement, shall have the meanings given to them in this Section 5 and not the meanings given to them in Section 3.

5.5 Obligations of the Company upon Termination after a Change of Control. (a) If, after a Change of Control and prior to the end of the Modified Employment Term, the Company terminates the Employee's employment other than for Cause, death or Disability, or the Employee terminates employment for Good Reason, then

(i) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Modified Employment Term had such termination not occurred; and

(ii) Employee shall be entitled to the benefits provided in Section 4.3(b) and the amounts, if any, contemplated by Sections 4.6 and 4.7.

(b) If, after a Change of Control and prior to the end of the Modified Employment Term, the Employee's employment is terminated (i) for death, (ii) for Disability or (iii) for Cause (as defined in this Section 5), by the Employee for reasons other than Good Reason (as defined in this Section 5) or at the end of the Modified Employment Term, then the Employee shall be entitled to the benefits described in Section 4.1, Section 4.2 or Section 4.4, as the case may be, and shall be entitled to the benefits described in Sections 4.6 and 4.7. If the Company or the Employee gives notice of termination of the Modified Employment Term as provided for in Section 5.2, the Company may, at its option, terminate Employee's status as an Employee, in which case such termination shall be deemed a termination without Cause for purposes of all provisions of this Agreement.

(c) The rights and obligations of the Company and Employee contained in Section 4.5 ("Resignation as Director") shall continue to apply after a Change of Control.

5.6 Certain Additional Payments. If after a Change of Control Employee is subjected to an excise tax as a result of the "excess parachute payment" provisions of section 4999 of the Internal Revenue Code of 1986, as amended, whether by virtue of the benefits of this Agreement or by virtue of any other benefits provided to Employee in connection with a Change of Control pursuant to Company plans, policies or agreements (including the value of any options to acquire Common Stock of the Company the exercisability of which is accelerated pursuant to the terms of any stock option, incentive or similar plan heretofore or hereafter adopted by the Company), the Company shall pay to Employee (whether or not his employment has terminated) such amounts as are necessary to place Employee in the same position after payment of federal income and excise taxes and state and local income taxes as he would have been if such provisions had not been applicable to him.

Section 6. Miscellaneous

6.1 Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Employee and shall not be assignable by the Employee without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Employee. In the event of any such assignment or succession, the term "Company" as used in this Agreement shall refer also to such successor or assign.

(d) The Company shall require all entities that control, or that after the Change of Control will control, directly or indirectly, any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such agreement to be set forth in writing reasonably satisfactory to the Employee.

6.2 Notices. All notices hereunder must be in writing and shall be deemed to have given upon receipt of delivery by: (a) personal delivery to the designated individual, (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) facsimile transmission with confirmation of receipt. All such notices must be addressed as follows or such other address as to which any party hereto may have notified the other in writing:

If to the Company, to:

Akorn, Inc.
100 Akorn Drive
Abita Springs, Louisiana 70420
Attn: Chairman of the Board
Facsimile transmission No. (504) 893-1257

If to the Employee, to:

Barry D. LeBlanc
15 Neron Place
New Orleans, Louisiana 70118
Facsimile transmission No. (504) 861-9649

6.3 Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Louisiana.

6.4 Withholding. The Employee agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

6.5 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Employee and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application

of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

6.6 Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

6.7 Remedies Not Exclusive. No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

6.8 Company's Reservation of Rights. Employee acknowledges and understands that the Employee serves at the pleasure of the Board and that the Company has the right at any time to terminate Employee's status as an employee of the Company, or to change or diminish his status during the Employment Term, subject to the rights of the Employee to claim the benefits conferred by this Agreement.

6.9 Survival. Following the Date of Termination, each party shall have the right to enforce all rights, and shall be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

6.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Employee have caused this Agreement to be executed as of the Agreement Date.

AKORN, INC.

By: _____
George S. Ellis, M.D.
Compensation Committee Chairman

EMPLOYEE:

Barry D. LeBlanc

EMPLOYMENT AGREEMENT--HAROLD O. KOCH

This Employment Agreement ("Agreement") between Akorn, Inc., a Louisiana corporation (the "Company"), and Harold O. Koch (the "Employee") is dated as of January 1, 1996 (the "Agreement Date").

WHEREAS, Employee currently is employed by the Company;

WHEREAS, the Company desires to retain the services of Employee pursuant to the terms of this Agreement and Employee desires to continue in the service of the Company on such terms;

NOW, THEREFORE, for and in consideration of the continued employment of Employee by the Company and the payment of wages, salary and other compensation to Employee by the Company, the parties hereto agree as follows:

Section 1. Employment Capacity and Term

1.1 Capacity and Duties of Employee. The Employee is employed by the Company to render services on behalf of the Company as Senior Vice President. In that capacity the Employee shall perform such duties as are assigned to the individual holding any such title by the Company's Bylaws and such other duties, consistent with the Employee's job title, as may be prescribed from time to time by the Board of Directors of the Company (the "Board").

1.2 Employment Term. The term of this Agreement (the "Employment Term") shall commence on the Agreement Date and shall continue until and terminate one year after either the Company or the Employee has notified the other of such termination of the Employment Term; and provided, further, that the Employment Term is subject to extension as provided in Section 5.2 and Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

1.3 Devotion to Responsibilities. During the Employment Term, the Employee shall devote all of his business time to the business of the Company and its subsidiaries and affiliated companies, shall use his reasonable best efforts to perform faithfully and efficiently his duties under this Agreement, and shall not engage in or be employed by any other business; provided, however, that nothing contained herein shall prohibit the Employee from (a) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Employee receives compensation therefor, (b) investing his assets in such form or manner as shall require no more than nominal services on the part of the Employee in the operation of the business of or property in which such investment is made, or (c) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Employee's engaging in any activities permitted by virtue of clauses (a), (b) and (c) above does not materially interfere with the ability of the Employee to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (b) above, during the Employment Term, the Employee shall not perform any services for and shall not beneficially own more than 2% of the equity interests of a business organization that competes with the Company or its affiliates. For purposes of this paragraph, "beneficially own" shall have the meaning given to that term in Rule 13d-3 under the Securities Exchange Act of 1934 (the

"Exchange Act").

Section 2. Compensation and Benefits

During the Employment Term, the Company shall provide the Employee with the compensation and benefits described below:

2.1 Salary. A salary ("Base Salary") at the rate of \$125,000 per year; provided, however, that Employee's Base Salary shall increase as of each anniversary of the Agreement Date by a factor equal to the increase in the Consumer Price Index maintained by the United States Department of Labor. Employee's Base Salary shall be payable to the Employee at such intervals as the salaries of other salaried employees of the Company are paid. Any increase in Employee's Base Salary shall take effect for the payroll period next following the date on which the condition to such increase is met.

2.2 Bonus. Employee shall be eligible to receive such bonuses and supplementary compensation as the Board may determine.

2.3 Benefits. The Company shall provide the Employee and, if applicable, his family members, with the following benefits and perquisites:

(a) The Company will continue to provide for Employee's use a new Oldsmobile Ninety-Eight or other equivalent new automobile of his choice, such automobile to be replaced every third year, and to provide or reimburse Employee for all gasoline, maintenance, repairs and insurance for such automobile.

(b) All such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accident health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company and its affiliated companies.

2.4 Office and Support Staff. Employee shall be entitled to an office or offices of the size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the those provided to him on the Agreement Date.

2.5 Expenses. The Employee shall be reimbursed for reasonable out-of-pocket expenses incurred from time to time on behalf of the Company or any subsidiary in the performance of his duties under this Agreement, upon the presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Section 3. Termination of Employment

3.1 Death. The Employee's status as an employee shall terminate immediately and automatically upon the Employee's death during the Employment Term.

3.2 Disability. The Employee's status as an employee may be terminated for "Disability" as follows:

(a) The Employee's status as an employee shall terminate if the Employee has a disability that would entitle him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is

Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy. Any such termination shall become effective on the first day on which the Employee is eligible to receive payments under such policy (or on the first day that he would be so eligible, if he had applied timely for such payments).

(b) If the Company has no long-term disability plan in effect, the Employee's status as an employee shall terminate if (i) the Employee is rendered incapable because of physical or mental illness of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing, the Board shall have the power to determine that the Employee has become disabled. If the Board makes such a determination, the Company shall have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Employee as an employee. Any such termination shall become effective 30 days after such notice of termination is given, unless within such 30-day period, the Employee becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing) and the Employee in fact resumes such services.

(c) The "Disability Effective Date" shall mean the date on which termination of employment becomes effective due to Disability.

3.3 Cause. The Company may terminate the Employee's status as an employee for Cause. As used herein, termination by the Company of the Employee's status as an employee for "Cause" shall mean termination as a result of (a) the Employee's breach of this Agreement, or (b) the willful engaging by the Employee in gross misconduct injurious to the Company, which in either case is not remedied within 10 days after the Company provides written notice to the Employee of such breach or willful misconduct.

3.4 Good Reason. The Employee may terminate his status as an employee for Good Reason. As used herein, the term "Good Reason" shall mean:

(a) The occurrence of any of the following during the Employment Term:

(i) the assignment by the Board or by any authorized person to the Employee of any duties or responsibilities that are inconsistent with the Employee's status, title and position as Senior Vice President;

(ii) any removal of the Employee from, or any failure to reappoint or reelect the Employee to, the position of Senior Vice President of the Company, except in connection with a termination of Employee's status as an employee as permitted by this Agreement;

(iii) the Company's requiring the Employee to be based anywhere other than at or within 50 miles of the Company's headquarters in Abita Springs, Louisiana, except for required travel in the ordinary course of the Company's business;

(b) any breach of this Agreement by the Company that continues for a period of 10 days after written notice thereof is given by the Employee to the Company;

(c) the failure by the Company to obtain the assumption of its obligations under this Agreement by any successor or assignee as contemplated by Section 6.1(c); or

(d) any purported termination by the Company of the Employee's status as an employee for Cause that is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement.

3.5 Voluntary Termination by the Company. Subject to the terms and conditions provided herein, the Company may terminate the Employee's status as an employee during the Employment Term for reasons other than death, Disability or Cause.

3.6 Voluntary Termination by the Employee. Subject to the terms and conditions provided herein, the Employee may terminate the Employee's status as an employee during the Employment Term for reasons other than Good Reason.

3.7 Notice of Termination. Any termination by the Company for Disability or Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 6.2. For purposes of this Agreement, a "Notice of Termination" means a written notice that (a) indicates the specific termination provision in this Agreement relied upon, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provisions so indicated and (c) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason, Disability or Cause shall not negate the effect of the notice nor waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

3.8 Date of Termination. "Date of Termination" means (a) if Employee's employment is terminated by reason of his death or Disability, the Date of Termination shall be the date of death of Employee or the Disability Effective Date, as the case may be, (b) if Employee's employment is terminated by the Company for Cause, or by Employee for Good Reason, the date of delivery of the Notice of Termination or any later date specified therein, (which date shall not be more than 30 days after the giving of such notice) as the case may be, (c) if the Employee's employment is terminated by the Company prior to the end of the Employment Term for reasons other than death, Disability or Cause, the Date of Termination shall be the date on which the Company notifies the Employee of such termination, (d) if the Employee's employment is terminated by the Employee prior to the end of the Employment Term for reasons other than Good Reason, the Date of Termination shall be the date on which the Employee notifies the Company of such termination, and (e) if the Employment Term terminates upon notice by the Company or the Employee as provided for in Section 1.2 or Section 5.2, the Date of Termination shall be the date on which the Employment Term ends.

Section 4.Obligations Upon Termination

4.1 Death. If Employee's status as an employee is terminated by reason of Employee's death, this Agreement shall terminate without further obligations to Employee's legal representatives under this Agreement, other than the obligation to make any payments due pursuant to employee benefit plans

maintained by the Company or its subsidiaries.

4.2 Disability. If Employee's status as an employee is terminated by reason of Employee's Disability, this Agreement shall terminate without further obligation to Employee, other than the obligation to make any payments due pursuant to employee benefit plans maintained by the Company or its subsidiaries.

4.3 Termination by Company for Reasons other than Death, Disability or Cause; Termination by Employee for Good Reason. If the Company terminates the Employee's status as an employee prior to the end of the Employment Term for reasons other than death, Disability or Cause, or the Employee terminates his employment prior to the end of the Employment Term for Good Reason, then

(a) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Employment Term had the notice contemplated by Section 1.2 been given as of the Date of Termination; and

(b) the amount of any performance-based bonus or options granted to the Employee shall be deemed to be the amount to which the Employee would have been entitled if the budgeted goals or other performance goals applicable thereto had been met but not exceeded and, whether or not the performance goals have been met as of the Date of Termination, such bonus shall be payable within 30 days of the Date of Termination and such options (if not already exercisable) shall become exercisable as of the Date of Termination and shall expire on the date of expiration of the options as provided in the applicable option agreement.

4.4 Termination for Cause, Without Good Reason or at End of Employment Term. This Agreement shall terminate without further obligation to the Employee other than obligations imposed by law and obligations imposed pursuant to any employee benefit plan maintained by the Company or its subsidiaries (a) if the Employee's status as an Employee is terminated by the Company for Cause or by the Employee for reasons other than Good Reason or (b), except as otherwise provided in Section 5.2, at the end of the Employment Term. If the Company or the Employee gives notice of termination of the Employment Term as provided for in Section 1.2, the Company may, at its option, terminate Employee's status as an employee, in which case such termination shall be deemed a termination by the Company without Cause for purposes of all provisions of this Agreement.

4.5 Resignation as Director. If Employee is a director of the Company and his employment is terminated for any reason other than death, the Employee shall, if requested by the Company, immediately resign as a director of the Company. If such resignation is not received when so requested, the Employee shall forfeit any right to receive any payments pursuant to this Agreement.

4.6 Accrued Obligations and Other Benefits. Upon termination of employment for any reason the Employee shall be entitled to receive promptly, and in addition to any other benefits specifically provided, (a) the Employee's Base Salary through the Date of Termination to the extent not theretofore paid, (b) any accrued vacation pay, to the extent not theretofore paid, and (c) any other amounts or benefits required to be paid or provided or which the Employee is entitled to receive under any plan, program, policy practice or agreement of the Company.

4.7 Stock Options. The foregoing benefits are intended to be in addition to the value of any options to acquire Common Stock of the Company the exercisability of which may be

accelerated pursuant to the terms of any stock option, incentive or other similar plan heretofore or hereafter adopted by the Company.

Section 5. Change of Control

5.1 Definitions. For purposes of this Section 5, the following terms shall have the meanings indicated below.

(a) Company. In the event of any assignment or succession as described in Section 6.1(c), the term "Company" as used in this Agreement shall refer also to such successor or assignee.

(b) Change of Control. A Change of Control shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership of more than 30% of the outstanding shares of the Company's common stock, no par value per share (the "Common Stock"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (b)(iii) of this Section 5.1; or

(ii) individuals who, as of the Agreement Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in any such case, unless, following such Business Combination,

(A) all or substantially all of the individuals and entities who were the direct or indirect beneficial owners of the Company's outstanding common stock and voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of

directors, of the corporation resulting from such Business Combination (which, for purposes of this paragraph (A) and paragraphs (B) and (C), shall include a corporation which as a result of such transaction controls the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), and

(B) except to the extent that such ownership existed prior to the Business Combination, no person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the board of directors of the Company at the time of the initial action of the Board providing for such Business Combination; or

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) Affiliate. The term "affiliate" or "affiliated companies" shall mean any company or other entity controlled by, controlling, or under common control with, the Company.

(d) Cause. After a Change of Control, "Cause," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.3:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties hereunder (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Employee by the Board of the Company which specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or its affiliates.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of a senior officer of the Company or based upon the advice of counsel for the Company or its affiliates shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Company or its affiliates. The cessation of employment of the Employee shall not be deemed to be for Cause unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Employee and the Employee is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the

Employee has engaged in the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(e) Good Reason. After a Change of Control, "Good Reason," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.4:

(i) Any failure of the Company or its affiliates to provide the Employee with the position, authority, duties and responsibilities at least equivalent in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control;

(ii) The assignment to the Employee of any duties inconsistent in any respect with Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1.1, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iii) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iv) The Company or its affiliates requiring the Employee to be based at any office or location other than as provided in Section 3.4(a)(iii) hereof or requiring the Employee to travel on business to a substantially greater extent than required immediately prior to the Change of Control;

(v) Any purported termination of the Employee's employment otherwise than as expressly permitted by this Agreement; or

(vi) Any failure by the Company to comply with and satisfy Sections 6.1(c) and (d) of this Agreement.

For purposes of this Section 5, any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason during the 30-day period immediately following the first anniversary of the Change of Control shall be deemed to be a termination for Good Reason.

(f) Beneficial Ownership. The terms "beneficial ownership," "beneficial owner," "beneficially owns," and similar terms shall have the meanings set forth in Rule 13d-3 under the Exchange Act.

5.2 Employment Capacity and Term after Change of Control.

(a) If a Change of Control occurs during the Employment Term, the Employee's Employment Term (the "Modified Employment Term") shall be extended until and terminate at the close of business on the later to occur of the second anniversary of the Change of Control; or the date one year after the date on which either the Company or the Employee has notified the other of such termination; and provided, further, that Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

(b) After a Change of Control and during the Modified Employment Term, (i) the Employee's position (including status,

offices, titles and reporting requirements), authority, duties and responsibilities in and with respect to the Company shall be at least equivalent in all material respects to the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Employee's service shall be performed at the location where the Employee was employed immediately preceding the Change of Control or any office or location less than 50 miles from such location.

5.3 Compensation and Benefits. During the Modified Employment Term, in addition to the compensation and benefits described in Section 2, the Employee shall be entitled to the following compensation and benefits:

(a) Salary. During the Modified Employment Term, Employee's Base Salary shall be as provided for in Section 2.1.

(b) Benefit Plans. During the Modified Employment Term, the Employee and his family, if any, shall be entitled to participate in and receive applicable benefits under all such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company and its affiliated companies in effect generally after the Change of Control or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(c) Expenses. During the Modified Employment Term, the Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Employee in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(d) Office and Support Staff. During the Modified Employment Term, the Employee shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

5.4 Termination of Employment after a Change of Control. After a Change of Control and during the Modified Employment Term, the Employee's status as an employee shall terminate or may be terminated as provided in Section 3 of this Agreement; provided, however, that after a Change of Control and during the Modified Employment Term the terms "Cause" and "Good Reason," as used in Section 3 and elsewhere in this Agreement, shall have the meanings given to them in this Section 5 and not the meanings given to them in Section 3.

5.5 Obligations of the Company upon Termination after a Change of Control. (a) If, after a Change of Control and prior to the end of the Modified Employment Term, the Company terminates the Employee's employment other than for Cause, death

or Disability, or the Employee terminates employment for Good Reason, then

(i) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Modified Employment Term had such termination not occurred; and

(ii) Employee shall be entitled to the benefits provided in Section 4.3(b) and the amounts, if any, contemplated by Sections 4.6 and 4.7.

(b) If, after a Change of Control and prior to the end of the Modified Employment Term, the Employee's employment is terminated (i) for death, (ii) for Disability or (iii) for Cause (as defined in this Section 5), by the Employee for reasons other than Good Reason (as defined in this Section 5) or at the end of the Modified Employment Term, then the Employee shall be entitled to the benefits described in Section 4.1, Section 4.2 or Section 4.4, as the case may be, and shall be entitled to the benefits described in Sections 4.6 and 4.7. If the Company or the Employee gives notice of termination of the Modified Employment Term as provided for in Section 5.2, the Company may, at its option, terminate Employee's status as an Employee, in which case such termination shall be deemed a termination without Cause for purposes of all provisions of this Agreement.

(c) The rights and obligations of the Company and Employee contained in Section 4.5 ("Resignation as Director") shall continue to apply after a Change of Control.

5.6 Certain Additional Payments. If after a Change of Control Employee is subjected to an excise tax as a result of the "excess parachute payment" provisions of section 4999 of the Internal Revenue Code of 1986, as amended, whether by virtue of the benefits of this Agreement or by virtue of any other benefits provided to Employee in connection with a Change of Control pursuant to Company plans, policies or agreements (including the value of any options to acquire Common Stock of the Company the exercisability of which is accelerated pursuant to the terms of any stock option, incentive or similar plan heretofore or hereafter adopted by the Company), the Company shall pay to Employee (whether or not his employment has terminated) such amounts as are necessary to place Employee in the same position after payment of federal income and excise taxes and state and local income taxes as he would have been if such provisions had not been applicable to him.

Section 6. Miscellaneous

6.1 Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Employee and shall not be assignable by the Employee without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no

assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Employee. In the event of any such assignment or succession, the term "Company" as used in this Agreement shall refer also to such successor or assign.

(d) The Company shall require all entities that control, or that after the Change of Control will control, directly or indirectly, any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such agreement to be set forth in writing reasonably satisfactory to the Employee.

6.2 Notices. All notices hereunder must be in writing and shall be deemed to have given upon receipt of delivery by: (a) personal delivery to the designated individual, (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) facsimile transmission with confirmation of receipt. All such notices must be addressed as follows or such other address as to which any party hereto may have notified the other in writing:

If to the Company, to:

Akorn, Inc.
100 Akorn Drive
Abita Springs, Louisiana 70420
Attn: President
Facsimile: (504) 893-1257

If to the Employee, to:

Harold O. Koch
106 Riverdale
Covington, Louisiana 70433
Facsimile: (504) _____

6.3 Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Louisiana.

6.4 Withholding. The Employee agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

6.5 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Employee and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

6.6 Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement shall not operate or be

construed as a waiver of any subsequent breach thereof.

6.7 Remedies Not Exclusive. No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

6.8 Company's Reservation of Rights. Employee acknowledges and understands that the Employee serves at the pleasure of the Board and that the Company has the right at any time to terminate Employee's status as an employee of the Company, or to change or diminish his status during the Employment Term, subject to the rights of the Employee to claim the benefits conferred by this Agreement.

6.9 Survival. Following the Date of Termination, each party shall have the right to enforce all rights, and shall be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

6.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Employee have caused this Agreement to be executed as of the Agreement Date.

AKORN, INC.

By: _____
George S. Ellis, M.D.
Compensation Committee Chairman

EMPLOYEE:

Harold O. Koch

EXHIBIT 10.4

EMPLOYMENT AGREEMENT--TIM J. TONEY

This Employment Agreement ("Agreement") between Akorn Manufacturing, Inc., an Illinois corporation (the "Company"), and Tim J. Toney (the "Employee") is dated as of January 1, 1996 (the "Agreement Date").

WHEREAS, Employee currently is employed by the Company;

WHEREAS, the Company desires to retain the services of Employee pursuant to the terms of this Agreement and Employee desires to continue in the service of the Company on such terms;

NOW, THEREFORE, for and in consideration of the continued employment of Employee by the Company and the payment of wages, salary and other compensation to Employee by the Company, the parties hereto agree as follows:

Section 1. Employment Capacity and Term

1.1 Capacity and Duties of Employee. The Employee is employed by the Company to render services on behalf of the Company as Vice President Manufacturing Operations. In that capacity the Employee shall perform such duties as are assigned to the individual holding any such title by the Company's Bylaws and such other duties, consistent with the Employee's job title, as may be prescribed from time to time by the Board of Directors of the Company (the "Board").

1.2 Employment Term. The term of this Agreement (the "Employment Term") shall commence on the Agreement Date and shall continue until and terminate one year after either the Company or the Employee has notified the other of such termination of the Employment Term; and provided, further, that the Employment Term is subject to extension as provided in Section 5.2 and Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

1.3 Devotion to Responsibilities. During the Employment Term, the Employee shall devote all of his business time to the business of the Company and its subsidiaries and affiliated companies, shall use his reasonable best efforts to perform faithfully and efficiently his duties under this Agreement, and shall not engage in or be employed by any other business; provided, however, that nothing contained herein shall prohibit the Employee from (a) serving as a member of the board of directors, board of trustees or the like of any for-profit or non-profit entity that does not compete with the Company, or performing services of any type for any civic or community entity, whether or not the Employee receives compensation therefor, (b) investing his assets in such form or manner as shall require no more than nominal services on the part of the Employee in the operation of the business of or property in which such investment is made, or (c) serving in various capacities with, and attending meetings of, industry or trade groups and associations, as long as the Employee's engaging in any activities permitted by virtue of clauses (a), (b) and (c) above does not materially interfere with the ability of the Employee to perform the services and discharge the responsibilities required of him under this Agreement. Notwithstanding clause (b) above, during the Employment Term, the Employee shall not perform any services for and shall not beneficially own more than 2% of the equity interests of a business organization that competes with

the Company or its affiliates. For purposes of this paragraph, "beneficially own" shall have the meaning given to that term in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act").

Section 2. Compensation and Benefits

During the Employment Term, the Company shall provide the Employee with the compensation and benefits described below:

2.1 Salary. A salary ("Base Salary") at the rate of \$120,000 per year; provided, however, that Employee's Base Salary shall increase as of each anniversary of the Agreement Date by a factor equal to the increase in the Consumer Price Index maintained by the United States Department of Labor. Employee's Base Salary shall be payable to the Employee at such intervals as the salaries of other salaried employees of the Company are paid. Any increase in Employee's Base Salary shall take effect for the payroll period next following the date on which the condition to such increase is met.

2.2 Bonus. Employee shall be eligible to receive such bonuses and supplementary compensation as the Board may determine.

2.3 Benefits. The Company shall provide the Employee and, if applicable, his family members, with all such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accident health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company.

2.4 Office and Support Staff. Employee shall be entitled to an office or offices of the size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the those provided to him on the Agreement Date.

2.5 Expenses. The Employee shall be reimbursed for reasonable out-of-pocket expenses incurred from time to time on behalf of the Company or any affiliate in the performance of his duties under this Agreement, upon the presentation of such supporting invoices, documents and forms as the Company reasonably requests.

Section 3. Termination of Employment

3.1 Death. The Employee's status as an employee shall terminate immediately and automatically upon the Employee's death during the Employment Term.

3.2 Disability. The Employee's status as an employee may be terminated for "Disability" as follows:

(a) The Employee's status as an employee shall terminate if the Employee has a disability that would entitle him to receive benefits under the Company's long-term disability insurance policy in effect at the time either because he is Totally Disabled or Partially Disabled, as such terms are defined in the Company's policy in effect as of the Agreement Date or as similar terms are defined in any successor policy. Any such termination shall become effective on the first day on which the Employee is eligible to receive payments under such policy (or on the first day that he would be so eligible, if he had applied

timely for such payments).

(b) If the Company has no long-term disability plan in effect, the Employee's status as an employee shall terminate if (i) the Employee is rendered incapable because of physical or mental illness of satisfactorily discharging his duties and responsibilities under this Agreement for a period of 90 consecutive days and (ii) a duly qualified physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing, the Board shall have the power to determine that the Employee has become disabled. If the Board makes such a determination, the Company shall have the continuing right and option, during the period that such disability continues, and by notice given in the manner provided in this Agreement, to terminate the status of Employee as an employee. Any such termination shall become effective 30 days after such notice of termination is given, unless within such 30-day period, the Employee becomes capable of rendering services of the character contemplated hereby (and a physician chosen by the Company and acceptable to the Employee or his legal representative so certifies in writing) and the Employee in fact resumes such services.

(c) The "Disability Effective Date" shall mean the date on which termination of employment becomes effective due to Disability.

3.3 Cause. The Company may terminate the Employee's status as an employee for Cause. As used herein, termination by the Company of the Employee's status as an employee for "Cause" shall mean termination as a result of (a) the Employee's breach of this Agreement, or (b) the willful engaging by the Employee in gross misconduct injurious to the Company, which in either case is not remedied within 10 days after the Company provides written notice to the Employee of such breach or willful misconduct.

3.4 Good Reason. The Employee may terminate his status as an employee for Good Reason. As used herein, the term "Good Reason" shall mean:

(a) The occurrence of any of the following during the Employment Term:

(i) the assignment by the Board or by any authorized person to the Employee of any duties or responsibilities that are inconsistent with the Employee's status, title and position as Vice President Manufacturing Operations;

(ii) any removal of the Employee from, or any failure to reappoint or reelect the Employee to, the position of Vice President Manufacturing Operations of the Company, except in connection with a termination of Employee's status as an employee as permitted by this Agreement;

(iii) the Company's requiring the Employee to be based anywhere other than at or within 50 miles of the Company's principal offices in Decatur, Illinois except for required travel in the ordinary course of the Company's business;

(b) any breach of this Agreement by the Company that continues for a period of 10 days after written notice thereof is given by the Employee to the Company;

(c) the failure by the Company to obtain the assumption of its obligations under this Agreement by any successor or assignee as contemplated by Section 6.1(c); or

(d) any purported termination by the Company of the Employee's status as an employee for Cause that is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement.

3.5 Voluntary Termination by the Company. Subject to the terms and conditions provided herein, the Company may terminate the Employee's status as an employee during the Employment Term for reasons other than death, Disability or Cause.

3.6 Voluntary Termination by the Employee. Subject to the terms and conditions provided herein, the Employee may terminate the Employee's status as an employee during the Employment Term for reasons other than Good Reason.

3.7 Notice of Termination. Any termination by the Company for Disability or Cause, or by the Employee for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 6.2. For purposes of this Agreement, a "Notice of Termination" means a written notice that (a) indicates the specific termination provision in this Agreement relied upon, (b) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provisions so indicated and (c) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 30 days after the giving of such notice). The failure by the Employee or the Company to set forth in the Notice of Termination any fact or circumstance that contributes to a showing of Good Reason, Disability or Cause shall not negate the effect of the notice nor waive any right of the Employee or the Company, respectively, hereunder or preclude the Employee or the Company, respectively, from asserting such fact or circumstance in enforcing the Employee's or the Company's rights hereunder.

3.8 Date of Termination. "Date of Termination" means (a) if Employee's employment is terminated by reason of his death or Disability, the Date of Termination shall be the date of death of Employee or the Disability Effective Date, as the case may be, (b) if Employee's employment is terminated by the Company for Cause, or by Employee for Good Reason, the date of delivery of the Notice of Termination or any later date specified therein, (which date shall not be more than 30 days after the giving of such notice) as the case may be, (c) if the Employee's employment is terminated by the Company prior to the end of the Employment Term for reasons other than death, Disability or Cause, the Date of Termination shall be the date on which the Company notifies the Employee of such termination, (d) if the Employee's employment is terminated by the Employee prior to the end of the Employment Term for reasons other than Good Reason, the Date of Termination shall be the date on which the Employee notifies the Company of such termination, and (e) if the Employment Term terminates upon notice by the Company or the Employee as provided for in Section 1.2 or Section 5.2, the Date of Termination shall be the date on which the Employment Term ends.

Section 4. Obligations Upon Termination

4.1 Death. If Employee's status as an employee is terminated by reason of Employee's death, this Agreement shall terminate without further obligations to Employee's legal representatives under this Agreement, other than the obligation to make any payments due pursuant to employee benefit plans maintained by the Company or its affiliates.

4.2 Disability. If Employee's status as an employee is

terminated by reason of Employee's Disability, this Agreement shall terminate without further obligation to Employee, other than the obligation to make any payments due pursuant to employee benefit plans maintained by the Company or its affiliates.

4.3 Termination by Company for Reasons other than Death, Disability or Cause; Termination by Employee for Good Reason. If the Company terminates the Employee's status as an employee prior to the end of the Employment Term for reasons other than death, Disability or Cause, or the Employee terminates his employment prior to the end of the Employment Term for Good Reason, then

(a) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Employment Term had the notice contemplated by Section 1.2 been given as of the Date of Termination; and

(b) the amount of any performance-based bonus or options granted to the Employee shall be deemed to be the amount to which the Employee would have been entitled if the budgeted goals or other performance goals applicable thereto had been met but not exceeded and, whether or not the performance goals have been met as of the Date of Termination, such bonus shall be payable within 30 days of the Date of Termination and such options (if not already exercisable) shall become exercisable as of the Date of Termination and shall expire on the date of expiration of the options as provided in the applicable option agreement.

4.4 Termination for Cause, Without Good Reason or at End of Employment Term. This Agreement shall terminate without further obligation to the Employee other than obligations imposed by law and obligations imposed pursuant to any employee benefit plan maintained by the Company or its affiliates (a) if the Employee's status as an Employee is terminated by the Company for Cause or by the Employee for reasons other than Good Reason or (b), except as otherwise provided in Section 5.2, at the end of the Employment Term. If the Company or the Employee gives notice of termination of the Employment Term as provided for in Section 1.2, the Company may, at its option, terminate Employee's status as an employee, in which case such termination shall be deemed a termination by the Company without Cause for purposes of all provisions of this Agreement.

4.5 Resignation as Director. If Employee is a director of the Company and his employment is terminated for any reason other than death, the Employee shall, if requested by the Company, immediately resign as a director of the Company. If such resignation is not received when so requested, the Employee shall forfeit any right to receive any payments pursuant to this Agreement.

4.6 Accrued Obligations and Other Benefits. Upon termination of employment for any reason the Employee shall be entitled to receive promptly, and in addition to any other benefits specifically provided, (a) the Employee's Base Salary through the Date of Termination to the extent not theretofore paid, (b) any accrued vacation pay, to the extent not theretofore paid, and (c) any other amounts or benefits required to be paid or provided or which the Employee is entitled to receive under any plan, program, policy practice or agreement of the Company.

4.7 Stock Options. The foregoing benefits are intended to be in addition to the value of any options to acquire common stock of Akorn the exercisability of which may be accelerated pursuant to the terms of any stock option, incentive or other similar plan heretofore or hereafter adopted by Akorn.

Section 5. Change of Control

5.1 Definitions. For purposes of this Section 5, the following terms shall have the meanings indicated below.

(a) Company. In the event of any assignment or succession as described in Section 6.1(c), the term "Company" as used in this Agreement shall refer also to such successor or assignee. As used in Section 5.1(b) the term "Company" shall refer to Akorn and shall not refer to Akorn Manufacturing, Inc., except as otherwise indicated.

(b) Change of Control. A "Change of Control" shall mean the occurrence of any of the following events:

(i) the acquisition by any individual, entity or "person" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership of more than 30% of the outstanding shares of the Company's common stock, no par value per share (the "Common Stock"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a transaction that complies with clauses (A), (B) and (C) of subsection (b)(iii) of this Section 5.1; or

(ii) individuals who, as of the Agreement Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Agreement Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in any such case, unless, following such Business Combination,

(A) all or substantially all of the individuals and entities who were the direct or indirect beneficial owners of the Company's outstanding common stock and voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business

Combination (which, for purposes of this paragraph (A) and paragraphs (B) and (C), shall include a corporation which as a result of such transaction controls the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), and

(B) except to the extent that such ownership existed prior to the Business Combination, no person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the board of directors of the Company at the time of the initial action of the Board providing for such Business Combination;

(iv) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or;

(v) the consummation of a reorganization, merger or consolidation, sale or other disposition of all or substantially all of the assets, or sale, transfer or other distribution of more than 50% of the shares of common stock of Akorn Manufacturing, Inc. or of the voting securities entitled to vote in the election of directors thereof, in any such case, unless, following such transaction, at least a majority of the members of the Board of Directors of Akorn Manufacturing, Inc. or other corporation resulting from such transaction were members of the Board of Directors of Akorn Manufacturing, Inc. or of the Company at the time of the initial action of the Board of Directors of Akorn Manufacturing, Inc. or of the Company providing for such transaction.

(c) Affiliate. The term "affiliate" or "affiliated companies" shall mean any company or other entity controlled by, controlling, or under common control with, the Company.

(d) Cause. After a Change of Control, "Cause," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.3:

(i) the willful and continued failure of the Employee to perform substantially the Employee's duties hereunder (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Employee by the Board of the Company which specifically identifies the manner in which the Board believes that the Employee has not substantially performed the Employee's duties, or

(ii) the willful engaging by the Employee in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company or its affiliates.

For purposes of this provision, no act or failure to act, on the part of the Employee, shall be considered "willful" unless it is done, or omitted to be done, by the Employee in bad faith or without reasonable belief that the Employee's action or omission was in the best interests of the Company or its affiliates. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of

a senior officer of the Company or based upon the advice of counsel for the Company or its affiliates shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith and in the best interests of the Company or its affiliates. The cessation of employment of the Employee shall not be deemed to be for Cause unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Employee and the Employee is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Employee has engaged in the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(e) Good Reason. After a Change of Control, "Good Reason," as used in this Agreement, shall have the following meaning and not the meaning given in Section 3.4:

(i) Any failure of the Company or its affiliates to provide the Employee with the position, authority, duties and responsibilities at least equivalent in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control;

(ii) The assignment to the Employee of any duties inconsistent in any respect with Employee's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 1.1, or any other action that results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iii) Any failure by the Company or its affiliates to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith that is remedied within 10 days after receipt of written notice thereof from the Employee to the Company;

(iv) The Company or its affiliates requiring the Employee to be based at any office or location other than as provided in Section 3.4(a)(iii) hereof or requiring the Employee to travel on business to a substantially greater extent than required immediately prior to the Change of Control;

(v) Any purported termination of the Employee's employment otherwise than as expressly permitted by this Agreement; or

(vi) Any failure by the Company to comply with and satisfy Sections 6.1(c) and (d) of this Agreement.

For purposes of this Section 5, any good faith determination of "Good Reason" made by the Employee shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Employee for any reason during the 30-day period immediately following the first anniversary of the Change of Control shall be deemed to be a termination for Good Reason.

(f) Beneficial Ownership. The terms "beneficial ownership," "beneficial owner," "beneficially owns," and similar terms shall have the meanings set forth in Rule 13d-3 under the Exchange Act.

5.2 Employment Capacity and Term after Change of Control.

(a) If a Change of Control occurs during the Employment Term, the Employee's Employment Term (the "Modified Employment Term") shall be extended until and terminate at the close of business on the later to occur of the second anniversary of the Change of Control or the date one year after the date on which either the Company or the Employee has notified the other of such termination; and provided, further, that Employee's status as an employee is subject to earlier termination to the extent provided in this Agreement.

(b) After a Change of Control and during the Modified Employment Term, (i) the Employee's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities in and with respect to the Company shall be at least equivalent in all material respects to the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Change of Control and (ii) the Employee's service shall be performed at the location where the Employee was employed immediately preceding the Change of Control or any office or location less than 50 miles from such location.

5.3 Compensation and Benefits. During the Modified Employment Term, in addition to the compensation and benefits described in Section 2, the Employee shall be entitled to the following compensation and benefits:

(a) Salary. During the Modified Employment Term, Employee's Base Salary shall be as provided for in Section 2.1.

(b) Benefit Plans. During the Modified Employment Term, the Employee and his family, if any, shall be entitled to participate in and receive applicable benefits under all such (i) incentive, savings and retirement plans, practices, policies and programs, (ii) welfare benefit plans, practices, policies and programs (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental health and travel accident insurance plans and programs) and (iii) paid vacation and other fringe benefits, plans, practices, policies and programs as are applicable generally to other peer employees of the Company and its affiliated companies in effect generally after the Change of Control or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(c) Expenses. During the Modified Employment Term, the Employee shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Employee in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

(d) Office and Support Staff. During the Modified Employment Term, the Employee shall be entitled to an office or offices of a size and with furnishings and other appointments, and to personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided generally after the Change of Control with respect to other peer employees of the Company and its affiliated companies or, if more favorable to the Employee, as in effect for the Employee at any time during the 120-day period immediately preceding the Change of Control.

5.4 Termination of Employment after a Change of Control.

After a Change of Control and during the Modified Employment Term, the Employee's status as an employee shall terminate or may be terminated as provided in Section 3 of this Agreement; provided, however, that after a Change of Control and during the Modified Employment Term the terms "Cause" and "Good Reason," as used in Section 3 and elsewhere in this Agreement, shall have the meanings given to them in this Section 5 and not the meanings given to them in Section 3.

5.5 Obligations of the Company upon Termination after a Change of Control. (a) If, after a Change of Control and prior to the end of the Modified Employment Term, the Company terminates the Employee's employment other than for Cause, death or Disability, or the Employee terminates employment for Good Reason, then

(i) within 30 days of the Date of Termination the Company shall pay to the Employee in a lump sum an amount equal to the Employee's Base Salary through the end of the Modified Employment Term had such termination not occurred; and

(ii) Employee shall be entitled to the benefits provided in Section 4.3(b) and the amounts, if any, contemplated by Sections 4.6 and 4.7.

(b) If, after a Change of Control and prior to the end of the Modified Employment Term, the Employee's employment is terminated (i) for death, (ii) for Disability or (iii) for Cause (as defined in this Section 5), by the Employee for reasons other than Good Reason (as defined in this Section 5) or at the end of the Modified Employment Term, then the Employee shall be entitled to the benefits described in Section 4.1, Section 4.2 or Section 4.4, as the case may be, and shall be entitled to the benefits described in Sections 4.6 and 4.7. If the Company or the Employee gives notice of termination of the Modified Employment Term as provided for in Section 5.2, the Company may, at its option, terminate Employee's status as an Employee, in which case such termination shall be deemed a termination without Cause for purposes of all provisions of this Agreement.

(c) The rights and obligations of the Company and Employee contained in Section 4.5 ("Resignation as Director") shall continue to apply after a Change of Control.

5.6 Certain Additional Payments. If after a Change of Control Employee is subjected to an excise tax as a result of the "excess parachute payment" provisions of section 4999 of the Internal Revenue Code of 1986, as amended, whether by virtue of the benefits of this Agreement or by virtue of any other benefits provided to Employee in connection with a Change of Control pursuant to Company plans, policies or agreements (including the value of any options to acquire Common Stock of the Company the exercisability of which is accelerated pursuant to the terms of any stock option, incentive or similar plan heretofore or hereafter adopted by the Company), the Company shall pay to Employee (whether or not his employment has terminated) such amounts as are necessary to place Employee in the same position after payment of federal income and excise taxes and state and local income taxes as he would have been if such provisions had not been applicable to him.

Section 6. Miscellaneous

6.1 Binding Effect.

(a) This Agreement shall be binding upon and inure to the benefit of the Company and any of its successors or assigns.

(b) This Agreement is personal to the Employee and shall not be assignable by the Employee without the consent of the Company (there being no obligation to give such consent) other than such rights or benefits as are transferred by will or the laws of descent and distribution.

(c) The Company shall require any successor to or assignee of (whether direct or indirect, by purchase, merger, consolidation or otherwise) all or substantially all of the assets or businesses of the Company (i) to assume unconditionally and expressly this Agreement and (ii) to agree to perform all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such assumption to be set forth in a writing reasonably satisfactory to the Employee. In the event of any such assignment or succession, the term "Company" as used in this Agreement shall refer also to such successor or assign.

(d) The Company shall require all entities that control, or that after the Change of Control will control, directly or indirectly, any such successor or assignee to agree to cause to be performed all of the obligations under this Agreement in the same manner and to the same extent as would have been required of the Company had no assignment or succession occurred, such agreement to be set forth in writing reasonably satisfactory to the Employee.

6.2 Notices. All notices hereunder must be in writing and shall be deemed to have given upon receipt of delivery by: (a) personal delivery to the designated individual, (b) certified or registered mail, postage prepaid, return receipt requested, (c) a nationally recognized overnight courier service (against a receipt therefor) or (d) facsimile transmission with confirmation of receipt. All such notices must be addressed as follows or such other address as to which any party hereto may have notified the other in writing:

If to the Company, to:

Akorn Manufacturing, Inc.
100 Akorn Drive
Abita Springs, Louisiana 70420
Attn: President
Facsimile transmission No. (504) 893-1257

If to the Employee, to:

Tim J. Toney
2850 Virt Road
Decatur, Illinois 62521
Facsimile transmission No. _____

6.3 Governing Law. This Agreement shall be construed and enforced in accordance with and governed by the internal laws of the State of Louisiana.

6.4 Withholding. The Employee agrees that the Company has the right to withhold, from the amounts payable pursuant to this Agreement, all amounts required to be withheld under applicable income and/or employment tax laws, or as otherwise stated in documents granting rights that are affected by this Agreement.

6.5 Severability. If any term or provision of this Agreement or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Employee and the Company intend for any court construing this Agreement to modify or limit such provision temporally, spatially or otherwise so as to render

it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

6.6 Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

6.7 Remedies Not Exclusive. No remedy specified herein shall be deemed to be such party's exclusive remedy, and accordingly, in addition to all of the rights and remedies provided for in this Agreement, the parties shall have all other rights and remedies provided to them by applicable law, rule or regulation.

6.8 Company's Reservation of Rights. Employee acknowledges and understands that the Employee serves at the pleasure of the Board and that the Company has the right at any time to terminate Employee's status as an employee of the Company, or to change or diminish his status during the Employment Term, subject to the rights of the Employee to claim the benefits conferred by this Agreement.

6.9 Survival. Following the Date of Termination, each party shall have the right to enforce all rights, and shall be bound by all obligations, of such party that are continuing rights and obligations under this Agreement.

6.10 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Employee have caused this Agreement to be executed as of the Agreement Date.

AKORN MANUFACTURING, INC.

By: _____
Eric M. Wingerter
Secretary

EMPLOYEE:

Tim J. Toney

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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AT AKORN

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FOR IMMEDIATE RELEASE
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AKORN'S 2ND-QTR RESULTS IN LINE WITH EXPECTATIONS;
POSITIVE OUTLOOK DUE TO RECENT APPROVALS

ABITA SPRINGS, LA, February 7, 1996 - Akorn, Inc. (Nasdaq: AKRN) today announced that net income for the second quarter of fiscal 1996 was \$440,000, or 3 cents per share, on sales of \$7.4 million compared with net income of \$605,000, or 4 cents per share, on sales of \$8.4 million in the year-ago period. Akorn recognized net income of \$901,000, or 6 cents per share, on revenues of \$15.3 million for the first six months of fiscal 1996. In the comparable period for fiscal 1995, Akorn recognized net income of \$1.4 million, or 9 cents per share, on revenues of \$16.9 million.

"These results were in line with our expectations," said Barry D. LeBlanc, president and chief executive officer. "Although second-quarter comparisons continued to be affected by the temporary loss of our lead allergy product, AK-Con-A, we are happy to have recently received the regulatory approval necessary to have an over-the-counter (OTC) version of the product back on the market through a licensing agreement with Pfizer Inc. We expect to begin recognizing royalties and manufacturing profits from this agreement starting in the fourth quarter of fiscal-year 1996."

The U.S. Food and Drug Administration (FDA) had switched AK-Con-A to OTC status in the second quarter of fiscal 1995. In response, Akorn filed a New Drug Application (NDA) for an OTC version of the product, which the company licensed to Pfizer Inc in exchange for agreed upon royalties and manufacturing revenue. As announced earlier this week, Akorn has successfully obtained the necessary NDA.

REVIEW OF RESULTS

Net sales for the quarter ended December 31, 1995, were \$7.4 million, down 12 percent from last year's \$8.4 million. In addition to the effects of temporarily losing AK-Con-A, a reduction in contract manufacturing revenues also contributed to the unfavorable comparisons. Gross profit declined 22 percent from \$3.6 million to \$2.8 million. Gross margins declined five basis points, primarily resulting from the temporary loss of AK-Con-A, Akorn's highest-margin product at nearly 75 percent, and the reduction in plant throughput associated with the decline in both contract business and production of AK-Con-A.

Operating expenses declined 21 percent during the quarter, while research and development expenditures increased 26 percent, reflecting an accelerated program to obtain Abbreviated New Drug Applications (ANDAs) and a change in the mix of products in the R&D pipeline to a larger percentage of new products versus products for which expenses have been previously accrued. Operating expenses as a percentage of sales declined to 26.6 percent for the quarter ended December 31, 1995, from 29.7 percent for the prior-year period. This reduction in operating expense is a result of certain cost reductions Akorn made in the

third quarter of fiscal 1995. The company's effective tax rate remained stable at 37 percent.

Net sales for the six months ended December 31, 1995, were \$15.3 million, or 10 percent lower than the year-ago amount of \$16.9 million. Gross profit declined 21 percent to \$5.7 million from \$7.2 million in the prior-year period. Gross margins declined five basis points due to the factors previously noted.

Operating expenses declined 17 percent during the six-month period ended December 31, 1995, as compared with the same period in the previous year, while research and development expenditures increased 33 percent. Operating expenses as a percentage of sales declined to 25.5 percent for the six months ended December 31, 1995, from 27.9 percent for the prior year.

OUTLOOK

Commenting on these results, LeBlanc said, "The absence of AK-Con-A continued to have a significant effect on comparative results; however, with the recent NDA approval, this effect should reverse by the end of the fiscal year." The company expects incremental profits from manufacturing margins and royalties to approximate 1 to 2 cents per share per quarter.

LeBlanc continued, "In addition, the recent approval of Tobramycin Ophthalmic Solution U.S.P. 0.3%, announced today, should add incremental revenues and profits to the company, commencing in the fourth fiscal quarter, when we plan to introduce a 'commodity generic' label of this product. This would add to Akorn's growing line of generic ophthalmic pharmaceuticals sold to generic source programs, formularies of national accounts, and managed-care providers." The annual U.S. market for ophthalmic tobramycin is approximately \$30 million, making it one of the larger ophthalmic pharmaceuticals.

"The current weakness in the contract segment is due to a recent shift by several contract customers who, based on economic evaluation, have opted to transfer the manufacture of their injectable products in-house, or to discontinue the product line entirely," LeBlanc noted. "While this shift has caused a temporary decline in contract revenue, it has created opportunities for Akorn as we seek to acquire injectable products and product lines for manufacture at our Decatur facility. Currently, we are in discussions with several customers to acquire such products to support our recent decision to enter the generic injectable business in the anesthesia/analgesia market. And, we have several ANDAs for injectable products in this market currently in process."

Akorn offers a full line of contract services in the injectable area, including product development, stability testing, sterile manufacturing, and regulatory assistance. Akorn's full-service capability is best evidenced by the previously announced agreement with Jordan Pharmaceuticals, Inc. to develop and manufacture three new generic injectable pharmaceutical products. In addition, the agreement secured the long-term manufacture of three other generic injectables historically produced by Akorn for Jordan.

LeBlanc concluded, "All of these efforts should contribute to establishing a profitable injectable presence for Akorn's contract manufacturing business as well as for Akorn-owned products. We expect that this injectable presence will better leverage Akorn's established positions in the development, manufacture, and distribution of sterile pharmaceuticals."

Akorn, Inc. manufactures sterile ophthalmic and injectable pharmaceuticals, and markets and distributes an extensive line of ophthalmic products.

Financial Tables Follow...

For additional information about Akorn, Inc. free of charge via fax,
dial 1-800-PRO-INFO and enter "AKRN."

CONSOLIDATED STATEMENT OF EARNINGS

In thousands, except per share amounts

	Three months ended December 31			Six months ended December 31		
	1995	1994	%Chg	1995	1994	%Chg
Net sales	\$7,387	\$8,384	-11.9%	\$15,276	\$16,925	-9.7%
Cost of sales	4,577	4,773	-4.1%	9,578	9,693	-1.2%
Gross profit	2,810	3,611	-22.2%	5,698	7,232	-21.2%
Selling, general and administrative	1,963	2,486	-21.0%	3,901	4,718	-17.3%
Research and development	228	181	26.0%	464	350	32.6%
Operating income	619	944	-34.4%	1,333	2,164	-38.4%
Interest & other income (expense), net	80	23	247.8%	97	51	90.2%
Pretax income	699	967	-27.7%	1,430	2,215	-35.4%
Income taxes	259	362	-28.5%	529	824	-35.8%
Net income	\$440	\$605	-27.3%	\$901	\$1,391	-35.2%
Per share:						
Net income	\$0.03	\$0.04	-25.0%	\$0.06	\$0.09	-33.3%
Weighted average shares	15,302	15,543	-1.6%	15,281	15,410	-0.8%

CONSOLIDATED BALANCE SHEETS

December 31, June 30,

	1994	1995
Cash and investments	\$1,952	\$2,336
Accounts receivable, net	4,463	4,919
Other current assets	8,444	7,048
Total current assets	14,859	14,303
Property, plant and equipment, net	11,189	10,996
Other assets	1,100	957
Total assets	\$27,148	\$26,256
Liabilities and shareholders' equity		
Short-term borrowings	\$ 262	\$ -
Current portion of long-term debt and	826	642
Trade accounts payable	1,497	1,719
Income taxes payable	1,095	782
Accrued reorganization costs	655	727
Other accrued expenses	2,656	2,531
Total current liabilities	6,991	6,401
Long-term debt and capital leases	3,517	3,900
Other long-term liabilities	707	957

Shareholders' equity	15,933	14,998
Total liabilities and shareholders' equity	<u>\$ 27,148</u>	<u>\$26,256</u>
	=====	=====