SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended June 30, 1995

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-13976

AKORN, INC.
(Name of small business issuer as specified in its charter)

LOUISIANA	72-0717400
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Akorn Drive, Abita Springs, Louisiana 70420
(Address of principal executive offices and zip code)
Issuer's telephone number: (504) 893-9300

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE EXCHANGE ACT:

None

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE EXCHANGE ACT:

Common Stock, No Par Value
(Title of Class)

Check whether the Issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 X No

Check if disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and will not be contained, to the best of issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [ ]

Issuer's revenues for its fiscal year ended June 30, 1995 were $32,863,000.

The aggregate market value of the voting stock held by nonaffiliates (affiliates being, for these purposes only, directors, executive officers and holders of more than 5% of the Issuer's common stock) of the Issuer as of September 8, 1995 was approximately $25,500,000.

The number of shares of the Issuer's common stock, no par value per share, outstanding as of September 8, 1995 was 14,904,653.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Issuer's Proxy Statement to be submitted to shareholders in connection with their 1995 Annual Meeting are incorporated by reference into Parts II and III of this Form 10-KSB.

Transitional Small Buisness Disclosure Format (check one): Yes No X

PART I

Item 1. Description of Business.

General Development of Business

Akorn, Inc. (Akorn or the Company) manufactures, markets and distributes an extensive line of therapeutic, diagnostic and surgical pharmaceutical and over-the-counter ophthalmic products. In addition, through its wholly owned subsidiary Akorn Manufacturing, Inc. (AMI), the Company provides sterile contract manufacturing services to several large pharmaceutical companies. Akorn, a Louisiana corporation founded in 1971, is headquartered in Abita Springs, Louisiana, a suburb of New Orleans.

Prior to the fiscal year beginning July 1, 1989, the Company purchased its entire ophthalmic product line on a contract basis from several suppliers, who packaged and labeled the products under the Company's name. In September 1989, in order to more vertically integrate its operations, the Company acquired a manufacturing facility in Los Angeles, California that was capable of manufacturing sterile ophthalmic solutions, suspensions, and human injectable products, among other products. Until July 1991, the Company manufactured a substantial part of its ophthalmic pharmaceutical product line at the Los Angeles facility while continuing to have the balance supplied by outside manufacturers. In September 1991, the Company decided to abandon that facility due to the cost of bringing the facility into full compliance with current "Good Manufacturing Practice" regulations of the United States Food and Drug Administration (the FDA) and to restructure its manufacturing operations by acquiring a larger, more modern facility. Supply arrangements with other manufacturers were renewed in order to maximize availability of the Company's ophthalmic product line.

In January 1992, the Company acquired AMI, which at that time was named Taylor Pharmacal Company, of Decatur, Illinois (formerly Taylor Pharmacal Company) and began the process of transferring to AMI the operations formerly conducted at the Los Angeles facility while maintaining the sterile contract manufacturing business conducted by AMI.

Ophthalmic Distribution Business

The Company distributes a complete line of therapeutic, diagnostic and over-the-counter ophthalmic pharmaceutical products as well as other surgical and office-based non-pharmaceutical products. The Company's therapeutic ophthalmic pharmaceutical product line is extensive and includes antibiotics, anti-infectives, steroids, steroid combinations, glaucoma medications, decongestants/antihistamines, and anti-edema medications. Diagnostic products, primarily for use in doctors' offices, include a complete line of mydriatics and cycloplegics, anesthetics, topical stains, gonioscopic solutions and others. Surgical products available from Akorn include surgical knives and other surgical instruments, balanced salt solution, post-operative kits, surgical tapes, eye shields, antiultraviolet goggles, facial drape supports, and other supplies. Ophthalmic over-the-counter products include various artificial tear solutions, preservative-free lubricating ointments, lid cleansers, vitamin supplements and contact lens accessories.

Contract Manufacturing Business

AMI manufactures sterile products, on a contract basis, for third parties. The majority of AMI contracts are short-term in nature and operate on the basis of signed purchase orders. However, AMI is in the process of developing longer-term contracts with minimum quantity requirements in order to strengthen the commitments from its contract customers. Because of the present nature of AMI contracts, its contract manufacturing is more volatile than the ophthalmic distribution segment, and given that sales to contract customers are large in relations to the distribution segment sharp reduction in contract manufacturing sales can occur should customers discontinue the contract for any reason.

Sales and Marketing

While the Company's ophthalmic product line includes some unique products, the majority are non-proprietary. As a result, the Company relies on its expertise in marketing, distribution, and support for products in order to maintain and increase market share.

The Company maintains an efficient three-pronged ophthalmic distribution sales effort. This effort includes 23 outside sales representatives who, together with two district managers, make personal calls on customers in the Northeast, Southeast, Midwest and West regions of the country. In addition, the Company maintains an in-house telemarketing and a customer service sales group of 25 persons who operate at the Company's facilities in Abita Springs. And finally, the Company also maintains a direct-mail marketing effort.

The Company's ophthalmic distribution customers consist primarily of ophthalmologists, optometrists, independent pharmacies, and full-service wholesalers whose customers include hospitals and other institutions.

The Company's sales and marketing efforts in the contract manufacturing business have been limited to personal contact with major pharmaceutical companies and limited trade journal advertisements. Attendance at manufacturing trade shows will be implemented in fiscal 1996. The Company's contract customers include several large pharmaceutical companies.

The Company stresses its service and support as means to attract and keep customers.

Research and Development

The acquisition of AMI provided the Company with resources to begin its research and development program, which began in the last quarter of fiscal 1992 and has since expanded. As of June 30, 1995 the Company had 4 new ANDAs on file with the FDA for products which the Company has not previously manufactured. See "Government Regulation." These products have a current aggregate brand market of approximately $200 million. No assurance can be given as to whether the Company will develop marketable products based on these filings or as to the size of the market for any such products.

The Company has plans to target its research and development efforts on 20 to 30 additional products the patents on which have expired or will expire in the near future. Production and marketing of any products developed as a result of these efforts are expected to take several years.

The Company also maintains an aggressive product licensing effort. This effort has had the most immediate effect on operating results because it allows the Company to use its strength in marketing ophthalmic products. The Company also anticipates manufacturing many of the licensed products.

At June 30, 1995, 21 full-time employees of the Company were involved in research and development and product licensing. The Company's research and development expenditures for 1995 and 1994 were $844,000 and $843,000, respectively.

The Company expects its research and development expenditures to increase significantly in fiscal 1996.

Employee Relations

The Company has 331 full-time employees, of whom 65 are employed in the Abita Springs facility, 241 are employed in Decatur, Illinois and 25 are in outside sales. The Company enjoys good relations with its employees, none of whom are represented by a collective bargaining agent.

Competition

The manufacture and distribution of ophthalmic pharmaceutical products is highly competitive, with many established manufacturers, suppliers and distributors actively engaged in all phases of the business. Most of the Company's competitors have substantially larger financial and other resources, including a larger volume of sales, more sales personnel and larger facilities than the Company. The competitors which are dominant in the ophthalmic distribution industry are Alcon Laboratories, Inc., Allergan Pharmaceutical, Inc. and Bausch & Lomb, Inc. The Company competes primarily on the basis of price and service. The Company's principal supplier, Bausch & Lomb, Inc., is in direct competition with the Company in several markets.

The manufacturing of sterile products must be performed under the most rigorous FDA-mandated Good Manufacturing Practices. Therefore the barriers to entry in the contract manufacturing of sterile products are very high. The number of independent contract manufacturers of sterile products continues to decline as a result of these barriers. AMI's competitors in this area, generally, are larger companies with greater financial and other resources.

Product Supply

Since the acquisition of AMI in 1992, the Company has been steadily regaining control of the supply of its ophthalmic pharmaceutical products, which had been impacted by the closure of the Los Angeles facility in 1991. During the fiscal year ended June 30, 1995, approximately 52% of the Company's net ophthalmic distribution sales were accounted for by products manufactured at AMI and approximately 48% by unaffiliated suppliers, the largest of which are Steris Laboratories, Inc. and Bausch & Lomb, Inc. These companies supplied products accounting for 15.1% and 14.2%, respectively, of the Company's net ophthalmic distribution sales during fiscal 1995. No other supplier supplied products accounting for more than 10% of the Company's net ophthalmic distribution sales during fiscal 1995.

Government Regulation

All pharmaceutical manufacturers and distributors are subject to extensive regulation by the federal government, principally by the FDA and, to a lesser extent, by state governments. The federal Food, Drug and Cosmetic Act (the FDA Act), the Controlled Substance Act, and other federal statutes and regulations govern or influence the development, testing, manufacture, safety, labeling, storage, recordkeeping, approval, pricing, advertising, and promotion of products by the Company and its subsidiaries. Included among the requirements of these statutes is that the manufacturer's methods conform to current Good Manufacturing Practices provided for in FDA regulations. Pursuant to its powers under the FDA Act, the FDA inspects drug manufacturers and storage facilities to determine compliance with its Good Manufacturing Practice regulations, non-compliance with which can result in fines, recall and seizure of products, total or partial suspension of production, refusal of the government to approve new drug applications, and criminal prosecution. The FDA also has authority to revoke approval of drug products.

Except in the case of drugs in common usage before the FDA Act became effective and in some other cases, FDA approval is required before any drug can be manufactured and marketed. New drugs require the filing of a New Drug Application (NDA) with the FDA, which requires clinical studies demonstrating the safety and efficacy of the drug and compliance with additional regulatory requirements.

Abbreviated procedures are available for obtaining FDA approval for those generic drugs which are equivalents of existing brand name drugs, such as certain drugs that had been manufactured at the Los Angeles facility and are expected to be manufactured by AMI. In order to obtain approval of a new generic drug, the Company files an Abbreviated New Drug Application (ANDA) with the FDA. An ANDA is similar to a NDA, except that the FDA waives the requirement of conducting clinical studies of safety and efficacy. Instead, for drugs which contain the same ingredients as drugs already approved for use in the United States, the FDA ordinarily requires data showing that the generic drug formulation is equivalent to the brand name drug and that the product is stable in its formulation.

Over the past several years, the FDA has increased its scrutiny of the operations of generic drug manufacturers like the Company, and has increased the time required for its approval of ANDAs and NDAs submitted by such companies. In addition, the Office of Generic Drugs of the FDA, the division which monitors and approves ANDAs, has increased its scrutiny regarding concentrations of inactive ingredients for generic drugs as compared to the innovator drug. This change has resulted in an increase in the time spent on formulating ANDA products.

Item 1A. Executive Officers of the Registrant.

Certain information concerning each of the executive officers of the Company is given below. Each executive officer of the Company is a full time employee of the Company and serves in his capacity at the pleasure of the Board of Directors.

Barry D. LeBlanc Mr. LeBlanc, age 40, was elected President, Chief Executive Officer of the Company in December 1991. From August 1987 to December 1991, Mr. LeBlanc served as a President and Chief Operating Officer of the Company. He has also been a director and member of the Executive Committee of the Company since August 1987. Prior to 1987, Mr. LeBlanc was principally employed as a practicing certified public accountant and served as a financial consultant to the Company.

Harold O. Koch Mr. Koch, age 46, has served as Senior Vice President since January 1995. From January 1993 to December 1994, he served as Vice President - Business Development. From July 1991 to December 1992 Mr. Koch coordinated the reorganization of the Company's manufacturing operations. From November 1988 to June 1991, he acted as an independent consultant in the area of biotechnology formulation, ophthalmic manufacturing processes and ophthalmic marketing. From May 1987 to October 1988, he served as Vice President - Product Development for The Cooper Company. Prior to this Mr. Koch served as Director of Product Development for Cooper Vision Ophthalmics.

Tim J. Toney Mr. Toney, age 53, has served as Vice President-Manufacturing Operations since February 1993. Since the Company's acquisition of AMI in January 1992 he has also served as President of AMI. Prior thereto Mr. Toney had served as Treasurer and Director of Sales and Marketing for AMI.

Eric M. Wingerter Mr. Wingerter, age 33, has served as Vice President - Finance and Administration since July 1993 and as Vice President - Finance from January 1993 through June 1993. Since September 1988 Mr. Wingerter has been the Company's Chief Financial Officer. From January 1984 to September 1988, he practiced as a certified public accountant in the audit department at Ernst & Young.

Item 2.Description of Property.

The Company's executive offices, sales and primary distribution center are based in two adjacent buildings totalling approximately 30,000 square feet located on ten acres of land in Abita Springs, Louisiana. These buildings are believed adequate for Akorn's present executive offices and sales and primary warehousing and distribution activities. The land owned by the Company in Abita Springs can accommodate growth in Company executive and ophthalmic sales adn distribution operations for the foreseeable future.

Through AMI, the Company owns a 76,000 square-foot facility located on 15 acres of land in Decatur, Illinois. This facility is currently used for packaging, distribution, warehousing and office space. In addition, AMI owns a 55,000 square-foot manufacturing facility, also in Decatur, Illinois. During the fiscal year 1995, the Company substantially completed construction related to the expansion of its ophthalmic production facilities at AMI. The total cost of the expansion, including capital equipment acquisitions, approximated $6 million.

Item 3. Legal Proceedings.

From time to time the Company becomes involved, in the ordinary course of its business, in legal actions and claims. The amount, if any, of ultimate liability with respect to such matters cannot be determined. Management believes, however, that any such liability will not have a material effect on the Company's consolidated financial statements.

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

The annual meeting of the Company's shareholders was held on October 29, 1994 (the "Meeting"). At the Meeting, all of the nominees listed were elected, by the votes indicated below. There were no broker non-votes with respect to any nominee. No other directors have terms of office that continued after the Meeting.

Nominee	For	Withheld
Daniel E. Bruhl, M.D.	12,778,433	22,462
J. Ed Campbell, M.D.	12,777,033	23,862
George S. Ellis, M.D.	12,777,033	23,862
Doyle S. Gaw	12,773,633	27,262
John N. Kapoor, Ph.D.	12,775,015	25,880
Barry D. LeBlanc	12,774,633	26,262
David H. Turner, M.D.	12,779,033	21,862
Lawrence A. Yannuzzi, M.D.	12,780,433	20,462

PART II

Item 5.Market for Common Equity and Related Stockholder Matters.

The Company's Common Stock is traded on the NASDAQ National Market System under the symbol AKRN. On September 15, 1995, the Company estimated that the number of holders of its Common Stock was approximately 3,100, including record holders and individual participants in security position listings.

High and low prices for the last two years were:

	1995			1994		
	Market Price<F1>		Cash Dividends Declared	Market Price<F1>		Cash Dividends Declared
	Low	High		Low	High	
Declared						
1st Quarter	$2.38	$3.19	$ -	$1.88	$2.75	$-
2nd Quarter	2.94	4.00	-	2.13	3.88	-
3rd Quarter	2.88	3.63	-	2.81	3.75	-
4th Quarter	2.25	3.31	-	2.63	3.38	-

<FN>
<F1> Per NASDAQ
</FN>

The Company's Board of Directors decided to suspend the payment of dividends in the first fiscal quarter of 1992. Any such future payments will be, in part, contingent upon the level of the Company's research and development efforts and expansion of operations. The Company's loan agreement includes restrictions on the payment of dividends.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following table sets forth selected consolidated financial information for Akorn, Inc. for the five years ended June 30, 1995.

	Years Ended June 30				
	1995<F1>	1994<F2>	1993<F3>	1992<F4>	1991<F5>
PER SHARE					
Equity	$ 0.97	$ 0.81	$ 0.48	$ 0.36	$ 0.86
Net income (loss)	$ 0.15	$ 0.18	$ 0.14	$ (0.55)	$ (0.41)
Dividends	-	-	$ -	-	$ .06
Price: High	$ 4.00	$ 3.88	$ 3.13	$ 4.13	$ 4.38
Low	$ 2.25	$ 1.88	$ 1.50	$ 1.25	$ 1.13
P/E: High	27x	22x	22x	NM	NM
Low	15x	10x	11x	NM	NM
Dividend yield	NM	NM	NM	NM	2.18%
INCOME DATA (000)					
Net sales	32,863	28,403	20,893	18,456	19,348

Gross profit	13,220	11,853	8,065	6,611	7,622
Operating income (loss)	3,672	2,934	1,665	(7,276)	(7,741)
Interest expense	-	(154)	(271)	(288)	(374)
Pretax income (loss)	3,512	2,887	1,502	(7,407)	(7,841)
Income taxes (benefit)	1,232	166	(259)	(540)	(2,739)
Net income (loss)	2,280	2,721	1,761	(6,867)	(5,102)
Weighted average shares outstanding	15,399	15,311	13,555	12,589	12,305
BALANCE SHEET (000)					
Current assets	14,303	14,172	8,516	9,474	10,209
Net fixed assets	10,996	6,249	5,227	5,119	5,091
Total assets	26,256	21,221	14,218	15,122	18,335
Current liabilities	6,400	6,551	3,471	7,197	6,303
Long-term obligations	4,857	2,327	4,248	3,352	1,501
Shareholders' equity	14,998	12,343	6,499	4,573	10,531
FUNDS FLOW DATA (000)					
From operations	792	2,665	(685)	(333)	1,797
Dividends paid	-	-	-	-	(965)
From investing	(4,943)	(3,710)	(465)	2,239	(1,377)
From financing	3,004	2,003	(17)	(1,012)	(1,215)
Change in cash & equivalents	(1,147)	958	(1,167)	894	(795)
RATIO ANALYSIS					
Gross margin	40.2%	41.7%	38.6%	35.8%	39.4%
Operating margin	11.2%	10.3%	8.0%	(39.4)%	(40.0)%
Pretax margin	10.7%	10.2%	7.2%	(40.1)%	(40.5)%
Effective tax rate	35.1%	5.8%	(17.3)%	NM	NM
Net margin	6.9%	9.6%	8.4%	(37.2)%	(26.4)%
Asset turnover	1.38	1.60	1.42	1.10	0.96
Return on assets	9.6%	15.4%	12.0%	(41.0)%	(25.2)%
Financial leverage	1.74	1.88	2.65	2.22	1.54
Return on equity	16.7%	28.9%	31.8%	(90.9)%	(38.9)%
Retention rate	100.0%	100.0%	100.0%	100.0%	115.2%
Implied growth rate	16.7%	28.9%	31.8%	(90.9)%	(44.8)%

All of the information shown in the table above for periods 1992 and prior has been restated to reflect the combined operations of Akorn and Akorn Manufacturing, Inc. (AMI).
<FN>
<F1> Includes an unrealized loss on marketable equity securities ($.3 million) and the reduction in selling, general and administrative expenses ($.3 million) related to a change in accounting estimate for aged customer credits.

<F2> Includes the reversal of the valuation allowance for deferred tax assets ($0.4 million).

<F3> Includes the reversal of the provision for a litigation judgment ($0.7 million), the reduction of estimated costs of reorganizing manufacturing operations ($0.4 million), and income tax benefits ($0.3 million).

<F4> Includes charges for the reorganization of manufacturing operations ($5.3 million), acquisition costs of AMI ($1.3 million), and provision for a litigation judgment ($0.8 million).

<F5> Includes charges for the reorganization of manufacturing operations ($7.8 million) and other non-recurring expenses ($1.1 million).
</FN>

Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the accompanying financial statements.

Results of Operations

Net Sales

The Company's consolidated net sales increased 16% to a record $32.9 million in 1995 compared to the prior year. This follows a 36% increase in the prior year as compared with 1993. The following table sets forth, for the periods indicated, net sales by segment, excluding intersegment sales:

	Years Ended June 30		
In millions	1995	1994	1993
Ophthalmic distribution	$ 23.8	$ 20.7	$ 14.9
Contract manufacturing	9.1	7.7	6.0
Total net sales	$ 32.9	$ 28.4	$ 20.9

Ophthalmic distribution sales include a broad range of therapeutic, diagnostic, surgical and office-based products. Ophthalmic distribution sales increased 15% in 1995 as compared to 1994 and 39% in 1994 as compared to 1993. Sales in 1995 were enhanced by the introduction of several new surgical products including new surgical instruments and surgical packs. In addition, sales of the Company's therapeutic products increased as a result of the Company's "Save With Akorn Therapeutics" (S.W.A.T.) program, which focuses on educating doctors on the cost of ophthalmic medications.

Sales growth in this segment declined in the second half of 1995 as a result of the loss of sales for AK-Con-A, Akorn's leading allergy product, in October 1994. As previously announced, this product was converted to over-the-counter status by the Food and Drug Administration (FDA), who required the filing of a NDA. The Company is presently awaiting approval of this NDA, which is presently anticipated for some time in fiscal 1996.

Upon receiving approval of this NDA, the new OTC version will be marketed through a joint venture with Pfizer, Inc. (Pfizer), which should restore profits on the product to previous levels. Sales of AK-Con-A were approximately $2 million, $1.4 million, and $0.7 million for 1995, 1994 and 1993, respectively.

Sales in 1994 versus 1993 were enhanced primarily by product licensing activities which accounted for approximately $4 million or nearly 70% of the growth in ophthalmic distribution sales. In addition, the Company's introduction of its S.W.A.T program contributed to sales growth in 1994.

Contract manufacturing sales increased 18% in 1995 as compared to 1994 and 28% in 1994 as compared to 1993. Both 1995 and 1994 contract sales were enhanced by a new contract customer which increased sales significantly beginning in the second half of fiscal 1994. This customer, which accounted for 13% of consolidated net sales in 1995, has recently notified the Company that it will be transferring the production of certain products during fiscal 1996 and 1997 to its own facilities in Puerto Rico. Such products accounted for $1.4 million in contract manufacturing sales for 1995.

In addition, this customer has notified the Company that it will be discontinuing the sale of two other products previously produced by AMI. These products accounted for approximately $2.9 million in sales for AMI in 1995. The Company is presently in discussions with this customer to acquire these injectable products. This would maintain current plant throughout and provide an entre into the injectable distribution business, which would be synergistic with the ophthalmic distribution business. It is antipated that these products would be marketed through the Company's current distribution system.

Income and Expenses

The following table sets forth the relationship to sales of various income statement items:

	Years Ended June 30		
	1995	1994	1993
Net sales	100.0%	100.0%	100.0%
Cost of goods sold	59.8	58.3	61.4
Gross margin	40.2	41.7	38.6
Selling, general and administrative expenses	26.5	28.4	33.7
Research and development	2.5	3.0	2.2
Costs of reorganizing manufacturing operations			(1.9)
Provision for litigation judgment			(3.4)

Operating income	11.2	10.3	8.0
Interest and other income (expense), net	(.5)	(1)	(.8)
Income before income taxes	10.7	10.2	7.2
Income taxes (benefit)	3.8	.6	(1.2)
Net income	6.9%	9.6%	8.4%

Gross Margins

The consolidated gross margin percentage declined by 1.5 percentage points from 41.7% in 1994 to 40.2% in 1995. The decline in gross margin percentage is primarily due to the effects of price increases from manufacturers (primarily in the second half of the fiscal year), which were not fully offset by price increases to customers. In addition, a shift in the mix of lower margin catalog products added to the decline in gross margin. The decline in gross margin has been more prevalent in the second half of the fiscal year as a result of the loss of sales from AK-Con-A discussed earlier. This was the Company's highest margin product at nearly 75%.

The gross margin percentage increased 3.1 percentage points from 38.6% in 1993 to 41.7% in 1994. This increase was primarily associated with the shift in business to a larger percentage of sales to higher-margin wholesalers associated with the Company's S.W.A.T. program. In addition, sales of AK-Con-A were significantly greater in 1994 than 1993.

Gross margins in 1995 and 1994 were also positively affected by better overhead absorption in contract manufacturing as a result of increased volumes at the Decatur facilities. The Company anticipates that gross margins in the short term will be relatively stable to slightly declining as compared with 1995 given the current mix of products in its portfolio and the loss of AK-Con-A sales.

Selling, General and Administrative Expense

Selling, general and administrative expense as a percentage of net sales declined 1.9 percentage points from 28.4% in 1994 to 26.5% in 1995. The decline in this percentage is primarily associated with the Company's leveraging of its sales force efforts and the low amount of general and administrative additions in 1995. In addition, during fiscal 1995, the Company, based on evaluations made by management, changed the estimated liability related to aged customer credits. This resulted in a reduction in selling, general and administrative expense of approximately $330,000.

In response to a slowing in sales growth during the third quarter of fiscal 1995, the Company took steps to eliminate approximately $1 million to $1.5 million of selling, general and administrative expenses and other manufacturing operating expenses. The reductions, which were accomplished primarily through downsizing the work force, will be somewhat offset by increases in depreciation and interest expense associated with the Company's expanded manufacturing facilities. As a result of these reductions and the operating leverage of the Company, it is anticipated that selling, general and administrative expense as a percentage of sales will continue to decline.

Selling, general and administrative expense as a percentage of net sales declined 5.3 percentage points from 33.7% in 1993 to 28.4% in 1994 primarily due to the Company's operating leverage and the significant increase in sales from 1993 to 1994.

Research and Development

Research and development expense remained stable from 1994 to 1995.

These expenses increased significantly in 1994 versus the 1993 amounts as a result of expansion in this area in 1994. In 1995, the Company maintained a stable mix of new ophthalmic Abbreviated New Drug Applications (ANDAs) and site-transfers from its previous manufacturing facility in Los Angeles. In addition, throughout 1995, the Company continued to work on its NDA for the over-the-counter version of AK-Con-A in connection with the licensing arrangement with Pfizer. Costs associated with this NDA are being capitalized in connection with the long-term contract for manufacturing and royalty rights. The Company also began work in 1995 on an NDA for the ophthalmic non-steroidal anti-inflammatory drug Piroxicam licensed from Pfizer. The first $1 million of costs associated with this NDA are offset by funds obtained from Pfizer. Total cash expenditures for all research and development activities were approximately $1,456,000, $1,368,000 and $469,000 in 1995, 1994 and 1993, respectively.

The Company anticipates that research and development expenditures will increase significantly in 1996 as it focuses on a broader mix of ANDA and NDA steril pharmaceutical products. The level of research and development expense will be dependent upon the relative mix of products in the R&D portfolio between products for which costs have been previously accrued (such as site transfer products) as compared to other new product approvals.

Operating Income

Operating income in 1995 of $3.7 million or 11.1% of sales was 25% greater than 1994 operating income of $2.9 million or 10.3% of sales. This increase in 1995 operating income was primarily the result of increased sales and operating leverage, coupled with stable research and development expenses. The sales increase was somewhat offset by the decline in gross margin resulting from cost increases of products distributed but not manufactured and continued price sensitivity in the generic ophthalmic pharmaceutical market.

Operating income in 1994 was $2.9 million or 10.3% of sales compared to the 1993 amount of $1.7 million or 8.0% of sales. The increase in operating income in 1994 was due primarily to the significant increase in sales. In addition, the increase in gross margins associated with AK-Con-A sales and sales to wholesalers and reduction in the percentage of selling, general and administrative expenses as a percentage of sales enhanced the growth in operating income. The increase in operating income in 1994 was offset somewhat by the 1993 reversal of $400,000 in costs previously accrued for the reorganization of manufacturing operations and $700,000 in costs previously accrued for a litigation judgment from which the Company was vindicated.

Interest and Other Income (Expense)

Net interest and other expense increased $113,000 from 1994 to 1995 in spite of the capitalization of all interest expense in 1995 in connection with construction at the Company's facilities in Decatur, Illinois. The increase in 1995 is primarily due to a $308,000 decline in market value of an equity investment that was determined to be other than temporary. This determination was based on the significant deterioration in the value of the investment since June 30, 1994 and the evaluation that a price recovery was not imminent.

From 1993 to 1994 net interest and other expense declined $115,000 as interest expense was reduced by the conversion to equity of $1.6 million of debt in November 1993 in connection with the exercise of certain warrants by the John N. Kapoor Trust, an affiliate of John N. Kapoor, the Company's Chairman of the Board.

The Company anticipates that interest expense will increase significantly in 1996 as a result of the new long-term debt and capital leases associated with the Company's expansion. A portion of this interest will be capitalized during 1996 until full validation and approval from the FDA is obtained.

Income Taxes (Benefit)

The Company's consolidated effective income tax (benefit) rate was 35.1%, 5.8% and (17.3)% for 1995, 1994 and 1993, respectively. The effective rate for 1994 varies from the statutory rates primarily due to the effects of adoption of Statement of Financial Accounting Standards Board (SFAS) No. 109, "Accounting for Income Taxes," effective July 1, 1993. Under SFAS 109, the Company was able to recognize estimated future tax benefits attributable to expenses recorded for book purposes but not currently deductible for tax purposes. In July 1993, the Company recorded a net deferred tax asset in the amount of $896,000 along with a 100% valuation reserve to reflect the uncertainties surrounding the ultimate realization of the benefits. In the fourth quarter of fiscal 1994, the Company decided to reverse the entire remaining balance of the valuation reserve since uncertainties regarding the ultimate realization of the benefits were no longer material. This resulted in the recording of a $384,000 ($.03 cents per share) benefit in the fourth quarter. The effective rate varied from the statutory rate in 1993 due to the effects of recognized net operating losses.

The Company has been in discussions with the Internal Revenue Service (IRS) regarding the examination of tax returns for the periods of 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. These adjustments primarily relate to the timing of deductions taken for tax purposes in connection with the reorganization of its manufacturing operations in 1991 and 1992. The agreed upon proposed adjustments would result in additional interest and taxes currently due of approximately $600,000. The Company had previously accrued the financial statement effects of these proposed agreed upon adjustments; accordingly, no significant financial statement impact of these adjustments was recorded in 1995.

Net Income

Net income declined $.4 million or $.03 cents per share from $2.7 million or $.18 cents per share in 1994 to $2.3 million or $.15 cents per share in 1995. This decline, in spite of an increase in operating income in 1995, is due to the significantly lower effective tax rate incurred in 1994 as a result of the adoption of SFAS 109 and full realization of the benefit of deferred tax assets.

Net income increased $.9 million or $.04 cents per from $1.8 million in 1993 or $.14 cents per share to $2.7 million or $.18 cents per share in 1994. The significant growth in sales was the primary contributing factor to this growth. The growth in earnings per share from 1993 to 1994 was somewhat offset by the increase of nearly 2 million weighted average shares in 1994 resulting from the exercise of warrants.

Financial Condition and Liquidity

Management assesses the Company's liquidity by its ability to generate cash to fund its operations. The significant components in managing liquidity are: funds generated by operations; levels of working capital items including accounts receivable, inventories and accounts payable; capital expenditure and debt repayment requirements; adequacy of available lines of credit; and availability of long-term capital at competitive prices.

Exclusive of the payment of costs related to the reorganization of its manufacturing operations in 1991, the Company traditionally has generated cash from operations in excess of working capital requirements. The net cash provided by operating activities was $792,000 in 1995 compared to $2.7 million in 1994. The decline in cash provided from operating activities in 1995 is primarily related to the increase in inventory associated with new product additions coupled with a decrease in the average days outstanding for payables. The decline in average days outstanding for payables is due to more timely payments to vendors by the Company resulting from the availability of working capital credit lines.

In 1996, the Company will continue to fund the payment of certain previously accrued research and development activities including the site transfer of ANDAs from the Company's Los Angeles facility and the development of the NDA for Piroxicam discussed previously. Management believes that cash flows from operations, funds received from Pfizer and the available working capital line of credit are sufficient to handle these short-term needs.

In addition to these short-term needs, the Company anticipates the payment of additional interest and taxes in connection with the examination by the IRS of tax returns for the periods of 1988 through 1993. The proposed adjustments would result in additional interest and taxes currently due of approximately $1.5 million. The agreed issues, resulting in approximately $600,000 of current net taxes and interest due, are expected to be paid over the next 10 months under an agreement with the IRS or through arrangements with a commercial bank. Payment of the remaining unsettled issues will be based on the timing of the appeals process and the success of the Company in arguing its position with the IRS.

Under a previously announced cross-licensing agreement with Pfizer, the Company is required to pay a performance penalty of $1,020,000 should it be unsuccessful in obtaining approval, by December 31, 1996, of the NDA on the OTC version of AK-Con A, licensed to Phizer. Given the current status of the product, management believes the likelihood that approval will not be obtained in this time frame is remote. Accordingly, no financial statement reserves related to the potential penalty have been accrued.

Net cash utilized for investing activities in 1995 of $4.9 million includes $4.8 million of property plant and equipment additions associated with the expansion of the Company's Decatur facilities. In addition, 1995 net cash utilized for investing activities includes approximately $400,000 related to product licensing costs which were funded primarily through net sales of investments of approximately $300,000. The Company has plans for capital improvements of $2 million to $3 million in 1996. These improvements are for both requirements to meet current FDA regulations as well as enhancement and expansion of the injectable manufacturing capabilities at AMI. These improvements are expected to be funded by a draw of approximately $900,000 available under the bank credit facility discussed below, operating cash flows and possibly some leasing arrangements.

Net cash provided by financing activities of $3.0 million in 1995 primarily consists of the net increase in long-term debt of approximately $3 million. 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 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 June 30, 1995, $2.6 million has been drawn on the Revolver/Term construction loan. Of these proceeds, approximately $900,000 was used to pay down existing debt. As of June 30, 1995, no borrowings were outstanding under the Line of Credit.

Fourth quarter 1995 Results

Net income for the fourth quarter of 1995 was $660,000 or $.04 cents per share compared to net income of $1.5 million or $.10 cents per share in 1994. The 1994 net income figures include a one time tax benefit adjustment of $384,000 ($.03 cents per share) as well as an effective tax rate, excluding this adjustment, of 19% compared to 32% in 1995. The loss of AK-Con-A sales also had a negative impact on net income for the fourth quarter of 1995.

Item 7. Financial Statements.

The following financial statements are included in Part II, Item 7 of this Form 10-KSB.

Report of Deloitte & Touche LLP

Independent Auditors

To the Board of Directors and Shareholders of

Akorn, Inc.

We have audited the accompanying consolidated balance sheets of Akorn, Inc. and subsidiaries as of June 30, 1995 and 1994, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 1995. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material aspects, the financial position of Akorn, Inc. and subsidiaries at June 30, 1995 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 1995 in conformity with generally accepted accounting principles.

As discussed in Note L to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1994. Also, as discussed in Note C to the consolidated financial statements, the Company changed its method of accounting for certain investments in debt and equity securities in 1995.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

New Orleans, Louisiana
September 1, 1995

AKORN, INC.

CONSOLIDATED BALANCE SHEETS

	June 30 1995	June 30 1994
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 767,286	$ 1,914,735
Short-term investments	1,568,793	1,735,040
Trade accounts receivable (less allowances for uncollectibles of $266,329 and $247,296 in 1995 and 1994, respectively)	4,918,753	4,793,522
Inventory	5,979,707	4,721,637
Deferred income taxes	708,963	550,715
Prepaid expenses and other assets	359,375	455,873
TOTAL CURRENT ASSETS	14,302,877	14,171,522
OTHER ASSETS		
Intangibles, net	728,565	400,658
Other	228,534	399,709
TOTAL OTHER ASSETS	957,099	800,367
PROPERTY, PLANT AND EQUIPMENT, NET	10,995,945	6,249,322
TOTAL ASSETS	$ 26,255,921	$21,221,211

LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current installments of long-term debt	$ 492,640	$ 93,573
Current portion of capital lease obligations	149,354	25,429
Current portion of pre-funded development costs	667,000	100,000
Trade accounts payable	1,718,893	2,516,629
Income taxes payable	781,824	711,146
Accrued payroll and commissions	625,839	875,786
Accrued reorganization costs	727,423	933,836
Accrued royalties	339,247	332,592
Accrued expenses and other liabilities	897,985	961,723
TOTAL CURRENT LIABILITIES	6,400,205	6,550,714
LONG-TERM DEBT	3,320,688	746,764
CAPITAL LEASE OBLIGATIONS	579,701	52,132
PRE-FUNDED DEVELOPMENT COSTS	303,988	900,000
DEFERRED INCOME TAXES	327,218	166,417
OTHER LONG-TERM LIABILITIES	325,837	462,128
SHAREHOLDERS' EQUITY		
Common stock, no par value-- authorized 20,000,000 shares; issued 15,115,673 shares in 1995 and 1994; outstanding 14,904,653 shares in 1995 and 14,798,217 shares in 1994	13,701,845	13,701,845
Treasury stock, at cost-- 211,020 shares in 1995 and 317,456 shares in 1994	(291,067)	(503,939)
Retained earnings (deficit)	1,500,109	(822,806)
Unrealized gain (loss) on marketable equity securities	87,397	(32,044)
TOTAL SHAREHOLDERS' EQUITY	14,998,284	12,343,056
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 26,255,921	$ 21,221,211

See notes to consolidated financial statements.

AKORN, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended June 30		
	1995	1994	1993
Net sales	$ 32,862,630	$ 28,403,464	$ 20,893,459
Cost of goods sold	19,642,837	16,550,158	12,828,425
GROSS PROFIT	13,219,793	11,853,306	8,065,034
Selling, general and administrative expenses	8,703,967	8,076,170	7,051,145
Research and development	843,590	842,695	453,011
Costs of reorganizing manufacturing operations	-	-	(403,740)
Provision for litigation			

judgment	-	-	(700,000)
	9,547,557	8,918,865	6,400,416
OPERATING INCOME	3,672,236	2,934,441	1,664,618
Interest and other income (expense):			
Interest income	94,941	73,558	39,543
Interest expense	-	(153,801)	(271,377)
Loss on marketable equity securities	(307,705)	-	-
Other income net	52,099	32,802	69,036
	(160,665)	(47,441)	(162,798)
INCOME BEFORE INCOME TAXES	3,511,571	2,887,000	1,501,820
Income taxes (benefit)	1,231,790	166,303	(259,581)
NET INCOME	$ 2,279,781	$ 2,720,697	$ 1,761,401
NET INCOME PER SHARE	$ .15	$ .18	$ .14
Weighted average shares outstanding	15,399,350	15,310,885	13,554,865

See notes to consolidated financial statements.

AKORN, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Retained	Treasury	Unrealized Gain (Loss)	
	Shares Outstanding	Amount	Earnings (Deficit)	Stock	on Marketable Equity Securities	Total
Balances at July 1, 1992	12,697,863	$10,701,845	$(5,325,239)	$(803,465)	$ -	$4,573,141
Net income for 1993			1,761,401			1,761,401
Shares issued as compensation	25,000		11,266	44,984		56,250
Exercise of stock options	25,000			50,000		50,000
Treasury stock reissued	33,454		(9,196)	66,908		57,712
Balances at June 30, 1993	12,781,317	10,701,845	(3,561,768)	(641,573)	-	6,498,504
Net income for 1994			2,720,697			2,720,697
Exercise of stock options and warrants	2,010,000	3,000,000	(700)	20,000		3,019,300
Cancellation of shares due to resolution of manufacturing pre-acquisition contingencies	(51,917)					-
Unrealized loss on marketable equity securities					(32,044)	(32,044)
Treasury stock reissued	58,817		18,965	117,634		136,599
Balances at June 30, 1994	14,798,217	13,701,845	(822,806)	(503,939)	(32,044)	12,343,056
Net income for 1995			2,279,781			2,279,781
Exercise of stock options	34,917		8,824	69,834		78,658
Unrealized loss on marketable equity securities					(275,661)	(275,661)
Reversal of unrealized loss on marketable equity securities					307,705	307,705
Unrealized gain on marketable equity securities					87,397	87,397
Treasury stock reissued	71,519		34,310	143,038		177,348
Balances at June 30, 1995	14,904,653	$13,701,845	$1,500,109	$(291,067)	$ 87,397	$14,998,284

See notes to consolidated financial statements.

AKORN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended June 30		
	1995	1994	1993
OPERATING ACTIVITIES			
Net income	$2,279,781	$2,720,697	$1,761,401
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Costs of reorganizing manufacturing operations	-	-	(403,740)
Provision for litigation judgment	-	-	(700,000)
Depreciation and amortization	947,453	726,155	631,257
Loss on marketable equity securities	307,705	-	-
Provision for losses on accounts receivable and inventory	160,000	35,676	118,368
Deferred income taxes	2,553	(384,298)	-
Other	(30,277)	11,178	29,089
Changes in operating assets and liabilities:			
Accounts receivable	(185,231)	(2,126,242)	(474,395)
Inventory, prepaid expenses and other assets	(1,313,420)	(702,898)	(606,420)
Refundable income taxes	-	288,321	746,956
Trade accounts payable and accrued expenses	(1,447,470)	1,385,336	(1,787,311)
Income taxes payable	70,678	711,146	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	791,772	2,665,071	(684,795)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(4,818,132)	(1,635,643)	(649,676)
Product licensing costs	(421,206)	(432,358)	-
Purchases of investments	(2,022,826)	(2,624,573)	-
Sales of investments	2,318,765	982,606	184,947
NET CASH USED IN INVESTING ACTIVITIES	(4,943,399)	(3,709,968)	(464,729)
FINANCING ACTIVITIES			
Proceeds from sale of stock	256,006	1,555,899	107,712
Repayments of long-term debt	(927,009)	(89,857)	(1,685,416)
Proceeds from issuance of long-term debt	3,900,000	-	1,600,000
Pre-funded development costs	-	1,000,000	-
Principal payments under capital lease obligations	(54,483)	(463,518)	(39,367)
Debt acquisition costs	(170,336)	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3,004,178	2,002,524	(17,071)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,147,449)	957,627	(1,166,595)
Cash and cash equivalents at beginning of year	1,914,735	957,108	2,123,703
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 767,286	$1,914,735	$957,108

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note A - Summary of Significant Accounting Policies

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

Revenue Recognition: The Company recognizes sales upon the shipment of goods.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Investments: Effective July 1, 1994, the Company adopted Statement of Financial Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities." The Company records short-term and long-term investments under the provisions of this Statement (See Note C).

Inventory: Inventory is stated at the lower of cost (average cost method) or market (see Note D). Provision is made for slow-moving, unsalable and obsolete items.

Intangibles: Intangibles consist primarily of product licensing costs which are capitalized at cost and amortized on the straight-line method over the life of the license period. Amortization expense for the three years ended June 30, 1995 was $144,820, $82,143 and $67,862, respectively.

Property, Plant and Equipment: Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight-line method in amounts considered sufficient to amortize the cost of the assets to operations over their estimated service lives. The average estimated service life of buildings and leasehold improvements, furniture and equipment, and automobiles are approximately 30, 8, and 5, respectively. Depreciation expense for the three years ended June 30, 1995 was $776,182, $644,012 and $563,395, respectively.

Under an agreement with Pfizer, Inc. (See Note F) the Company has received reimbursement for the purchase of certain equipment. As of June 30, 1995, the total amount reimbursed was approximately $593,000. The Company has accounted for these reimbursements by reducing its carrying value of the associated equipment.

Interest Capitalization: The Company capitalizes interest during periods of construction of qualifying assets. For the year ended June 30, 1995, the Company incurred interest costs of $282,007, all of which was capitalized. No interest was capitalized during 1994 or 1993.

Stock Options: The Company records as an expense the difference, if any, between the value of stock options granted with an exercise price below the market value of the Company's stock and the then market value of the Company's stock on the date the options are granted.

Income Taxes: Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." In prior fiscal years, provision was made in the consolidated financial statements for federal and state income taxes in accordance with the provisions of FASB Statement Number 96. Deferred taxes are provided for the differences in the accounting treatment for certain expense items for financial reporting and income tax purposes. Deferred taxes result primarily from the difference between depreciation methods used for book and tax purposes, provisions for bad debt and inventory reserves and accrued costs associated with the reorganization of manufacturing operations, recall of products and litigation.

Note B - Acquisition of Manufacturing Operations

On January 15, 1992, the Company acquired Akorn Manufacturing, Inc., formerly Taylor Pharmacal Company, in a business combination accounted for as a pooling of interests. AMI is a contract manufacturer of sterile pharmaceuticals, which it produces and delivers pursuant to contracts with third parties. Pursuant to the merger agreement, the Company delivered 926,753 shares of its Common Stock in exchange for all of the outstanding stock of AMI.

Of the total shares issued in the merger agreement, 922,500 shares were held in escrow pending the settlement of a default judgment against AMI entered on November 8, 1991 (see Note R). During fiscal 1993, a settlement between AMI's insurer and the plaintiffs was reached. As a result, in 1993 the Company reduced its provision for the judgment to $100,000, the approximate amount of expenses incurred in defending the judgment. In accordance with the terms of the AMI acquisition agreement, 51,917 shares valued at $2 per share were forfeited and returned as treasury stock by the escrow agent during fiscal 1994 in order to cover these expenses and finally resolve this pre-acquisition contingency. The remaining shares held in escrow of 870,583 were distributed to the former AMI shareholders thereby terminating the escrow agreement.

As part of the acquisition, the Company paid a finder's fee to an affiliate of Dr. John N. Kapoor, Chairman of the Board (the affiliate). This finder's fee was in the form of 250,000 shares of Company Common Stock valued at $3.50 per share. Of the total shares issued, 125,000 were subject to forfeiture if the market price of the Company's Common Stock does not reach at least $5.00 per share by January 15, 1996. In August 1995, the Company, the affiliate and Dr. Kapoor entered into an agreement under which (i) the forfeiture period was extended to January 15, 1998, (ii) forfeiture would not occur in the event that persons unaffiliated with Dr. Kapoor acquire beneficial ownership of more than 50% of the outstanding common stock of the Company and (iii) Dr. Kapoor waived his right to receive $40,000 otherwise payable to him by the Company for serving as Chairman of the Board in fiscal 1996.

Note C - Investments

Effective July 1, 1994, the Company adopted Statement of Financial Standards No. 115 (SFAS 115), "Accounting for Certain Investments in Debt and Equity Securities". This Statement requires certain securities to be classified into one of three reporting categories (held-to-maturity, available-for-sale or trading). The Company has completed a review of its securities relative to SFAS 115 and has classified its investments in debt securities (consisting primarily of U.S. Government securities and municipal bonds with a carrying value of $1,136,010 and $303,092, respectively, at June 30, 1995 and $1,718,483 and $0, respectively, at June 30, 1994) as held-to-maturity. Therefore, in accordance with SFAS 115, these investments, all of which have contractual maturities within one year, are being reported at amortized cost, which approximates fair market value. The Company has classified its investment in equity securities as available-for-sale, requiring that they be carried at fair value with any unrealized gain or loss reflected as a component of shareholders' equity. Such investments had a fair market value of approximately $130,000 at June 30, 1995. Prior to adopting SFAS 115, the Company recorded investments at the lower of cost or market.

At June 30, 1994, the cost of the Company's noncurrent marketable equity securities exceeded the market value by $32,044. Therefore, a valuation allowance was established by a charge to shareholders' equity representing the net unrealized loss. During fiscal 1995, this allowance was increased by $275,661 due to the continuous decline in market value. At March 31, 1995, management determined the loss to be permanent given the significant decline in market value since June 30, 1994 and the unlikelihood of a recovery in value. Therefore, the $307,705 unrealized loss previously charged to shareholders' equity was accounted for as a realized loss in the 1995 statement of operations. At June 30, 1995, the market value of the marketable equity securities exceeded the adjusted cost, subsequent to the write-down noted above, by $87,397; therefore, an unrealized gain was recorded as a component of shareholders' equity to reflect this increase in value.

Note D - Inventory

The components of inventory are as follows:

	June 30 1995	June 30 1994
Finished goods	$ 3,742,411	$ 2,553,051
Work in process	1,042,922	883,152
Raw materials and supplies	1,194,374	1,285,434
	$ 5,979,707	$ 4,721,637

Inventory for 1995 and 1994 is reported net of reserves of $344,443 and $282,531, respectively, for slow-moving, unsalable and obsolete items.

Note E - Property, Plant and Equipment

Property, plant and equipment at June 30 consists of the following:

	June 30 1995	June 30 1994
Land	$ 478,757	$ 478,757
Buildings and leasehold improvements	5,514,182	4,388,816
Furniture and equipment	7,736,891	6,794,435
Automobiles	90,305	90,305
	13,820,135	11,752,313
Accumulated depreciation	(6,750,743)	(5,982,874)
	7,069,392	5,769,439
Construction in progress	3,926,553	479,883
	$10,995,945	$ 6,249,322

The balance included in construction in progress consists of costs related to the expansion of ophthalmic production facilities at AMI, including capital equipment acquisitions. While construction was substantially completed in fiscal 1995, certain steps required to obtain FDA approval and allow for the commencement of production were not yet completed. As of June 30, 1995, there were no significant construction costs related to the expansion yet to be incurred.

Note F - Pre-Funded Development Costs

In April 1994, the Company entered into a series of agreements with Pfizer Inc. (Pfizer) regarding the cross-licensing of several ophthalmic pharmaceutical products. The arrangement involves Akorn granting a license to Pfizer on an Akorn product under development (the licensed product), along with providing manufacturing services and marketing assistance for the licensed product. In exchange, Akorn received (1) a royalty stream on sales of the licensed product, (2) an exclusive, royalty-free license to manufacture and market a Pfizer prescription ophthalmic non-steroidal anti-inflammatory drug (NSAID), and (3) non-exclusive rights to market an existing Pfizer ophthalmic antibiotic.

As part of this agreement, in fiscal 1994 Pfizer paid the Company an advance of $1 million to be used to fund the costs of developing the NSAID, which are estimated at $1.8 million. The Company intends to recognize the pre-funded balance as an offset to development costs as these expenses are incurred. During fiscal 1995, the Company incurred $29,012 of development costs which were charged against the pre-funded balance. The Company's current projections indicate that these costs will be paid over the next 24 months. Accordingly, $667,000 of the pre-funded balance has been classified as a current liability at June 30, 1995.

In addition, the agreement stipulates that Pfizer will reimburse Akorn for one-half of the costs to obtain FDA approval on the licensed product, including the cost of certain agreed upon equipment acquisitions required for the manufacturing of the licensed product. In the event that Akorn fails to obtain FDA approval on the licensed product by December 31, 1996, the Company is required to pay a performance penalty of $1,020,000 to Pfizer. A New Drug Application (NDA) was filed for the licensed product on June 8, 1994. Given the current status of the NDA, it is management's opinion that payment of the performance penalty is remote.

Note G - Financing Arrangements

Long-term debt at June 30 consists of:

	1995	1994
Note payable to First National Bank of Commerce; due 1999; interest at 3/4% over the bank's prime rate (10.75% at June 30, 1995), payable in monthly installments of $45,329 commencing November 1995; secured by the Company's receivables, inventory and property, plant and equipment	$2,600,000	$ -
Note payable to First National Bank of Commerce; due 1999; interest at 10.25%, payable in monthly installments of $10,834 with a final installment of $649,960 due in 1999; secured by the Company's receivables, inventory and property, plant and equipment	1,213,328	-
Note payable to the First National Bank of Decatur; due 1995; interest at 1% over prime rate (8% at June 30, 1994), payable in monthly installments of $9,800 including interest; secured by certain land, buildings and equipment of AMI	-	749,965
Note payable to Decatur-Macon County Economic Development Foundation; due 1997; interest at 7%, payable in monthly installments of $3,019 including interest; secured by junior mortgage on building	-	90,372
	3,813,328	840,337
Deduct: Current installments payable within one year	(492,640)	(93,573)
Portion payable after one year	$ 3,320,688	$ 746,764

Maturities of long-term debt are as follows:

Years ending June 30:	
1996	$ 492,640
1997	673,956
1998	673,956
1999	673,956
2000	1,298,820
Total	$ 3,813,328

In September 1992, the Company entered into an agreement to obtain up to $2.5 million of credit financing from the John N. Kapoor Trust (the Trust), an affiliate of John N. Kapoor, Chairman of the Board. Under the terms of the agreement, the Trust, which held warrants to purchase 2 million shares of stock at prices ranging from $1.50 to $2.00 through November 15, 1995, was required to exercise 1,666,667 of those warrants at $1.50 per share on or prior to November 15, 1993. On that date, the Trust exercised the entire two million warrants for a total of $3 million, of which $1.6 million was used to repay bedt to the Trust and the remaining $1.4 million was received in cash. Interest expense related to this indebtedness was $61,334 and $129,540 in 1994 and 1993, respectively.

As part of the September 1992 arrangement, the Company granted a new warrant to the Trust to purchase an additional 1 million shares at $2.00 per share, exercisable for five years. Upon the issuance of this warrant, Dr. Kapoor because entitled to designate an additional individual as a Director of the Company.

During fiscal 1995, the Company entered into a $6.3 million loan agreement with a commercial bank to obtain financing for the expansion of its manufacturing facilities in Decatur, Illinois and to refinance existing debt. This agreement made available to the Company financing under a three-part credit facility: (1) $3.5 million Revolver/Term loan, (2) $1.3 million Term loan, and (3) $1.5 million Line of Credit. As of June 30, 1995, $2.6 million had been drawn on the Revolver/Term loan. Borrowings outstanding under the Line of Credit bear interest at the bank's prime rate; there were no borrowings outstanding under the Line of Credit at year end. In addition, at June 30, 1995 approximately $1.2 million was outstanding under the $1.3 million Term loan.

Borrowings under the loan agreement are collateralized by substantially all of the Company's receivables, inventory and property, plant and equipment. In addition, the Company is required to comply with specified loan covenants, including restrictions on the payment of dividends.

Note H - Leasing Arrangements

Akorn leases certain data processing and telephone equipment under capital leasing arrangements which expire during the next three years. In June 1995 AMI began leasing certain equipment under a capital lease agreement expiring during 2000. At fiscal year end, this equipment was in the process of being installed; therefore, the balance is included in construction in progress at June 30, 1995.

During 1993, AMI leased a portion of its manufacturing facilities from the former president and majority shareholder of AMI under a capital lease arrangement expiring in January 2002. The Company paid out the balance of this capital lease during fiscal year 1994.

Property, plant and equipment at June 30 includes the following amounts relating to such capital leases:

	June 30 1995	1994
Furniture and equipment	$ 100,002	$ 100,002
Less accumulated depreciation	(52,996)	(27,174)
	47,006	72,828
Construction in progress	705,977	-
	$ 752,983	$ 72,828

Depreciation expense provided on these assets was $25,822, $18,833, and $52,381 during 1995, 1994 and 1993, respectively.

The following is a schedule by years of future minimum lease payments under these capital leases together with the present value of the net minimum lease payments.

Years ending June 30:	
1996	$ 203,271
1997	194,455
1998	177,271
1999	172,701
2000	129,526
Total Minimum Lease Payments	877,224
Less: Amount Representing Interest	(148,169)
Present Value of Net Minimum Lease Payments	$ 729,055

The Company leases real property in the normal course of business under various operating leases, including non-cancelable and month-to-month agreements. Payments under these leases were $112,553, $140,800 and $186,873 in 1995, 1994 and 1993, respectively. Future minimum lease payments under non-cancelable operating leases at June 30, 1995 are not material.

During fiscal 1993, the Company entered into a sublease agreement for one of its leased facilities. Sublease rentals were $113,326, $111,164 and $68,552, respectively, for fiscal years ended June 30, 1995, 1994 and 1993. This agreement expired effective May 1995, in conjunction with the expiration of the primary lease.

Note I - Stock Option and Stock Purchase Plans

The Company has two stock option plans and one stock purchase plan. The first stock option plan is the 1988 Incentive Compensation Program (the Incentive Program). Under the Incentive Program any officer or key employee of the Company is eligible to receive options when designated by the Company's Board of Directors. The number of shares of the Company's Common Stock which may be issued under the Incentive Program upon the exercise of options may not exceed 2,000,000 shares. The exercise price of the options granted under the Incentive Program will be determined by the Board of Directors but may not be less than 50% of the fair market value of the shares subject to the option on the date of grant. All options granted under the Incentive Program during fiscal 1995, 1994 and 1993 have exercise prices equivalent to the market value of the Company's Common Stock on the date of grant.

The second stock option plan is the Akorn, Inc. Stock Option Plan for Directors (the Directors' Plan). The Directors' Plan provides for the grant of nonqualified options to persons elected as directors of the Company at the fair market value of the shares subject to option on the date of grant. The total number of shares of the Company's Common Stock for which stock options may be granted under the Directors' Plan may not exceed 500,000 shares.

All employees who have been employed by the Company for twelve continuous months are eligible to participate in the Akorn, Inc. Employee Stock Purchase Plan (the Purchase Plan). Participating employees may elect to contribute up to 15% of their gross compensation towards the purchase of Company's Common Stock. At the end of each quarter, the amount contributed is applied to acquire, on behalf of the participating employees, the Company's Common Stock at a purchase price equal to 85% of the current market price. A maximum of 1,000,000 shares of the Company's Common Stock may be acquired under the terms of the Purchase Plan. Purchases were issued from treasury stock under this plan and were insignificant in fiscal 1995, 1994 and 1993.

Note J - Stock Options and Warrants

The summary of activity in stock options and warrants for each of the three years ended June 30, 1995 is as follows:

Outstanding at July 1, 1992 (at prices ranging from $1.50 to $3.88 per share)	3,351,386
Granted (at prices ranging from $2.00 to $2.25 per share)	1,215,000
Exercised (at $2.00 per share)	(25,000)
Expired (at $2.63 per share)	(300,000)
Outstanding at June 30, 1993 (at prices ranging from $1.50 to to $3.88 per share)	4,241,386
Granted (at prices ranging from $2.00 to $3.50 per share)	228,000
Exercised (at prices ranging from $1.50 to $1.94 per share)	(2,010,000)
Outstanding at June 30, 1994 (at prices ranging from $1.50 to $3.88 per share)	2,459,386
Granted (at prices ranging from $2.81 to $3.50 per share)	238,000
Exercised (at prices ranging from $2.00 to $2.81 per share)	(73,000)
Outstanding at June 30, 1995 (at prices ranging from $1.50 to $3.88 per share)	2,624,386

The amount of options and warrants exercisable at year end was 2,368,843, 2,236,762 and 4,098,886 for 1995, 1994 and 1993, respectively. All of these options were exercisable at prices ranging from $1.50 to $3.88 per share.

Note K - Earnings Per Share

Earnings per share is based upon the weighted average number of common shares outstanding. The computation of the weighted average number of shares outstanding for fiscal 1995 and 1994 includes the effect of dilutive stock options and warrants using the treasury stock method. The computation for 1993 includes the effect of dilutive stock options and warrants using the modified treasury stock method. Net income for 1993 has been adjusted for interest expense (net of tax) paid on debt assumed to be paid down by the proceeds received upon the exercise of options in excess of 20% of shares outstanding on June 30, 1993. The weighted average number of shares outstanding used in the per share computations was 15,399,350 shares in 1995, 15,310,885 shares in 1994 and 13,554,865 shares in 1993.

Note L - Income Taxes

Effective July 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income

Taxes." This standard requires recognition of future tax benefits, attributable to deductible temporary differences between the financial statement and income tax bases of assets and liabilities, to the extent that realization of such benefits is more likely than not. Financial statements of prior years have not been restated and the cumulative effect of the accounting change was not material due to the uncertainties that existed at July 1, 1993 concerning the ultimate realization of future tax benefits. As indicated at Note T, uncertainties regarding the ultimate realization of future tax benefits were reduced to a relatively low level by the fourth quarter of fiscal 1994, thereby justifying removal of the valuation allowance applicable to the deferred tax asset.

The components of income tax expense (benefit) are as follows:

	1995	1994	1993
Current:			
Federal	$1,049,834	$489,051	$ (253,937)
State	37,537	61,550	(5,644)
	1,087,371	550,601	(259,581)
Deferred:			
Federal	128,806	(342,752)	-
State	15,613	(41,546)	-
	144,419	(384,298)	-
	$1,231,790	$166,303	$ (259,581)

The following represents the composition of deferred tax expense as a result of temporary differences arising in 1993:

	1993
Excess tax depreciation over book	$ 46,665
Reorganization and other costs paid (accrued)	753,902
Excess book bad debt deduction over tax	38,774
Operating loss carryforward utilized	(815,182)
Other, net	(24,159)
Deferred tax expense, net	$ -

A reconciliation of income tax expense (benefit) at the federal statutory rate to income tax expense (benefit) at the Company's effective rate is as follows:

	1995	1994	1993
Computed tax expense (benefit) at expected statutory rate	$ 1,187,134	$ 981,580	$ 510,619
State income tax expense (benefit), net of federal tax benefits	31,879	40,623	(3,725)
Change in valuation allowance applicable to deferred tax assets	-	(896,000)	-
Recognition of net operating loss	-	-	(769,894)
Other	12,777	40,100	3,419
Income tax expense (benefit)	$1,231,790	$ 166,303	$ (259,581)
Effective tax (benefit) rate	35.1%	5.8%	(17.3)%

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of June 30, 1995 and 1994 are as follows:

	1995	1994
Deferred Tax Assets:		
Reserves for reorganization costs not currently deductible	$ 375,746	$ 648,855
Other reserves not currently deductible	379,901	185,703
Difference between book and taxes bases of intangible assets	43,119	-
Other	103,121	61,720
Total	901,887	896,278
Deferred Tax Liabilities:		
Difference between book and tax bases of property, plant and equipment	367,542	473,515
Other	152,600	38,465
Total	520,142	511,980
Net deferred tax asset	$ 381,745	$ 384,298

The net deferred tax asset is classified in the accompanying balance sheet as follows:		
Deferred income tax asset-current	$ 708,963	$ 550,715
Deferred income tax liability non-current	(327,218)	(166,417)
	$ 381,745	$ 384,298

Income taxes refunded during 1994 and 1993 were $282,641, and $1,003,090, respectively.

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 M - Change in Accounting Estimate

During the quarter ended March 31, 1995, an evaluation by the Company resulted in a change in the estimated liability related to aged customer credits. This change resulted in a reduction of selling, general and administrative expenses of approximately $330,000 ($.02 cent per share, net of tax).

Note N - Supplemental Disclosures of Cash Flow Information

The following is a summary of supplemental cash flow and noncash investing and financing information for the years ended June 30:

	1995	1994	1993
Cash paid for:			
Interest, net of amount capitalized	$ -	$ 148,649	$ 267,448
Income taxes	1,149,750	91,000	-
Noncash investing and financing activities:			
Conversion of debt to common stock	-	1,600,000	-
Issuance of capital lease obligation	705,977	-	-

Note O - Industry Segment Information

The Company classifies its operations into two core business segments: (1) ophthalmic distribution and (2) contract manufacturing. The ophthalmic distribution segment includes the market and distribution of an extensive line of ophthalmic products, including diagnostic and therapeutic pharmaceuticals, over-the-counter products and surgical instruments and supplies. The contract manufacturing segment consists of the manufacture of sterile pharmaceuticals, including human injectable products and ophthalmic solutions.

Selected financial information by industry segment for fiscal years ended June 30 is presented as follows:

	1995	1994	1993
NET SALES			
Ophthalmic distribution	$23,791,120	$20,694,134	$14,916,510
Contract manufacturing:			
Sales to unaffiliated customers	9,071,510	7,709,330	5,976,949
Sales to affiliated customer	2,521,392	1,666,263	885,132
	35,384,022	30,069,727	21,778,591
Eliminations	(2,521,392)	(1,666,263)	(885,132)
Total net sales	$32,862,630	$28,403,464	$20,893,459
OPERATING INCOME			
Ophthalmic distribution	$ 3,775,332	$ 3,009,815	$ 1,349,672
Contract manufacturing	1,228,127	1,155,308	1,369,513
General corporate	(1,331,223)	(1,230,682)	(1,054,567)
Total operating income	3,672,236	2,934,441	1,664,618
Interest and other income (expense), net	(160,665)	(47,441)	(162,798)
Income before income taxes	$ 3,511,571	$ 2,887,000	$1,501,820

	1995	1994	1993
IDENTIFIABLE ASSETS			
Ophthalmic distribution	$12,881,150	$12,816,638	$ 7,686,291
Contract manufacturing	13,085,202	8,296,048	6,441,516
General corporate	127,428	108,525	89,882
Total identifiable assets	$26,093,780	$21,221,211	$14,217,689
DEPRECIATION AND AMORTIZATION			
Ophthalmic distribution	$ 338,698	$ 286,575	$ 219,764
Contract manufacturing	552,083	432,635	406,911
General corporate	56,672	6,945	4,582
Total depreciation and amortization	$947,453	$ 726,155	$ 631,257
CAPITAL ADDITIONS			
Ophthalmic distribution	$ 354,262	$ 465,341	$ 516,802
Contract manufacturing	5,162,177	1,215,633	175,540
General corporate	7,670	4,115	7,890
Total capital additions	$ 5,524,109	$ 1,685,089	$ 700,232

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Fiscal 1995 operating income for the ophthalmic distribution segment includes a reduction in selling, general and administrative expense of approximately $330,000 related to a change in accounting estimate for aged customer credits. Operating income for 1993 includes a reduction in costs of reorganizing manufacturing operations of approximately $400,000 in the ophthalmic distribution segment and a $700,000 reversal of the provision for litigation judgment in the contract manufacturing segment.

During fiscal 1995, the Company reported sales to one customer which accounted for approximately 13% of consolidated net sales. The net sales attributable to this customer were accounted for in the contract manufacturing segment. This customer has notified the Company that it will be transferring the production of certain products to its own facilities in Puerto Rico during fiscal 1996 and 1997. Such products accounted for $1.4 million in contract manufacturing sales for 1995. In addition, this customer has notified the Company that it will be discontinuing the sale of two other products previously produced by the contract manufacturing segment. These products accounted for approximately $2.9 million in sales during 1995. The Company is presently in discussions with this customer to obtain a license to distribute these two injectable products. During 1994 and 1993, the Company did not derive ten percent or more of its revenues from any single customer.

The Company records sales between the segments at fully absorbed cost.

Note P - Concentration of Credit Risk

The Company specializes in the manufacturing, marketing and distribution of ophthalmic products to companies and doctors in the healthcare industry. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 60 days. Credit losses have consistently been within management's expectations.

Note Q - Defined Contribution Plan

The Company sponsors a qualified defined contribution plan which was established under the provisions of Internal Revenue Code Section 401(k). The plan covers all employees with six months of employment and who are 21 years of age or older. The employees can defer a portion of their compensation up to the maximum allowed by the Internal Revenue Code regulations. The plan provides for discretionary contributions by the Company on behalf of the employees. Beginning January 1994, the Company has made a discretionary matching contribution on a quarterly basis. During fiscal years 1995, 1994 and 1993, the Company recorded expenses related to the plan of $86,296, $12,274 and $63,366, respectively.

Note R - Litigation

On November 8, 1991, prior to the effective date of the acquisition by Akorn, a default judgment was entered against AMI in El Paso County, Colorado for approximately $1.8 million, including accrued interest of $685,000, in a product liability suit that had been pending since October 1985. This default judgment was the result of AMI being improperly defended in the lawsuit. AMI received notice of this default judgment in February 1992 and recorded a reserve for this judgment of $1.8 million as of December 31, 1991. The reserve was increased to $2.1 million as of March 31, 1992 for additional accrued interest and accrued litigation costs.

AMI's insurer subsequently acknowledged coverage in the amount of $1 million, plus post-judgment interest and reasonable attorneys' fees. As a result, during the fourth quarter of fiscal 1992, the Company recorded a change in estimate of approximately $1.3 million ($0.10 per share, net of tax), reducing its estimated liability for the judgment to $800,000.

During fiscal 1993, AMI's insurer and the plaintiffs agreed to a settlement within the limits of insurance coverage. Accordingly, during the quarter ended March 31, 1993, the Company reduced the provision for the judgment by $700,000 ($.05 per share, net of tax) to $100,000, the approximate amount of actual expenses incurred by AMI in defending the judgment.

The Company is a party in legal proceedings and potential claims arising in the ordinary course of its business. Management does not believe these matters will materially effect the Company's financial statements.

Note S - Reorganization of Manufacturing Operations

For the fiscal year ended June 30, 1991, the Company had recorded $7.8 million in expenses associated with the reorganization of its manufacturing operations, including the costs of discontinuing operations at Walnut, then the Company's then only manufacturing subsidiary, and estimated costs of product recalls then in progress.

Thereafter, the Company continued discussions with the United States Food and Drug Administration (FDA) regarding the closure of the facility and continued its review of manufacturing practices which existed at the facility during its operations. As a result of further reviews by Company personnel, consultants and the FDA, the Company revised its estimate of costs of closure of the facility and costs of potential product recalls in the third fiscal quarter of 1992.

In addition, following the AMI acquisition in January 1992, the Company began the process of transferring the manufacture of its product line to the AMI facility. At that time, the Company determined the cost of completing the FDA approval process at AMI for products previously manufactured at Walnut. The total of these transfer costs, along with the revised estimates for closure costs at Walnut and product recalls, was $5.3 million ($.38 per share, net of tax) and was recorded as costs of reorganizing manufacturing operations during the third quarter of fiscal 1992.

As a result of additional historical experience and further evaluation, the Company reduced its estimated liability for remaining reorganization costs during fiscal 1993. This change in estimate totalled approximately $404,000 ($.03 per share, net of tax) and is included as a reduction to reorganization costs. As of June 30, 1995 and 1994, the balance remaining in accrued reorganization costs consists primarily of amounts necessary to complete the transfer of product approvals for products previously manufactured at the Walnut facility. It is anticipated that the filing of all such product approvals will be completed by fiscal 1997.

Note T - Fourth Quarter Adjustments

As a consequence of sustained growth in sales and profitability, in particular during the latter part of the year, the Company recorded a reduction of $384,298 ($.03 per share, net of tax) to its valuation allowance for deferred tax assets in the fourth quarter of fiscal 1994.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

There was no change in the principal independent accountant of the Company or any significant subsidiary of the Company during the Company's fiscal years ended June 30, 1995 or June 30, 1994.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The information called for by Item 9 will be included in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders under the caption "Election of Directors" and is incorporated herein by reference. In addition, certain information concerning the Company's executive officers is included in Item 1A (Executive Officers of the Registrant) of Part I hereof.

Item 10. Executive Compensation.

The information called for by Item 10 will be included in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders under the caption "Executive Compensation" and is incorporated herein by reference.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The information called for by Item 11 will be included in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders under the captions "Principal Shareholder" and "Election of Directors" and is incorporated herein by reference.

Item 12. Certain Relationships and Related Transactions.

The information called for by Item 12 will be included in the Company's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders under the caption "Transactions with Shareholders and Directors" and is incorporated herein by reference.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Those exhibits marked with an asterisk (*) refer to exhibits filed herewith and listed in the Exhibit Index which appears immediately before the first such exhibit; the other exhibits are incorporated herein by reference, as indicated in the following list.

(2.0) Agreement and Plan of Merger dated December 17, 1991, by and among the Company, Aksub, Inc., Taylor Pharmacal Company ("Taylor," an Illinois corporation and wholly-owned subsidiary of the Company), and certain shareholders of Taylor Pharmacal Company, incorporated by reference to the Company's report on Form 8-K dated January 15, 1992.

(3.1) Restated Articles of Incorporation of the Company dated September 6, 1991, incorporated by reference to Exhibit 3.1 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(3.2) By-laws of the Company as amended and restated through July 23, 1993, incorporated herein by reference to Exhibit 3.2 to the Company's report on Form 10-KSB for the fiscal year ended June 30, 1993.

(4.1) Specimen Common Stock Certificate, incorporated by reference to Exhibit 4.1 to the Company's report on Form 10-K for the fiscal year ended June 30, 1988.

(10.1) Akorn, Inc. Savings and Retirement Plan effective July 1, 1984, incorporated by reference to Form 10-K for the fiscal year ended June 30, 1987.

(10.2) Stock Purchase Agreement dated November 15, 1990 by and between the John N. Kapoor Trust dated September 20, 1989, and the Company, incorporated by reference to Exhibit 10.21 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(10.3) Common Stock Purchase Warrant dated November 15, 1990 between the John N. Kapoor Trust dated September 20, 1989 and the Company, incorporated by reference to Exhibit 10.22 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(10.4) Consulting Agreement dated November 15, 1990 by and between E. J. Financial Enterprises, Inc., a Delaware corporation, and the Company, incorporated by reference to Exhibit 10.23 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(10.5) Stock Registration Rights Agreement dated November 15, 1990 by and between the John N. Kapoor Trust dated September 20, 1989 and the Company, incorporated by reference to Exhibit 10.24 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(10.6) Agreement dated February 15, 1991 amending Stock Purchase Agreement dated November 15, 1990 by and between the John N. Kapoor Trust dated September 20, 1989, and the Company, incorporated by reference to Exhibit 10.25 to the Company's report on Form 10-K for the fiscal year ended June 30, 1991.

(10.7) Akorn, Inc. Stock Option Plan for Directors, incorporated by reference to Exhibit 4.4 to the Company's registration statement on Form S-8, registration number 33-24970.

(10.8) Form of Akorn, Inc. Letter Agreement between the Company and its directors under the Stock Option Plan for Directors, incorporated by reference to Exhibit 4.5 to the Company's registration statement on Form S-8, registration number 33-24970.

(10.9) Akorn, Inc. 1988 Incentive Compensation Program, incorporated by reference to Exhibit 4.6 to the Company's registration statement on Form S-8, registration number 33-24970.

(10.10) Form of Akorn, Inc., Letter Agreement between the Company and its key employees and executives under the 1988 Incentive Compensation Program, incorporated by reference to Exhibit 4.7 to the Company's registration statement on Form S-8, registration number 33-24970.

(10.11) Amended and Restated Akorn, Inc. 1988 Incentive Compensation Program, incorporated by reference to Exhibit 10.32 to the Company's report on Form 10-K for the fiscal year ended June 30, 1992.

(10.12) Amendment No. 1 to the Amended and Restated Akorn, Inc. 1988 Incentive Compensation Program, incorporated by reference to Exhibit 10.33 to the Company's report on Form 10-K for the fiscal year ended June 30, 1992.

(10.13) Form of Stock Option Agreement under Amendment No. 1 to Amended and Restated Incentive Compensation Program, incorporated herein by reference to the Company's registration statement on Form S-8, registration number 33-70686.

(10.14) 1991 Akorn, Inc. Stock Option Plan for Directors, incorporated by reference to Exhibit 4.3 to the Company's registration statement on Form S-8, registration number 33-44785.

(10.15) Form of Pledge Agreement between the Company and each shareholder of Taylor, incorporated by reference to Exhibit 10.1 of the Company's report on Form 8-K dated January 15, 1992.

(10.16) Form of Employment Agreement between Taylor and five key employees, incorporated by reference to Exhibit 10.2 of the Company's report on Form 8-K dated January 15, 1992.

(10.17) Agreement dated January 15, 1992 among the Company, the John N. Kapoor Trust dated September 20, 1989, John N. Kapoor and EJ Financial Enterprises, Inc., incorporated by reference to Exhibit 10.37 of the Company's report on Form 10-K for the fiscal year ended June 30, 1992.

(10.18) Business Promissory Note of Taylor payable to First National Bank of Decatur and Loan Modification Agreement dated January 15, 1992 by and between Taylor and First National Bank of Decatur, incorporated by reference to Exhibit 10.4 of the Company's report on Form 8-K dated January 15, 1992.

(10.19) Amendment and Restated Lease Agreement dated January 15, 1991 between Taylor Building Corporation as Landlord and Taylor as tenant, incorporated by reference to Exhibit 10.5 of the Company's report on Form 8-K dated January 15, 1992.

(10.20) Loan Agreement dated September 3, 1992, between the Company and the John N. Kapoor Trust dated September 20, 1989, incorporated by reference to Exhibit No. 6 to Amendment No. 3 to Schedule 13D filed by John N. Kapoor and the John N. Kapoor Trust dated September 20, 1989, dated September 10, 1992.

(10.21) Common Stock Purchase Warrant dated September 3, 1992, issued by the Company to the John N. Kapoor Trust dated September 20, 1989, incorporated by reference to Exhibit No. 7 to Amendment No. 3 to Schedule 13D, dated September 10, 1992, filed by John N. Kapoor and the John N. Kapoor Trust dated September 20, 1989.

(10.22) Agreement, Waiver and Release, dated September 3, 1992, between the Company and the John N. Kapoor Trust dated September 20, 1989, incorporated by reference to Exhibit 10.44 of the Company's report on Form 10-K for the fiscal year ended June 30, 1992.

(10.23)* Amendment No. 1 to Agreement dated January 15, 1992 among the Company, the John N. Kapoor Trust dated September 20, 1989, John N. Kapoor and EJ Financial Enterprises, Inc.

(11.1)* Computation of Earnings Per Share.

(21.1)* Subsidiaries of the Company.

(23.1)* Consent of Deloitte & Touche LLP

(24.1)* Power of Attorney of Daniel E. Bruhl, M.D.

(24.2)* Power of Attorney of J. Ed Campbell, M.D.

(24.3)* Power of Attorney of George S. Ellis, M.D.

(24.4)* Power of Attorney of Doyle S. Gaw.

(24.5)* Power of Attorney of John N. Kapoor, Ph.D.

(24.6)* Power of Attorney of David H. Turner, M.D.

(24.7)* Power of Attorney of Lawrence A. Yannuzzi, M.D.

(b) Reports on Form 8-K.

None

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities and 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.

By: /s/ Barry D. LeBlanc

Barry D. LeBlanc
President and
Chief Executive Officer

Date: September 15, 1995

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Barry D. LeBlanc Barry D. LeBlanc	President, Chief Executive Officer and Director (Principal Executive Officer)	September 15, 1995
/s/ Eric M. Wingerter Eric M. Wingerter	Vice President - Finance and Administration (Principal Financial Officer and Prinicpal Acounting Officer	September 15, 1995
* Daniel E. Bruhl, M.D.	Director	September 15, 1995
* J. Ed Campbell, M.D.	Director	September 15, 1995
* George S. Ellis, M.D.	Director	September 15, 1995
* Doyle S. Gaw	Director	September 15, 1995
* John N. Kapoor, M.D.	Director	September 15, 1995
* David H. Turner, M.D.	Director	September 15, 1995

*

_________________________ Director September 15, 1995

Lawrence A. Yannuzzi, M.D.

*By: /s/ Barry D. LeBlanc

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Barry D. LeBlanc

Attorney-in-fact

AMENDMENT NO. 1 TO JANUARY 15, 1992 AGREEMENT

This Agreement dated as of August 2, 1995 (this "Agreement") is entered into by and among Akorn, Inc., a Louisiana corporation ("Akorn"), the John N. Kapoor Trust dated September 20, 1989, as amended, (the "Trust"), John N. Kapoor ("Dr. Kapoor"), and EJ Financial Enterprises, Inc., a Delaware corporation ("EJ Financial").

W I T N E S S T H:

WHEREAS, the parties to this Agreement are parties to that certain Agreement dated as of January 15, 1992 (the "1992 Agreement") and desire to amend such Agreement to the extent set forth herein.

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

Section 1.Definitions

The capitalized terms used in this Agreement, unless otherwise defined herein, have the meanings assigned to them in the 1992 Agreement.

Section 2. Amendment to Section 2(a)(ii) of 1992 Agreement

Section 2(a)(ii) of the 1992 Agreement, which provides for the forfeiture by EJ of 125,000 shares of Akorn common stock on the fourth anniversary of the Possible Transaction (January 15, 1996) unless on or before such date the closing price per share of the common stock of Akorn on any business day during such period is $5.00 or greater, is hereby amended (a) to extend such forfeiture period to the close of business on January 15, 1998, the sixth anniversary of the consummation of the Possible Transaction, and (b) to provide that such forfeiture shall not occur if prior to the end of the forfeiture period (i) a person or group of persons acting in concert, other than Dr. Kapoor or a person or persons with whom Dr. Kapoor is acting in concert, as a result of action taken by or on behalf of such person or persons, becomes the beneficial owner of securities having more than 50% of the voting power of all of the outstanding voting securities of Akorn and (ii) no transaction has been approved by the Akorn Board of Directors prior to or in anticipation of the event described in clause (i) as a result of which the outstanding shares of Akorn common stock have been or are proposed to be converted into or exchanged for cash or other property having a value, in the reasonable judgment of the Akorn Board of Directors at the time of its approval of such transaction, of less than $5 per share. As used in the preceding sentence the term "beneficial owner" has the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended. In consideration of such amendment Dr. Kapoor does hereby waive payments in the aggregate amount of $40,000 otherwise payable to him by Akorn for serving as Chairman of Akorn's Board of Directors.

Section 3.Survival of 1992 Agreement

Except as set forth expressly in this Agreement, the 1992 Agreement remains in full force and effect and shall be deemed to include this Agreement as though set forth in full therein.

IN WITNESS WHEREOF, each party has executed or has caused this Agreement to be executed by its respective officer or trustee, thereunto duly authorized, as of the day first above written.

AKORN, INC.

By: /s/ Barry D. LeBlanc
____
Barry D. LeBlanc, President

JOHN N. KAPOOR TRUST, dated September 20, 1989

By: /s/ John N. Kapoor
____
John N. Kapoor, not individually, but solely as trustee

EJ FINANCIAL ENTERPRISES, INC.

By: /s/ John N. Kapoor
____
John N. Kapoor, President

/s/ John N. Kapoor
____
John N. Kapoor

Exhibit 11.1

COMPUTATION OF NET INCOME PER SHARE

(In Thousands, Except Per Share Data)

	Year Ended June 30, 1995	Year Ended June 30, 1994
Earnings		
Income applicable to common stock	$ 2,280	$ 2,721
Shares		
Weighted average number of shares outstanding	14,836	14,785
Additional shares assuming conversion of options and warrants up to 20% of shares outstanding	563	526
Pro forma shares	15,399	15,311
Net income per share	$ .15	$ .18

Exhibit 21.1

SUBSIDIARIES OF AKORN, INC.

	Name	State of Incorporation
1.	Akorn Manufacturing, Inc.	Illinois
2.	Spectrum Scientific Pharmaceuticals, Inc.	Louisiana
3.	Walnut Pharmaceuticals, Inc.	Louisiana
4.	Compass Vision, Inc.	Louisiana

Exhibit 23.1

INDEPENDENT AUDITORS CONSENT

We consent to the incorporation by refrence in Registration Statement Nos. 33-44785, 33-24970 and 33-70686 of Akorn, Inc. on Form S-8 of our report dated September 1, 1995 (which expresses an unqualified opinion and includes an explanatory paragraph relating to the Company's change in its method of accounting for income taxes in 1994 and the Company's change in its method of accounting for certain investments in debt and equity securities in 1995), appearing in this Annual Report on Form 10-KSB of Akorn, Inc. for the year ended June 30, 1995.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP

New Orleans, Louisiana
September 22, 1995

EXHIBIT 25.1

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ Daniel E. Bruhl, M.D.

____
Daniel E. Bruhl, M.D.

July 26, 1995

____
(Date)

EXHIBIT 25.2

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ J. Ed Campbell, M.D.
____
J. Ed Campbell, M.D.

July 26, 1995
____
(Date)

EXHIBIT 25.3

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ George S. Ellis, M.D.

____
George S. Ellis, M.D.

July 25, 1995

____
(Date)

EXHIBIT 25.4

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ Doyle S. Gaw

____
Doyle S. Gaw

July 25, 1995

____
(Date)

EXHIBIT 25.5

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ John N. Kapoor, Ph.D.

____
John N. Kapoor, Ph.D.

August 3, 1995

____
(Date)

EXHIBIT 25.6

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ David H. Turner, M.D.

____

David H. Turner, M.D.

July 25, 1995

____

(Date)

EXHIBIT 25.7

POWER OF ATTORNEY

(Form 10-KSB, FYE 6/30/95)

KNOW ALL MEN BY THESE PRESENTS, that the undersigned director of Akorn, Inc. (the "Company") does hereby constitute and appoint Barry D. LeBlanc, and Eric M. Wingerter, and anyone of them acting in the absence of the others, his true and lawful attorney-in-fact and agent, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 1995, to sign any and all amendments thereto, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitutes may lawfully do or cause to be done by virtue hereof.

This instrument is executed by the undersigned on the date indicated below.

/s/ Lawrence A. Yannuzzi, M.D.

Lawrence A. Yannuzzi, M.D.

July 26, 1995

(Date)

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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