

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2009 This Form is Open to Public Inspection
---	---	---

Part I	Annual Report Identification Information
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009	
A This return/report is for:	☐ a multiemployer plan; ☐ a multiple-employer plan; or ☒ a single-employer plan; ☐ a DFE (specify) ____
B This return/report is:	☐ the first return/report; ☐ the final return/report; ☐ an amended return/report; ☐ a short plan year return/report (less than 12 months).
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558; ☐ automatic extension; ☐ the DFVC program; ☐ special extension (enter description)

Part II	Basic Plan Information —enter all requested information
1a Name of plan EURAND , INC. 401(K) RETIREMENT PLAN	1b Three-digit plan number (PN) ▶ 001
	1c Effective date of plan 06/01/1999
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) EURAND INC. 845 CENTER DR VANDALIA, OH 45377	2b Employer Identification Number (EIN) 31-0988732 2c Sponsor's telephone number 937-898-9669 2d Business code (see instructions) 325410

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2010	KAREN WAYMIRE
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/15/2010	JOYCE LAVISCOUNT
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

3a Plan administrator's name and address (if same as plan sponsor, enter "Same") EURAND INC. 845 CENTER DR VANDALIA, OH 45377	3b Administrator's EIN 31-0988732 3c Administrator's telephone number 937-898-9669
---	---

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: a Sponsor's name	4b EIN 4c PN
---	-----------------------------------

5 Total number of participants at the beginning of the plan year	5	207
6 Number of participants as of the end of the plan year (welfare plans complete only lines 6a , 6b , 6c , and 6d).		
a Active participants.....	6a	226
b Retired or separated participants receiving benefits.....	6b	0
c Other retired or separated participants entitled to future benefits.....	6c	33
d Subtotal. Add lines 6a , 6b , and 6c	6d	259
e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	6e	1
f Total. Add lines 6d and 6e	6f	260
g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	6g	242
h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....	6h	14
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)	7	

8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
 2F 2G 2J 2K 2T 3D 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

9a Plan funding arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☐ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
---	---

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☐ A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)
--	---

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection.
For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009		
A Name of plan EURAND , INC. 401(K) RETIREMENT PLAN		B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 EURAND INC.		D Employer Identification Number (EIN) 31-0988732

Part I	Service Provider Information (see instructions)
---------------	--

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
FID.INV.INST.OPS.CO.
04-2647786

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

FIDELITY INVESTMENTS INSTITUTIONAL

04-2647786

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
64 65 37 60	RECORDKEEPER	2100	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
OAKMARK FUND I - BOSTON FINANCIAL D 04-2526037	0.35%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
FIDELITY INVESTMENTS INSTITUTIONAL	60	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
ROYCE LOW PR STK SER - BOSTON FINAN 04-2526037	0.45%	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2009
		This Form is Open to Public Inspection

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009		
A Name of plan EURAND , INC. 401(K) RETIREMENT PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 EURAND INC.	D Employer Identification Number (EIN) 31-0988732	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)	0	36920
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	1630783	1897569
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	122064	145829
(9) Value of interest in common/collective trusts.....	1c(9)		
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	5656839	9075639
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)		

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	7409686	11155957

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k	0	0

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	7409686	11155957
---	-----------	---------	----------

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	592537	
(B) Participants	2a(1)(B)	1223693	
(C) Others (including rollovers)	2a(1)(C)	137509	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		1953739

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	10531	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	8679	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		19210

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	140702	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		140702

(3) Rents	2b(3)		
-----------------	--------------	--	--

(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		1979674
c Other income.....	2c		
d Total income. Add all income amounts in column (b) and enter total.....	2d		4093325

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	343891	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		343891
f Corrective distributions (see instructions)	2f		1035
g Certain deemed distributions of participant loans (see instructions).....	2g		
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)		
(4) Other	2i(4)	2128	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		2128
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		347054

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		3746271
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: ERNST & YOUNG, LLP

(2) EIN: 34-6565596

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....		X	
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....		X	
e Was this plan covered by a fidelity bond?.....	X		500000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....		X	
l Has the plan failed to provide any benefit when due under the plan?		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.		X	

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)

5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110 2009 This Form is Open to Public Inspection.
---	--	--

For calendar plan year 2009 or fiscal plan year beginning 01/01/2009 and ending 12/31/2009

A Name of plan <u>EURAND , INC. 401(K) RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>EURAND INC.</u>	D Employer Identification Number (EIN) <u>31-0988732</u>

Part I	Distributions
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>04-6568107</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.			
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
-----------------	-------------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
--	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2009
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

a Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE

Eurand, Inc. 401(k) Retirement Plan
December 31, 2009 and 2008
and Year Ended December 31, 2009
With Report of Independent Auditors

Ernst & Young LLP



Eurand, Inc. 401(k) Retirement Plan

Financial Statements and Supplemental Schedule

December 31, 2009 and 2008, and Year Ended December 31, 2009

Contents

Report of Independent Auditors.....	1
Financial Statements	
Statements of Net Assets Available for Benefits.....	2
Statement of Changes in Net Assets Available for Benefits.....	3
Notes to Financial Statements.....	4
Supplemental Schedule	
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)	15

Report of Independent Auditors

Plan Administrator
Eurand, Inc. 401(k) Retirement Plan

We were engaged to audit the accompanying statements of net assets available for benefits of the Eurand, Inc. 401(k) Retirement Plan as of December 31, 2009 and 2008, and the related statement of changes in net assets available for benefits for the year ended December 31, 2009, and the supplemental schedule of assets (held at end of year) as of December 31, 2009. These financial statements and supplemental schedule are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the investment information summarized in Note 3, which was certified by Fidelity Management Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and supplemental schedule. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of December 31, 2009 and 2008, and for the year ended December 31, 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and supplemental schedule taken as a whole. The form and content of the information included in the financial statements and supplemental schedule, other than that derived from the investment information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Ernst & Young LLP

October 15, 2010

Eurand, Inc. 401(k) Retirement Plan

Statements of Net Assets Available for Benefits

	December 31	
	2009	2008
Assets		
Investments, at fair value (<i>Note 4</i>)	\$ 11,119,037	\$ 7,409,686
Contribution receivables:		
Employer	36,920	—
Total assets	11,155,957	7,409,686
Net assets available for benefits	\$ 11,155,957	\$ 7,409,686

See accompanying notes.

Eurand, Inc. 401(k) Retirement Plan

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31, 2009

Additions

Contributions:

Employee	\$ 1,223,693
Employer	592,537
Rollovers	137,509
	<u>1,953,739</u>

Investment Income

Interest and dividends	159,912
Net appreciation in fair value of investments	1,979,674
	<u>2,139,586</u>

Total additions	<u>4,093,325</u>
-----------------	------------------

Deductions

Benefit payments	344,926
Administrative expenses	2,128
Total deductions	<u>347,054</u>

Net additions	3,746,271
---------------	-----------

Net assets available for benefits at beginning of year	7,409,686
Net assets available for benefits at end of year	<u><u>\$ 11,155,957</u></u>

See accompanying notes.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements

December 31, 2009

1. Description of the Plan

The following description of the Eurand, Inc. 401(k) Retirement Plan (the Plan) provides only general information about the Plan's provisions. Participants should refer to the *Summary Plan Description* for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering employees of Eurand, Inc. and Eurand Pharmaceuticals, Inc. (the Company). Full time employees who have reached the age of 21 are eligible to participate in the Plan and will be automatically enrolled in the Plan with contributions set at a rate of 3% of the employee's salary. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

Participants may contribute up to 60% of their pretax annual compensation each year, not to exceed current federal limitations. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company will make a matching contribution of 75% of each participant's deferred compensation up to 6% of the participant's total annual compensation, as defined by the Plan.

Upon enrollment, a participant may direct employee contributions in any increment to any of the Plan's fund options. Participants may change their investment options at any time. Employer contributions are invested in the same funds designated by the participant on a pro-rata basis.

Participant Accounts

Each participant's account is credited with the participant's contributions, employer contributions, and an allocation of the plan earnings. This allocation is based on participant account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account. All amounts in participant accounts are participant directed.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Vesting

Participants are immediately vested in their contributions plus actual earnings thereon. Employer contributions plus actual earnings become vested to the employee according to the following schedule:

<u>Years of Vesting Service</u>	<u>Vested Percentage</u>
Less than 2 years	0%
2 years but less than 3 years	25%
3 years but less than 4 years	50%
4 years but less than 5 years	75%
5 years or more	100%

Participant Loans

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from 1–5 years or up to 10 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at a rate commensurate with local prevailing rates as determined by the plan administrator, Karen Waymire. Principal and interest is paid ratably through payroll deductions.

Benefit Payments

On termination of service, death, disability or retirement, a participant may receive a lump-sum amount equal to the value of his or her account.

Forfeited Accounts

Upon a participant's termination, the nonvested portion of any employer contribution is forfeited. All forfeitures are used to offset future employer contributions. Forfeitures of \$41,743 and \$20,710 were used to fund employer contributions in 2009 and 2008, respectively. At December 31, 2009 and 2008, unallocated nonvested accounts totaled \$12,866 and \$2,071, respectively.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

1. Description of the Plan (continued)

Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants would become 100% vested in their accounts.

Administrative Expenses

Administrative expenses associated with the Plan are paid by the Company. Loan fees are charged to the individual participant accounts and are included in administrative fees on the statement of changes in net assets available for benefits.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Benefits are recorded when paid.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for participant-directed investments that are exposed to various risks such as interest rate, market volatility and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Investment Valuation and Income Recognition

Investments held by the Plan are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). See Note 4 for further discussion and disclosures related to fair value measurements.

The money market fund maintains an approximate net asset value of \$1 per unit by means of income distributions that are automatically re-invested in new units. The cost value of the money market fund includes re-invested income and therefore approximates fair value. The shares of registered investment companies are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end. The participant loans are valued at their outstanding balances, which approximate fair value.

In accordance with ASC 820, *Fair Value Measurements and Disclosures* (formerly FASB Statement No. 157), assets and liabilities measured at fair value are categorized into the following fair value hierarchy:

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market that the Plan has the ability to access at the measurement date.

Level 2 – Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Amendments

Effective April 1, 2008, the Plan was amended to allow employees who were participating in the SourceCF, Inc Safe Harbor 401(k) Profit Sharing Plan as of March 31, 2008, to commence participation. SourceCF was acquired by Eurand Pharmaceuticals, Inc. on December 3, 2007. The Source CF, Inc. Safe Harbor 401(k) Profit Sharing Plan was merged into the Plan on the same date.

Effective June 17, 2008, the Plan was amended to allow Automatic Enrollment Contributions. Unless an eligible employee affirmatively elects otherwise, his compensation will be reduced by the automatic enrollment rate. Such percentage will be increased in accordance with Subsection (b), if applicable, for each payroll period in which he is an active participant.

Effective April 1, 2008, the Plan was amended to allow participants the opportunity to irrevocably designate a portion or all of his contributions to the Plan as Roth Deferral Contributions. Concurrently, an employee otherwise eligible to make a rollover contribution under the Plan shall be permitted to make a Roth direct rollover contribution to the Plan.

Effective June 1, 2009, the Company moved to a Volume Submitter Profit Sharing Plan for which an advisory letter from the Internal Revenue Service has been received stating that the written form of the volume submitter document is qualified under section 401 of the Internal Revenue Code for use by employers for the benefit of their employees. This change resulted in minimal impact on the plan as the new form has many of the same characteristics of the old plan type.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP 157-4). FSP 157-4 amended FASB Statement No. 157 (codified as ASC 820) to provide additional guidance on estimating fair value when the volume and level of activity for an asset or liability have significantly decreased in relation to its normal market activity. FSP 157-4 also provided additional guidance on circumstances that may indicate that a transaction is not orderly and on defining major categories of debt and equity securities to comply with the disclosure requirements of ASC 820. The Plan adopted the guidance in FSP 157-4 for the reporting period ended December 31, 2009. Adoption of FSP 157-4 did not have a material effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, which was codified into ASC 855, *Subsequent Events*, to provide general standards of accounting for and disclosure of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. ASC 855 was amended in February 2010. The Plan has adopted ASC 855, as amended.

In September 2009, the FASB issued Accounting Standards Update 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2009-12). ASU 2009-12 amended ASC 820 to allow entities to use net asset value (NAV) per share (or its equivalent), as a practical expedient, to measure fair value when the investment does not have a readily determinable fair value and the net asset value is calculated in a manner consistent with investment company accounting. Adoption of ASU 2009-12 did not have a material effect on the Plan's net assets available for benefits or its changes in net assets available for benefits.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements*, (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each “class” of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2 and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 becomes effective for reporting periods beginning after December 15, 2009. Plan management is currently evaluating the effect that the provisions of ASU 2010-06 will have on the Plan’s financial statements.

Subsequent Events

Management evaluated subsequent events for the Plan through October 15, 2010 the date the financial statements were available to be issued.

3. Investments

All investment information disclosed in the accompanying financial statements and supplemental schedule, including investments held at December 31, 2009 and 2008, and net appreciation in fair value of investments, and interest and dividends for the year ended December 31, 2009, was obtained or derived from information supplied to the plan administrator and certified as complete and accurate by Fidelity Management Trust Company, the Trustee.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

3. Investments

The fair value of individual investments that represent 5% or more of the Plan's net assets available for benefits are as follows:

	December 31	
	2009	2008
Investments, at fair value:		
Participant-Directed Brokerage Account Assets:		
Fidelity Retirement Money Market	\$1,897,569	\$ 1,630,783
Shares of Registered Investment Companies:		
Fidelity Balanced Fund	613,231	493,011
Fidelity Contrafund	618,891	392,452
Fidelity Dividend Growth Fund	(a)	257,706
Fidelity International Discovery Fund	1,021,710	641,011
Fidelity Low-Priced Stock Fund	1,267,487	764,954
Spartan US Equity Index Fund	(a)	425,188
Fidelity US Bond Index	612,543	529,559
Royce Low Priced Stock Fund	612,570	(a)

(a) Investment is less than 5% of Plan net assets.

The Plan investment options include mutual funds only, including the money market fund. During 2009, the Plan's investments (including investments purchased, sold as well as held during the year) appreciated in fair value in the amount of \$1,979,674.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets and liabilities.

Level 2 – Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets
- quoted prices for identical or similar assets or liabilities in markets that are not active
- observable inputs other than quoted prices that are used in the valuation of the asset or liabilities (e.g., interest rate and yield curve quotes at commonly quoted intervals)
- inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – Unobservable inputs for the asset or liability (i.e., supported by little or no market activity). Level 3 inputs include management's own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The level in the fair value hierarchy within which the fair value measurement is classified is determined based the lowest level input that is significant to the fair value measure in its entirety.

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

4. Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2009 and 2008:

	Total	(Level 1)	(Level 2)	(Level 3)
December 31, 2009				
Mutual funds	\$10,973,208	\$10,973,208	\$ —	\$ —
Loans to participants	145,829	—	—	145,829
Total investments	<u>\$11,119,037</u>	<u>\$10,973,208</u>	<u>\$ —</u>	<u>\$ 145,829</u>
	Total	(Level 1)	(Level 2)	(Level 3)
December 31, 2008				
Mutual funds	\$ 7,287,622	\$ 7,287,622	\$ —	\$ —
Loans to participants	122,064	—	—	122,064
Total investments	<u>\$ 7,409,686</u>	<u>\$7,287,622</u>	<u>\$ —</u>	<u>\$ 122,064</u>

For loans to participants measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during 2009, a reconciliation of the beginning and ending balances is as follows:

	<u>Participant Loans</u>
Beginning balance, January 1, 2009	\$ 122,064
Loan repayments	(66,089)
Loan withdrawals	89,854
Ending balance, December 31, 2009	<u>\$ 145,829</u>

Eurand, Inc. 401(k) Retirement Plan

Notes to Financial Statements (continued)

5. Tax Status

The underlying Volume Submitter Profit Sharing Plan has received an advisory letter from the Internal Revenue Service (IRS) dated March 31, 2008, stating that the form of the Plan is qualified under Section 401 of the Internal Revenue Code (the Code) and therefore the related trust is tax-exempt. In accordance with Revenue Procedures 2009-6 and 2005-16, the plan administrator has determined that it is eligible to and has chosen to rely on the current IRS volume submitter plan advisory letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualified status. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and therefore believes the Plan is qualified and the related trust is tax-exempt.

Supplemental Schedule

Eurand, Inc. 401(k) Retirement Plan

EIN #31-0988732

Plan #001

Schedule H, Line 4i – Schedule of Assets (Held At End of Year)

December 31, 2009

Identity of Issue, Borrower Lessor, or Similar Party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Current Value
Participant-Directed Brokerage Account Assets: 7409686		
Fidelity Retirement Money Market	1,897,569 shares	\$ 1,897,569
Shares of Registered Investment Companies:		
* Fidelity Low-Priced Stock Fund	39,683 shares	1,267,487
* Fidelity International Discovery Fund	33,664 shares	1,021,710
* Fidelity Contrafund	10,619 shares	618,891
* Fidelity Balanced Fund	37,484 shares	613,231
Royce Low Priced Stock Fund	43,599 shares	612,570
* Fidelity US Bond Index	55,384 shares	612,543
* Fidelity Freedom 2020 Fund	39,842 shares	500,011
* Fidelity Freedom 2025 Fund	46,936 shares	487,666
Spartan US Equity Index Fund	12,367 shares	487,616
* Fidelity Freedom 2030 Fund	36,844 shares	456,497
* Fidelity Dividend Growth Fund	17,786 shares	421,001
* Fidelity Blue Chip Growth Fund	10,071 shares	382,203
* Fidelity Freedom 2040 Fund	32,955 shares	235,960
* Fidelity Freedom 2035 Fund	22,652 shares	232,410
Oakmark Fund 1	5,934 shares	219,813
* Fidelity Value Fund	3,733 shares	212,565
* Fidelity Mid Cap Stock	7,965 shares	186,536
* Fidelity Cap Appreciation	7,532 shares	161,412
* Fidelity Freedom 2010 Fund	7,122 shares	89,098
* Fidelity Freedom Income Fund	5,373 shares	57,706
* Fidelity Freedom 2015 Fund	5,280 shares	55,021
* Fidelity Freedom 2000 Fund	4,730 shares	53,691
* Fidelity Freedom 2045 Fund	6,337 shares	53,675
* Fidelity Freedom 2050 Fund	3,470 shares	28,974
* Fidelity Freedom 2005 Fund	733 shares	7,352
Total shares of Registered Investment Companies		9,075,639
* Participant loans	Interest rates from 5.75% to 9.25%	145,829
Total investments		<u>\$ 11,119,037</u>

**Indicates party in interest to the Plan.*

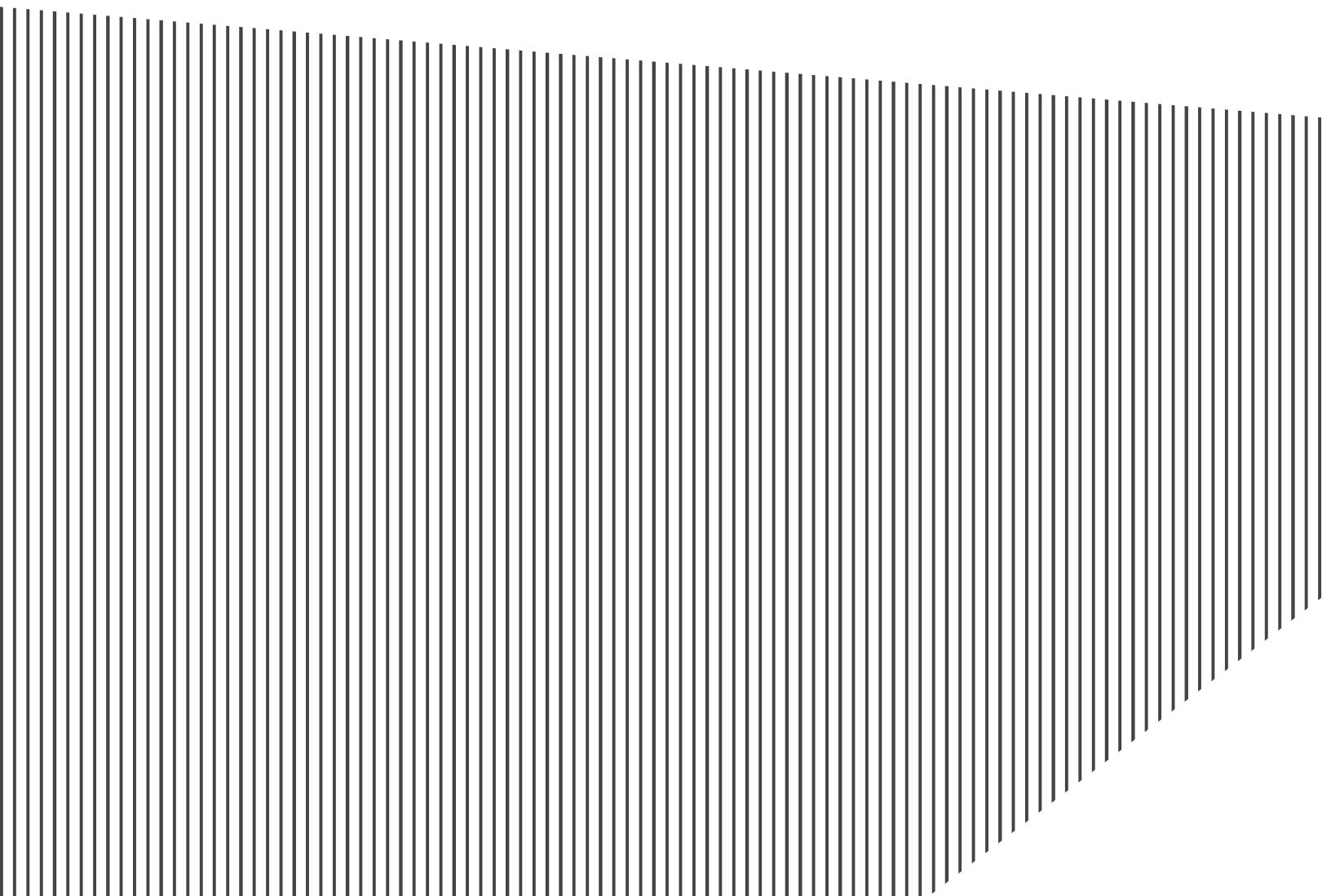
Cost information is not included as all investments are participant directed.

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 144,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

For more information, please visit www.ey.com

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. This Report has been prepared by Ernst & Young LLP, a client serving member firm located in the United States.





October 15, 2010

Ernst & Young LLP
1900 Scripps Center
312 Walnut St.
Cincinnati, OH 45202

Eurand
845 Center Drive
Vandalia, Ohio 45377-U.S.A.
Phone 937.898.9669
Fax 937.898.9529

www.eurand.com

In connection with your engagements to audit the statements of net assets available for benefits and statement of changes in net assets available for benefits, and supplemental schedule of Eurand, Inc. 401(k) Retirement Plan (the Plan), as of December 31, 2009 and 2008 and for the year ended December 31, 2009, we understand that, as permitted by the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended (ERISA) (DOL Regulation Section 2520.103-8) and as instructed by us, you did not perform any audit procedures with respect to investment information prepared and certified to by Fidelity Management Trust Company, the trustee, other than comparing such information with the related information included in the financial statements and supplemental schedule. Because of the significance of the information that you did not audit, we understand that you will not express an opinion on the financial statements and schedule taken as a whole. We have obtained a certification from the trustee as of December 31, 2009 and 2008 and for the year ended December 31, 2009, that the information provided to us by the trustee is complete and accurate.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We recognize that as members of management of Eurand, Inc. (the Plan Sponsor), we are responsible for the fair presentation of the Plan's financial statements and the accompanying supplemental schedule. We believe the statements of net assets available for benefits and the statement of changes in net assets available for benefits are fairly presented in conformity with US generally accepted accounting principles applied on a basis consistent with that of the preceding period and the notes include all disclosures required by laws and regulations to which the Plan is subject. We also believe that the accompanying supplemental schedule is fairly presented in conformity with the Department of Labor's (DOL) Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

We also recognize that, as members of management of the Plan Sponsor, we are responsible for establishing and maintaining effective internal control.

We have made available to your representatives all financial records and related data.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities. In addition, we have no knowledge of any matters affecting the Plan Sponsor that could be significant to the Plan, other than those disclosed.

Unrecorded differences

There are no unrecorded differences identified during the current engagement and pertaining to the latest period presented.

Minutes and contracts

We have made available to you all minutes of the meetings of plan committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements, including employee benefits-related contracts that would have a material effect on the financial statements in the event of noncompliance and have not breached our fiduciary responsibilities.

Internal control

There are no transactions of a material nature, individually or in the aggregate, that have not been properly recorded in the accounting records underlying the financial statements.

There have been no significant changes in internal control since December 31, 2009. We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting.

We have obtained and provided to you the Statement on Auditing Standards No. 70, *Service Organizations* (SAS 70) reports from our service organizations, as applicable. We have reviewed such SAS 70 reports, including the complementary user controls. We have implemented the relevant user controls and they were in operation as of December 31, 2009 and 2008 for the year ended December 31, 2009.

Risks and uncertainties

There are no risks and uncertainties related to significant estimates and current vulnerabilities due to material concentrations that have not been disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 275, *Risks and Uncertainties*.

Ownership and pledging of assets

The Plan, or its related trust, has satisfactory title to all assets appearing in the statements of net assets available for benefits. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor have any assets been pledged. All assets to which the Plan or its related trust has satisfactory title appear in the statements of net assets available for benefits.

Commitments

There are no material commitments outstanding at December 31, 2009 and 2008 for the acquisition of financial instruments or other assets.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at December 31, 2009 and 2008 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Limited scope audit

We understand that the certification provided by Fidelity Management Trust Company with respect to the investment information does not alleviate our responsibility to understand the nature of the investments of the Plan, the methodologies and assumptions used for determining fair value measurements and the related financial statement presentation and disclosures. For any investments for which the certified values were not valued appropriately, we have instructed you to perform full scope audit procedures on the applicable investments or we have obtained a revised certification from the trustee or custodian.

Fair value measurements and disclosures

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value. The methods and significant assumptions used to determine fair values of assets and liabilities, including assets and liabilities that do not have readily determinable fair values, are appropriately disclosed in the financial statements. We believe that the methods and significant assumptions used are reasonable and represent our best estimate of fair value as of the Plan's year-end. Our valuation methodologies have been consistently applied from period to period. The methods and significant assumptions used in our fair value measurements and disclosures were made in accordance with the requirements of ASC 820, *Fair Value Measurements and Disclosures*.

Related party transactions and parties in interest

Transactions with related parties, as defined in ASC 850, *Related Party Disclosures*, and related amounts receivable or payable (including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties), have been properly recorded and/or disclosed in the financial statements.

There have been no transactions with parties in interest, as defined in ERISA section 3(14), and related regulations, that were not disclosed in the financial statements or supplemental schedule.

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with ASC 450-20 , *Contingencies – Loss Contingencies*.

There have been no violations or possible violation of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by ASC 450, nor are there any accruals for loss contingencies or gain contingencies included in the financial statements that are not in conformity with the provisions of ASC 450.

We have not consulted a lawyer concerning litigation, claims, or assessments.

Oral or written guarantees

There are no oral or written guarantees, including guarantees of the debt of others.

Fraud

We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the internal control over financial reporting of the Plan. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements of the Plan. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Plan.

Independence

We are not aware of any capital lease, material cooperative arrangement, or other business relationship between the Plan Sponsor and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of this engagement.

Conflicts of interest

There are no instances where any officer or employee of the Plan Sponsor has an interest in a company with which the Plan does business that would be considered a "conflict of interest." Such an interest would be contrary to Plan and Plan Sponsor policy.

Participant data

There were no material omissions from the participant data provided to the Plan's recordkeeper for the purpose of determining the allocations to individual accounts used in the preparation of the financial statements.

Tax-qualified status

We recognize that the audit procedures performed did not encompass all of the procedures necessary to determine the tax-qualified status of the Plan, nor the tax consequences of the Plan Sponsor or plan participants. However, we confirm to the best of our knowledge and belief that the Plan is qualified and the associated trust is tax exempt under the appropriate sections of the Internal Revenue Code and intend to continue as a qualified Plan and tax exempt trust.

We have chosen to rely on the current Internal Revenue Service (IRS) advisory letter issued on behalf of the volume submitter plan that we have adopted. We have reviewed the current IRS opinion letter for the volume submitter, the timing of the advisory letter and our fact pattern related to the history of our Plan and we have determined, in accordance with IRS Revenue Procedures 2009-6 and 2005-16 that we are eligible to rely on the volume submitter advisory letter and, therefore, have not applied for a determination letter on our adoption of the Plan. We understand that this advisory letter does not cover some of the key requirements of the Internal Revenue Code covering tax-qualified plans.

Other plan matters

There have been no amendments of the Plan instrument, including amendments to comply with applicable laws since the Amendment to the plan document dated June 1, 2009.

There have been no prohibited transactions (as defined in ERISA section 406 and regulations under that section) or reportable transactions (as defined in ERISA section 103(b)(3)(H) and regulations under that section) that were not reported in the supplemental schedule or financial statements.

The Plan has filed all reports and made all disclosures required of it under ERISA.

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications, and all other relevant information, including plan changes that constitute the Plan.

There is no present intention to terminate the Plan.

The Plan has complied with the fidelity bonding requirements of ERISA.

We understand that the determination as to whether to pay a particular expense out of the plan assets is a fiduciary act governed by ERISA. Administrative expenses paid by the Plan for the period under audit are considered appropriate plan expenses to pay from plan assets and are not prohibited transactions (as defined in ERISA section 406 and regulations under that section).

The Plan has complied with the DOL's regulations concerning the timely remittance of participant contributions and loan repayments to the trust containing assets for the Plan.

Supplemental schedules

All required supplemental schedules have been prepared and presented in conformity with ERISA and the DOL's Rules and Regulations.

No investments are in default or are considered to be uncollectible that are required to be disclosed, but that are not disclosed in the applicable supplemental schedule.

Subsequent events

Subsequent to December 31, 2009, no events or transactions have occurred or are pending that would have a material effect on the financial statements at that date or for the period then ended, or that are of such significance in relation to the Plan's affairs to require mention in a note to the financial statements in order to make them not misleading regarding the net assets available for benefits or the changes in net assets available for benefits of the Plan.

Summary

We understand that you were engaged to conduct your audit in accordance with auditing standards generally accepted in the United States as established by the AICPA. However, we also understand that, as permitted by 29 CFR 2520.103-8 of the DOL's Rules and Regulations for Reporting and Disclosure under the ERISA, a limited scope audit was performed as described above. We understand that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for the purpose of issuing the limited scope opinion.

Very truly yours,


Joyce LaViscount, V.P. Finance


Valerie Paoloemilio, Controller


Karen Waymire, Plan Administrator


Tammy Baughcum, HR Supervisor

Currency: USD

[illegible]

Eurand, Inc. 401(k) Retirement Plan

EIN #31-0988732 Plan #001

Schedule H, Line 4i – Schedule of Assets (Held At End of Year)

December 31, 2009

Identity of Issue, Borrower Lessor, or Similar Party	Description of investment including maturity date, rate of interest, collateral, par or maturity value	Current Value
Participant-Directed Brokerage Account Assets: 7409686		
Fidelity Retirement Money Market	1,897,569 shares	\$ 1,897,569
Shares of Registered Investment Companies:		
* Fidelity Low-Priced Stock Fund	39,683 shares	1,267,487
* Fidelity International Discovery Fund	33,664 shares	1,021,710
* Fidelity Contrafund	10,619 shares	618,891
* Fidelity Balanced Fund	37,484 shares	613,231
Royce Low Priced Stock Fund	43,599 shares	612,570
* Fidelity US Bond Index	55,384 shares	612,543
* Fidelity Freedom 2020 Fund	39,842 shares	500,011
* Fidelity Freedom 2025 Fund	46,936 shares	487,666
Spartan US Equity Index Fund	12,367 shares	487,616
* Fidelity Freedom 2030 Fund	36,844 shares	456,497
* Fidelity Dividend Growth Fund	17,786 shares	421,001
* Fidelity Blue Chip Growth Fund	10,071 shares	382,203
* Fidelity Freedom 2040 Fund	32,955 shares	235,960
* Fidelity Freedom 2035 Fund	22,652 shares	232,410
Oakmark Fund 1	5,934 shares	219,813
* Fidelity Value Fund	3,733 shares	212,565
* Fidelity Mid Cap Stock	7,965 shares	186,536
* Fidelity Cap Appreciation	7,532 shares	161,412
* Fidelity Freedom 2010 Fund	7,122 shares	89,098
* Fidelity Freedom Income Fund	5,373 shares	57,706
* Fidelity Freedom 2015 Fund	5,280 shares	55,021
* Fidelity Freedom 2000 Fund	4,730 shares	53,691
* Fidelity Freedom 2045 Fund	6,337 shares	53,675
* Fidelity Freedom 2050 Fund	3,470 shares	28,974
* Fidelity Freedom 2005 Fund	733 shares	7,352
Total shares of Registered Investment Companies		9,075,639
* Participant loans	Interest rates from 5.75% to 9.25%	145,829
Total investments		<u>\$ 11,119,037</u>

*Indicates party in interest to the Plan.

Cost information is not included as all investments are participant directed.