

In addition, the DEA requires a separate listing of all controlled substance transactions, segregated from all other company records, to facilitate ready inspection by DEA representatives.

Separate reports of any suspected loss in transit, whether or not confirmed, and any other significant loss of any scheduled drug, are reported to the DEA immediately. If any suspected loss is not accounted for, follow-up reports are made.

The DEA also conducts periodic, formal audit inspections of Pennwalt's entire system of accountability for all schedules of controlled substances. Apart from these audits, DEA representatives are on our premises on a regular basis in the routine performance of their duties, including monitoring distribution and reviewing our security programs for scheduled products.

In addition to federal regulation, forty-two states, including New York, California, Pennsylvania, Illinois, and Florida, have adopted the Uniform Controlled Substances Act, which contains controls similar to the Federal Act.