MADONNA JON C/
Form 4
June 11, 2010

FORM 4

OMB APPROVAL

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MADONNA JON C/

(Last) (First) (Middle)

333 NORTH CENTRAL AVENUE

(Street)

PHOENIX, AZ 85004

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FREEPORT MCMORAN COPPER & GOLD INC [FCX]

3. Date of Earliest Transaction (Month/Day/Year)
06/09/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock (1)	06/09/2010		A (2)		4,000	A	$ 0	12,340	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Options (Right to Buy)	$ 66.49	06/09/2010		A (3)		10,000		06/01/2011 (4)	06/01/2020	Common Stock	10,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MADONNA JON C/ 333 NORTH CENTRAL AVENUE PHOENIX, AZ 85004				

Signatures

Kelly C. Simoneaux on behalf of Jon C. Madonna pursuant to a power of attorney	06/11/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Amount beneficially owned following the reported transaction includes 6,750 Common Stock Restricted Stock Units.

(2) On each of December 8, 2009 and June 1, 2010, the Nominating and Corporate Governance Committee of the Issuer's Board of Directors (the Committee) granted the Reporting Person 2,000 Common Stock Restricted Stock Units. These grants were conditioned on stockholder approval of the Issuer's Amended and Restated 2006 Stock Incentive Plan (the Plan), which approval was received on June 9, 2010 at the Issuer's 2010 annual meeting.

(3) On June 1, 2010, the Committee granted these options to the Reporting Person subject to approval of the Plan, which approval was received on June 9, 2010.

(4) 25% exercisable on the date indicated and 25% exercisable on each of the next three anniversaries thereof.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ttom" width="1%"> — — — — 2,607,470 — — — 2,607,470

Beneficial Conversion

— — — — — — — 2,384,609 — — (2,384,609) —

Costs associated with Raising Capital

— — — — — — — (1,576,055) — — — (1,576,055)

Net loss

— — — — — — — — — — (13,893,060) (13,893,060)

Dividends												
	—	—	—	—	1,113,517	11,135	—	1,616,194	—	—	(2,101,416)	(474,087)
BALANCE AT MARCH 31, 2008												
	8,410	$84	19,155	$192	23,131,035	$231,310	$(75,000)	$91,889,978	(100,000)	$(306,841)	$(81,190,402)	$(10,549,321)

The accompanying notes are an integral part of the Consolidated Financial Statements.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Series B Preferred Stock Shares	Series B Preferred Stock Amount	Series C Preferred Stock Shares	Series C Preferred Stock Amount	Series D Preferred Stock Shares	Series D Preferred Stock Amount	Common Stock Shares	Amount	Subscription Receivable	Additional Paid in Capital	Treasuru Stock Shares	Amount	Accumulated Deficit
8,410	84	19,155	192			23,131,035	231,310	(75,000)	91,889,978	(100,000)	(306,841)	(81,190,402
				1,777	18				1,776,982			
(7,139)	(71)	(4,898)	(49)	12,037	120							
(225)	(2)	(552)	(6)	(4,660)	(47)	23,682,161	236,822		(236,767)			
						125,000	1.250		100,000			
									(342,454)			
									921,442			

												(6,604,708
						13,901,178	139,012		1,608,901			(2,206,683
1,046	11	13,705	137	9,154	91	60,839,374	608,394	(75,000)	95,718,082	(100,000)	(306,841)	(90,001,793

The accompanying notes are an integral part of the Consolidated Financial Statements.

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEARS ENDED MARCH 31,		
	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss from Continuing Operations	$ (6,604,708)	$ (10,913,460)	$ (11,161,480)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	500,817	413,701	408,814
Non-cash compensation satisfied by issuance of stock, options and warrants	921,442	2,607,470	3,479,070
Changes in assets and liabilities:			
Accounts receivable	147,307	67,353	(215,837)
Accrued interest receivable	(3,795)	(3,795)	(949)
Inventories	420,654	(1,311,451)	(485,964)
Prepaid expenses and other current assets	(52,400)	128,423	(162,767)
Security Deposit	—	(6,508)	—
Accounts payable, accrued expenses and other current liabilities	130,615	(867,016)	(22,805)
NET CASH USED IN CONTINUING OPERATING ACTIVITIES	(4,540,068)	(9,885,283)	(8,161,918)
Discontinued Operations			
Loss from Discontinued Operations	—	(2,979,600)	(642,032)
Equity in loss of discontinued operations	—	2,979,600	642,032
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	—	—	—
NET CASH USED IN OPERATING ACTIVITIES	(4,540,068)	(9,834,277)	(8,161,918)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in intangible assets due to patent costs	—	—	(5,470)
Deposits to restricted cash	—	(17,080)	—
Release of restricted cash	104,644	—	1,174,397
Payment of deposit for manufacturing equipment	—	(14,703)	(32,880)
Purchases of property and equipment	(45,892)	(505,580)	(925,150)
Investment in Novel Laboratories, Inc.	—	(4,992,160)	(2,009,800)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	58,752	(5,529,523)	(1,798,903)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of bank loans	(9,864)	(5,752)	—
Dividends paid	(163,403)	(410,832)	(34,141)
Proceeds from issuance of Common Stock and warrants	—	—	2,000,000
Principal repayments of NJEDA bonds	(200,000)	(185,000)	(175,000)
Proceeds from issuance of Series C 8% Convertible Preferred Stock and Warrants	—	20,000,000	—
Costs associated with raising capital	(342,454)	(1,576,055)	(26,347)
Proceeds from bank loan	—	58,004	—
	1,777,000	—	—

Proceeds from issuance of Series D 8% Convertible Preferred Stock and Warrants						
Proceeds from exercise of stock options		—		61,500		88,500
Proceeds from exercise of stock warrants		—		313,005		—
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,061,279		18,254,870		1,853,012
NET CHANGE IN CASH AND CASH EQUIVALENTS		(3,420,037)		2,891,070		(8,107,809)
CASH AND CASH EQUIVALENTS - beginning of period		3,702,615		811,545		8,919,354
CASH AND CASH EQUIVALENTS - end of period	$	282,578	$	3,702,615	$	811,545
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:						
Cash paid for interest	$	253,402	$	293,404	$	275,554
Cash paid (received) for income taxes		3.,120		3,120		(376,259)
SCHEDULES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:						
Preferred Stock dividends of $2,106,535 , $1,627,328, and $791,182 paid by issuance of 13,901,178, 1,113,517 and 372,562 shares of Common Stock	$		$	—	$	—
Utilization of equipment deposit towards purchase of equipment				32,880		—
Dividends accrued on preferred stock				—		—
Beneficial Conversion Dividend				2,384,609		—
Consulting Services Paid by Issurance of 125,000 shares of common stock		101,250		—		—

The accompanying notes are an integral part of the Consolidated Financial Statements.

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Elite Pharmaceuticals, Inc. and its consolidated subsidiaries, (collectively the “Company”) including its wholly-owned subsidiaries, Elite Laboratories, Inc. (“Elite Labs”) and Elite Research, Inc. (“ERI”) for the years ended March 31, 2009, 2008 and 2007 and its variable interest entity, Novel Laboratories, Inc. (“Novel”). During the quarter ended December 31, 2007, Novel ceased to be a variable interest entity of Elite. Accordingly, the information in this 10K has been prepared as if Elite divested of Novel as a wholly owned subsidiary on October 1, 2007 and the operations are being reflected as a discontinued operation. Our Company consolidates all entities that we control by ownership of a majority voting interest. As of March 31, 2009, the financial statements of all wholly-owned entities are consolidated and all significant intercompany accounts are eliminated upon consolidation.

NATURE OF BUSINESS

Elite Pharmaceuticals, Inc. was incorporated on October 1, 1997 under the laws of the State of Delaware, and its wholly-owned subsidiary Elite Laboratories, Inc. was incorporated on August 23, 1990 under the laws of the State of Delaware. Elite Labs engages primarily in researching, developing and licensing proprietary controlled-release drug delivery systems and products. The Company is also equipped to manufacture controlled-release products on a contract basis for third parties and itself if and when the products are approved; however the Company has concentrated on developing orally administered controlled-release products. These products include drugs that cover therapeutic areas for pain, allergy and infection. The Company also engages in research and development activities for the purpose of obtaining Food and Drug Administration approval, and, thereafter, commercially exploiting generic and new controlled-release pharmaceutical products. The Company also engages in contract research and development on behalf of other pharmaceutical companies.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit with banks and money market instruments. The Company places its cash and cash equivalents with high-quality, U.S. financial institutions and, to date, has not experienced losses on any of its balances.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

LONG-LIVED ASSETS

The Company periodically evaluates the fair value of long-lived assets, which include property and equipment and intangibles, whenever events or changes in circumstances indicate that its carrying amounts may not be recoverable. Such conditions may include an economic downturn or a change in the assessment of future operations. A charge for impairment is recognized whenever the carrying amount of a long-lived asset exceeds its fair value. Management has determined that no impairment of long-lived assets has occurred.

Property and equipment are stated at cost. Depreciation is provided on the straight-line method based on the estimated useful lives of the respective assets which range from five to forty years. Major repairs or improvements are capitalized. Minor replacements and maintenance and repairs which do not improve or extend asset lives are expensed currently.

Upon retirement or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is recognized in income.

Costs incurred to acquire intangible assets such as for the application of patents and trademarks are capitalized and amortized on the straight-line method, based on their estimated useful lives ranging from five to fifteen years, commencing upon approval of the patent and trademarks. Such costs are charged to expense if the patent or trademark is unsuccessful.

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development expenditures are charged to expense as incurred.

CONCENTRATION OF CREDIT RISK

The Company maintains cash balances, which, at times, may exceed the amounts insured by the Federal Deposit Insurance Corp. ($250,000). Uninsured balances at March 31, 2009 are $77,435. Management does not believe that there is any significant risk of losses.

The Company in the normal course of business extends credit to its customers based on contract terms and performs ongoing credit evaluations. An allowance for doubtful accounts due to uncertainty of collectability is established based on historical collection experience. Amounts are written off when payment is not received after exhaustive collection efforts. Currently the Company generates all its revenues from one company. The termination of the contract with that Company will result in the loss of all revenues currently earned.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, the recognition of revenue, the amount of the allowance for doubtful accounts receivable and the fair value of intangible assets and stock-based awards.

INCOME TAXES

The Company uses the liability method for reporting income taxes, under which current and deferred tax liabilities and assets are recorded in accordance with enacted tax laws and rates. 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. Under the liability method, the amounts of deferred tax liabilities and assets at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Further tax benefits are recognized when it is more likely than not that such benefits will be realized. Valuation allowances are provided to reduce deferred tax assets to the amount considered likely to be realized.

Effective April 1, 2007, the Company adopted the provisions of FASB’s Interpretation (“FIN”) No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109.” Fin 48 prescribes a recognition threshold and measurement attribute for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 requires that the financial statements reflect expected future tax consequences of such positions presuming the taxing authorities’ full knowledge of the position and all relevant facts, but without considering time values. No such amounts were accrued for April 1, 2007. Additionally, no adjustments related to uncertain tax positions were recognized during the year ended March 31, 2009.

The Company recognizes interest and penalties related to uncertain tax positions as a reduction of the income tax benefit. No interest and penalties related to uncertain tax positions were accrued as of March 31, 2009.

The Company operates in multiple tax jurisdictions within the United States of America. Although we do not believe that we are currently under examination in any of our major tax jurisdictions, we remain subject to examination in all of our tax jurisdiction until the applicable statues of limitation expire. As of March 31, 2009, a summary of the tax years that remain subject to examination in our major tax jurisdictions are: United States – Federal and State – 2004 and forward. The Company does not expect to have a material change to unrecognized tax positions within the next twelve months.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 3 – FAIR VALUE DISCLOSURES

On April 1, 2008, the Company adopted SFAS No. 157, which defines fair value, establishes a frame work for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. SFAS No. 157 defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability, based upon an exit price in an orderly transaction between market participants at the measurement date.

FAS No. 157 establishes a three-level valuation hierarchy of valuation techniques that is based on observable and unobservable inputs:

Level 1 – observable inputs such as unadjusted quoted prices in active markets for identifical instruments.

Level 2 – quoted prices for similar instruments in active markets or inputs that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs based on the Company’s own assumptions.

In accordance with SFAS 157, the following table presents the Company’s valuation hierarchy for its financial asset in Novel Laboratories, Inc. measured at fair value on a recurring basis as of March 31, 2009:

“FAIR VALUE MEASUREMENT AT MARCH 31, 2009”

	Balance at March 31, 2009	Quoted Price in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investment in Novel Laboratories, Inc.	$ 3,329,322	$ —	$ —	$ 3,329,322

Significant unobservable inputs have been based on projected discounted cash flows for 2009-2012 on sales of currently filed ANDA products and future filings with a 60% risk adjustment and using a 12.50% discount rate. Each product assumes a net income of $75,000 per year.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2009 and 2008 consists of the following:

	2009	2008
Laboratory manufacturing, and warehouse equipment	$ 5,089,540	$ 5,075,215
Office equipment	56,961	53,607
Furniture and fixtures	62,406	62,406
Transportation equipment	66,855	66,855
Land, building and improvements	2,492,152	2,463,939
Equipment under capital lease	168,179	168,179
	7,936,093	7,890,201
Less: Accumulated depreciation and amortization	(3,360,606)	(2,881,500)
	$ 4,575,487	$ 5,008,701

Depreciation and amortization expense amounted to $479,106, $413,701 and $403,698 for the years ended March 31, 2009, 2008 and 2007, respectively.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets at March 31, 2009 and 2008, consist of the following:

	2009	2008
Patents	$ 151,300	$ 151,300
Trademarks	8,120	8,120
	159,420	159,420
Less: Accumulated amortization	(131,677)	(124,144)
	$ 27,743	$ 35,276

Amortization of intangible assets amounted to $21,711, $21,711 and $22,118 for the years ended March 31, 2009, 2008 and 2007, respectively.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 6 - LONG TERM DEBT

On September 2, 1999, the Company completed the issuance of tax exempt bonds by the New Jersey Economic Development Authority ("NJEDA" or the "Authority"). The aggregate proceeds from the issuance of the fifteen year term bonds was $3,000,000. Interest on the bonds accrues at 7.75% per annum. A portion of the proceeds were used by the Company to refinance its land and building, and the remaining proceeds were intended to be used for the purchase of manufacturing equipment and building improvements.

On August 31, 2005, the Company successfully completed a refinancing of the 1999 bond issue through the issuance of new tax-exempt bonds (the "Bonds"). The refinancing involved borrowing $4,155,000, evidenced by a 6.5% Series A Note in the principal amount of $3,660,000 maturing on September 1, 2030 and a 9% Series B Note in the principal amount of $495,000 maturing on September 1, 2012. The net proceeds, after payment of issuance costs, were used (i) to redeem the outstanding tax-exempt Bonds originally issued by the Authority on September 2, 1999, (ii) refinance other equipment financing and (iii) for the purchase of certain equipment to be used in the manufacture of pharmaceutical products.

Interest is payable semiannually on March 1 and September 1 of each year. The Bonds are collateralized by a first lien on the Company's facility and equipment acquired with the proceeds of the original and refinanced Bonds. The related Indenture requires the maintenance of a $415,500 Debt Service Reserve Fund consisting of $366,000 from the Series A Notes proceeds and $49,500 from the Series B Notes proceeds. The Debt Service Reserve is maintained in restricted cash accounts that are classified in Other Assets. $1,274,311 of the proceeds had been deposited in a short-term restricted cash account to fund the purchase of manufacturing equipment and development of the Company's facility. As of March 31, 2009, all of these proceeds were utilized to upgrade the Company's manufacturing facilities and for the purchase of manufacturing and laboratory equipment.

Bond issue costs of $354,000 were paid from the bond proceeds and are being amortized over the life of the bonds. Amortization of bond financing costs amounted to $14,178, $14,178 and $14,178 for the years ended March 31, 2009, 2008 and 2007, respectively.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 6 - LONG TERM DEBT (CONTINUED)

Bond financings consisted of the following at March 31:

	2009	2008
Refinanced NJEDA Bonds	$ 3,595,000	$ 3,795,000
	3,595,000	3,795,000
Current portion	(210,000)	(200,000)
Long term portion, net of current maturities	$ 3,385,000	$ 3,595,000

Maturities of Bonds for the next five years follow:

YEAR ENDING MARCH 31,	AMOUNT
2010	$ 210,000
2011	225,000
2012	245,000
2013	260,000
2014	185,000
Thereafter	2,470,000
	$ 3,595,000

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 6 - LONG TERM DEBT (CONTINUED)

Long-term debt consists of the following at March 31:

	2009	2008
Note payable to First Niagara Bank in 60 monthly installments of $1,180 including interest at 9.00%; final payment September, 2012; secured by vehicle purchased.	$ 42,388	$ 52,252
	42,388	52,252
Less Current Portion	(10,788)	(9,864)
Long-term debt, less current portion	$ 31,600	$ 42,388

Maturities of long-term debt in each of the next five years are as follows:

Year Ended March 31,	Amount
2010	$ 10,788
2011	11,798
2012	12,904
2013	6,898
	$ 42,388

NOTE 7 - INCOME TAXES

The components of the provision for income taxes are as follows:

	YEAR ENDED MARCH 31,		
	2009	2008	2007
Federal:			
Current	$ —	$ —	$ —
Deferred	—	—	—
	—	—	—
State:			
Current	3,120	3,120	1,770
Deferred	—	—	—
	3,120	3,120	1,770
	$ 3,120	$ 3,120	$ 1,770

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 7 - INCOME TAXES (CONTINUED)

During the year ended March 31, 2007 the Company received approval for the sale of an additional $4,818,122 of New Jersey net-operating losses under the Technology Tax Certificate Transfer Program sponsored by the New Jersey Economic Development Authority (NJEDA). The total tax benefits received during the year ended March 31, 2007 was $377,259 and is recorded as other income in the statement of operations.

The major components of deferred tax assets at March 31, 2009 and 2008 are as follows:

	2009	2008
Net operating loss carry forwards	$ 17,048,800	$ 15,128,722
Valuation allowance	(17,048,800)	(15,128,722)
	$ —	$ —

At March 31, 2009 and 2008, a 100% valuation allowance is provided, as it is uncertain if the deferred tax assets will provide any future benefits because of the uncertainty about the Company's ability to generate the future taxable income necessary to use the net operating loss carryforwards. The valuation allowance increased during 2009, 2008 and 2007 by $1,920,078, $3,394,838 and $948,084, respectively.

At March 31, 2009, for federal income tax purposes, the Company has unused net operating loss carryforwards of approximately $50,143,530 expiring in fiscal years ending in 2010 through 2024. For state tax purposes, the Company has $28,838,064 of unused net operating losses, which are net of the $19,784,360 of the New Jersey net-operating losses sold, as discussed above.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 8 - COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENTS

As a result of the Company continuing efforts to reorganize its workforce and decrease its operating expenses the Company requested that Dr. Stuart Apfel, the Company Chief Scientific Officer and Chief Medical Officer, change the status of his relationship with the Company from employee to consultant. Dr. Apfel agreed to such change in status and will continue to provide his services as the Company Chief Scientific Officer and Chief Medical Officer on an hourly basis, thereby reducing the Company expenses as they relate to Dr. Apfel. In his continuing service as the Company Chief Scientific Officer and Chief Medical Officer, Dr. Apfel will be compensated pursuant to a consulting agreement, dated as of October 20, 2008, between the Company and Parallex Clinical Research ("Parallex"). Dr. Apfel is the founder and current president of Parallex. Pursuant to the consulting agreement, Parallex is to provide the Company consulting services for its opioid abuse-resistant product, controlled-release opioid product and other such products that the Company may request assistance with. Dr. Apfel will be the primary person providing such consulting services for which he will be paid on an hourly basis. The Company may terminate the consulting agreement at any time upon written notice to Parallex. Parallex and Dr. Apfel are subject to covenants not to disclose confidential information and assignment of intellectual property and a one year from termination non-competition covenant and non-solicitation covenant.

The Company also requested that Dr. Charan Behl, the Company Head of Technical Affairs, change the status of his relationship with the Company from employee to consultant. Dr. Behl agreed to such change in status and will continue to provide his services as a consultant to the Company on an hourly basis, thereby reducing the Company expenses as they relate to Dr. Behl. In his continuing service to the Company as a consultant, Dr. Behl will be compensated pursuant to a consulting agreement, dated as of November 3, 2008, between the Company and Dr. Behl. Pursuant to the consulting agreement, Dr. Behl is to provide the Company consulting services for its opioid abuse-resistant product, controlled-release opioid product and other such products that the Company may request assistance with. Dr. Behl will be paid for such consulting services on an hourly basis. The Company may terminate the consulting agreement at any time upon written notice to Dr. Behl. Dr. Behl is subject to covenants not to disclose confidential information and assignment of intellectual property and a one year from termination non-competition covenant and non-solicitation covenant.

CHIEF SCIENTIFIC OFFICER

On April 24, 2008, Dr. Subramanian resigned as the Acting Chief Scientific Officer of the Company and Dr. Apfel was appointed the Chief Scientific Officer of the Company. The appointment of Dr. Apfel did not modify his employment agreement in any way.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

CONSULTING AGREEMENTS

On April 14, 2008, the Company entered into a consulting agreement with New Castle Consulting, LLC ("New Castle") whereby New Castle was to provide consulting services to the Company for a six month term. Services included, but were not necessarily limited to analyzing, the Company's needs with respect to investor relations, consulting, assisting and advising the Company with respect to its needs for investor relations, oversee and facilitate investor relations, assist the Company in developing and implementing appropriate means for presenting the Company and its business plans, strategy and personnel to financial community and advising the Company with respect to its relations with brokers, dealers, analysts and other investment professionals. For its services New Castle received $8,000 per month in addition to 125,000 shares of the Company's restricted Common Stock.

COLLABORATIVE AGREEMENTS

The Company is a party to two separate and distinct development and license agreements with ECR Pharmaceuticals (“ECR”). Pursuant to the agreements, the Company agreed to commercially develop two products, Lodrane 24® and Lodrane 24D® in exchange for development fees, certain payments, royalties and manufacturing rights. The products are currently being marketed by ECR which also has the responsibility for regulatory matters. In addition to receiving revenues for manufacture of these products, the Company also receives a royalty on in-market sales.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY

During 2005, the Certificate of Incorporation was amended to increase the number of authorized shares of capital stock from 25,000,000 shares of Common Stock to 65,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, each with a par value of $.01 per share.

On June 26, 2008, at the annual meeting of the stockholders of the Company, the stockholders approved (i) an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 65,000,000 shares to 150,000,000 shares and (ii).an amendment to the Company's Stock Option Plan to increase the number of shares of Common Stock reserved for issuance under the Stock Option Plan from 7,000,000 shares to 10,000,000 shares.

On December 19, 2008, at a special meeting of the stockholders of the Company, the stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 150,000,000 to 210,000,000 shares.

As of March 23, 2009, holders of a majority of, in number, of shares of the Company's outstanding Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock approved by written consent the creation and issuance of the Company's Series E Convertible Preferred Stock, par value $0.01 per share, including the filing of the Certificate of Designation of Preferences, Rights and Limitations of the Series E Convertible Preferred Stock with the Secretary of State of the State of Delaware, in connection with the transactions contemplated by the Epic Strategic Alliance Agreement.

LOSS PER COMMON SHARE

Basic net loss per common share has been calculated by dividing the net loss by the weighted average number of shares outstanding during the periods presented. Diluted earnings per share is not presented because the effect of the Company's common stock equivalents is antidilutive. For the three years ended March 31, the following potentially dilutive securities were not included in the computation of diluted loss per share:

	2009		2008		2007	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Stock options	2,554,900	$ 1.87	5,543,300	$ 2.16	6,622,500	2.28
Convertible						
Preferred Stock	54,971,921	$ 0.43	11,994,243	$ 2.25	4,308,885	$ 2.25
Warrants	39,667,853	$ 0.63	9,216,736	$ 2.59	6,640,446	$ 2.31
	97,194,674		26,754,279		17,571,831	

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY (CONTINUED)

SERIES C 8% CONVERTIBLE PREFERRED STOCK

On April 24, 2007, the Company sold 15,000 shares of its Series C 8% Convertible Preferred Stock, par value $0.01 (the "Series C Preferred Stock"), and 1,939,655 warrants for gross proceeds of $15,000,000. The 15,000 shares of Series C Preferred Stock are convertible into 6,465,517 shares of Common Stock. The warrants are exercisable at $3.00 per share and are exercisable through April 24, 2012. The Company paid $1,050,000 in commissions to the placement agent and others in connection with the sale of the Series C Preferred Stock. In addition, the Company granted the placement agent 193,965 warrants exercisable at $3.00 per share which were valued at $129,627. The gross proceeds of the private placement were $15,000,000 before payment of $1,050,000 in commissions to the placement agent and selected dealers. In addition, the Company agreed to reimburse the placement agent for all documented out-of-pocket expenses incurred by the placement agent in connection with the private placement, including reasonable fees and expenses of its counsel, which the Company and placement agent agreed to be limited to $25,000. Based on the relative fair values, the Company has attributed $1,182,101 of the total proceeds to the warrants and has recorded the warrants as additional paid-in capital. The remaining portion of the proceeds of $13,817,899 was used to determine the value of the 6,465,517 shares of the Company Common Stock underlying the Series C Preferred Stock, or $2.1372 per share. Since the value was $0.1628 lower than the fair market value of the Company's Common Stock on April 24, 2007, the $1,052,790 fair value of the conversion option resulted in the recognition of a preferred stock dividend and an increase to additional paid-in capital.

On July 17, 2007, the Company sold the remaining 5,000 authorized shares of its Series C Preferred Stock. Each share of Series C Preferred Stock was sold at a price of $1,000 per share and is initially convertible at $2.32 into 431.0345 shares of the Company's Common Stock, or an aggregate of 2,155,172 shares of Common Stock. Each purchaser of Series C Preferred Stock also received a warrant to purchase shares of the Company's Common Stock in an amount equal to 30% of the aggregate number of shares of Common Stock into which the shares of Series C Preferred Stock purchased by such purchaser may be converted. The warrants are exercisable on or before July 17, 2012 and represent the right to purchase an aggregate of 646,554 shares of Common Stock, at an exercise price of $3.00 per share. The lead placement agent for the offering was Oppenheimer & Company, Inc. The gross proceeds of the private placement were $5,000,000 before payment of $350,000 in commissions to the placement agent and its selected dealers and $18,000 in expenses incurred by the placement agent and its selected dealers. Pursuant to the placement agent agreement, the Company issued to the placement agent and its designees warrants (the "Placement Warrants") to purchase 64,655 shares of Common Stock. Such Placement Warrants are at an exercise price of $3.00 per share, exercisable on or prior to July 17, 2012. The Company received net proceeds from the sale of the Series C 8% Preferred Stock of $4,631,500. Based on the relative fair values, the Company has attributed $534,407 of the total proceeds to the warrants and has recorded the warrants as additional paid-in capital. The remaining portion of the proceeds of $4,465,593 was used to determine the value of the 2,155,172 shares of the Company Common Stock underlying the Series C Preferred Stock, or $2.0720 per share. Since the value was $0.6180 lower than the fair market value of the Company's Common Stock on July 17, 2007, the $1,331,819 fair value of the conversion option resulted in the recognition of a preferred stock dividend and an increase to additional paid-in capital.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

The Company sought and obtained the consent of 70% of the holders of its Series B Preferred Stock (the "Series B Consent"), as a condition to the sale of the Series C Preferred Stock, to modify to the Series B Certificate and to the creation of the Series C Preferred Stock.

The holders of the Series B Preferred Stock consented to (i) the filing of the Amended Certificate of Designations of Preferences, Rights and Limitations of the Series B Preferred Stock (the "Amended Series B Preferred Certificate") with the Secretary of State of the State of Delaware, which, inter alia, (a) provides for group voting by and among the holders of the Series B Preferred Stock and the holders of the Series C Preferred Stock, and (b) extends the date on which the cumulative dividend rate increases from 8% to 15% from March 16, 2008 to April 24, 2009; and (ii) the authorization, creation, offering and issuance of the Series C Preferred Stock. On April 24, 2007, pursuant to the authority of its Board of Directors, Company filed with the Secretary of State of Delaware the Amended Series B Preferred Certificate.

On April 24, 2007, pursuant to the authority of its Board of Directors, the Company filed with the Secretary of State of the State of Delaware the Certificate of Designations of Preferences, Rights and Limitations of the Series C 8% Convertible Preferred Stock.

In consideration for the Series B Consent, (i) the Company agreed to extend the expiration date of certain warrants issued to each holder of Series B Preferred Stock at the time of the original issuance of the Series B Preferred Stock from March 16, 2011 to March 16, 2012; and (ii) each of Midsummer Investment, Ltd. and Bushido Capital Master Fund, LP (each, a "Principal Holder"), as the holders of the largest number of the currently outstanding shares of Series B Preferred Stock, were granted a covenant by the Company pursuant to which, so long as each Principal Holder continues to hold at least 20% of the then outstanding Series B Preferred Stock, the Company will not take any action which requires the consent of at least 70% of the holders of the Preferred Stock, unless each Principal Holder consents to such action.

SERIES D 8% CONVERTIBLE PREFERRED STOCK

On September 15, 2008, the Company completed a private placement of 1,777 shares of its Series D Preferred Stock, par value $0.01 per share (the "Series D Preferred Stock"), for gross proceeds of $1,777,000. The shares were issued at a price of $1,000 per share with each share initially convertible at $0.20 into 5,000 shares of the Company's Common Stock, par value $0.01 per share (the "Common Stock"), or an aggregate of 8,885,000 shares of Common Stock. Each purchaser of Series D Preferred Stock also received a warrant to purchase shares of the Company's Common Stock. The warrants are exercisable on or before September 15, 2013 and represent the right to purchase an aggregate of 17,770,000 shares of Common Stock at an exercise price of $0.25 per share. The newly-created Series D Preferred Stock is senior as to dividends, liquidation and redemption to the Company's Series B Preferred Stock and Series C Preferred Stock (collectively, the "Existing Preferred Stock"). The Company has authorized, in total, 30,000 shares of Series D Preferred Stock.

The gross proceeds of the private placement for shares of the Company's Series D Preferred Stock were $1,777,000 before payment of $263,743 in expenses. Pursuant to the placement agent agreement, the Company issued to the placement agent warrants to purchase 355,400 shares of Common Stock exercisable at $0.25 per share. The Company will account for these warrants as a cost of raising capital and will include the instrument as equity in our financial statements. Accordingly, there will be no net impact on the Company's financial position or results of operations.

As part of the private placement for shares of the Company's Series D Preferred Stock, holders of existing preferred stock who met a pre-defined level of participation in this placement ("Qualifying Holders") received the right to exchange (the "Exchange"): (i) shares of their existing preferred stock for shares of Series D Preferred Stock at a rate equal to one share of Series D Preferred Stock for each share of existing preferred stock held by the Qualifying Holder and (ii) warrants to purchase Common Stock which were originally issued to each Qualified Holder in connection with the purchase of such exchanged existing preferred stock (such originally issued warrants, the "Original Warrants") for warrants exercisable for the same number of shares of Common Stock with terms identical to the warrants issued to the purchasers of Series D Preferred Stock (such warrants, the "Exchange Warrants"). The Exchange Warrants have an exercise price of $0.25 per share. To be a Qualifying Holder, a holder of existing preferred stock was required to purchase shares of Series D Preferred Stock with a stated value of at least the lesser of (x) $400,000 and (y) 20% of the aggregate stated value of the shares of Existing Preferred Stock then held by such holder. In connection with the private placement for shares of the Company's Series D Preferred Stock, Qualifying Holders exchanged (a) shares of their existing preferred stock for an aggregate of approximately 12,037 additional shares of Series D Preferred Stock, which such shares of Series D Preferred Stock are convertible into an aggregate of approximately 60,185,000 shares of Common Stock, and (b) their Original Warrants for Exchange Warrants to purchase an aggregate of approximately 2,336,000 shares of Common Stock.

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

On April 14, 2008, a holder of 872 shares of Series C 8% Preferred Stock converted 87 shares into 37,745 shares of common stock. The same holder converted an additional 87 shares into 38,427 shares of Common Stock on May 4, 2008. All accrued dividends were paid through dates of conversion.

COMMON STOCK TRANSATIONS

The following grants were made under the Company's 2004 Stock Option Plan in the year ended March 31, 2009:

On December 1, 2008, the Company granted options to 3 employees to purchase an aggregate of 28,000 shares of common stock with an exercise price of $.06 to vest over a period of three years from grant date.

On December 1, 2008, the Board granted 180,000 options to an independent board member, who serves as Chairman of the Board, under the Company's option plan. The options vest in equal thirds on December 1, 2009, 2010 and 2011, assuming the board member continues to serve on the Company's board. The options are exercisable at $.06 per option and are subject to the Company's customary stock option agreements and the Company's Stock Option Plan.

During the year ended March 31, 2009, 225 shares of Series B 8% Preferred Stock were converted into 191,168 shares of common stock. In connection with such conversions, the Company issued 46,968 shares of common stock in satisfaction of dividend obligations of the Company on such shares of Series B Preferred Stock, which such dividend obligations accrued through the date of such conversion.

During the year ended March 31, 2009, 552 shares of Series C 8% Preferred Stock were converted into 241,775 shares of common stock. In connection with such conversions, the Company issued 3,844 shares of common stock and $93 in cash in satisfactory dividend obligations of the Company on such shares of Series C Preferred Stock, which such dividend obligations accrued through the date of such conversions.

During the year March 31, 2009, 4,660 shares of Series D 8% Preferred Stock were converted into 23,300,000 shares of common stock. In connection with such conversions, the Company has accrued dividends of $27,312 through the date of such conversions.

The following grants were made under the Company's 2004 Stock Option Plan in the year ended March 31, 2008:

On July 27, 2007, the Company entered into a consulting agreement with Willstar Consultants, Inc. ("Willstar") whereby Willstar is to provide advice pertaining to overall strategic planning, business opportunities, acquisition policy, investment and banking relationships and stockholders matters in consideration of the grant of options to purchase 90,000 shares of Common Stock, at a price of $2.50 per share. One third of options vest on each of July 27, 2008, July 27, 2009 and July 27, 2010.

On January 24, 2008, the Company granted options to 29 employees to purchase an aggregate of 148,800 shares of Common Stock with an exercise price of $1.08 to vest over a period of three years from grant date.

Additionally under an employment agreement dated January 3, 2008 with Dr. Stuart Apfel, the Company granted options to purchase 400,000 shares of Company Stock with an exercise price of $1.75 per share. 120,000 options vested immediately and 280,000 will vest upon successful completion of Company sponsored Phase III clinical trials of Company's developmental drug products and strategic events or milestones.

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009, 2008 AND 2007

NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

On January 24, 2008, the Board granted 90,000 options to each of its three non-executive independent Board members under the Company's option plan. The options vest in equal thirds on June 26, 2008, 2009 and 2010, assuming each Director continues to serve on the Company's Board; provided, however that, the options shall fully vest upon such Director's death, disability, retirement as a director on the Board or such Director's removal as a director, without cause, at the request of the Board. The options are exercisable at $1.08 per option. The options are subject to the Company's customary stock option agreements and the Company's Stock Option Plan.

On March 7, 2008, the Company granted The Investor Relations Group, Inc. an option to purchase up to 75,000 shares of the Company's Common Stock at $1.12 pursuant to Stipulation of Settlement dated March 7, 2008. The option vested immediately.

During the year ended March 31, 2008, there were cashless exercises of 100,633 warrants issued in our October, 2004 Private Placement, which resulted in the issuance of 36,174 shares of Common Stock.

During the year ended March 31, 2008, $313,005 was received and 203,250 shares of Common Stock were issued upon the exercise of 203,250 Long-Term Warrants granted at an exercise price of $1.54, as part of the Company's private placement in October, 2004.

During the year ended March 31, 2008, 1,285 shares of Series B 8% preferred Stock were converted into 571,112 shares of Common Stock.

Dividends accrued on Series B Stock through conversion date and March 31, 2008 were satisfied by the issuance of 1,631 and 454,923 shares of Common Stock, respectively.

On April 20, 2007 $61,500 was received from the exercise of stock options previously granted to purchase 41,000 shares of Common Stock at $1.50 per share. During the year ended March 31, 2008, 470,000 options expired and 1,552,000 were forfeited.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 9 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

During the year ended March 31, 2008, 845 shares of Series C Preferred Stock were converted into 364,224 shares of Common Stock.

Dividends accrued on Series C Stock through conversion date and March 31, 2008 were satisfied by the issuance of 1,025 and 658,594 shares of Common Stock, respectively.

On July 12, 2006, the Company sold to Indigo Ventures, LLC ("Indigo") for $150,000 a warrant to purchase up to 600,000 shares of Common Stock at $3.00 per share pursuant to the Financial Advisory Agreement with Indigo (the "Advisory Agreement"), of which 100,000 shares of Common Stock have vested. The Advisory Agreement has been amended and the warrant reduced from 600,000 to 300,000 shares of common stock.

WARRANTS

To date, the Company has authorized the issuance of Common Stock Purchase Warrants, with terms of five to six years, to various corporations and individuals, in connection with the sale of securities, loan agreements and consulting agreements. Exercise prices range from $2.00 to $3.74 per warrant. The warrants expire at various times through March 15, 2013.

A summary of warrant activity for the fiscal years indicated below were as follows:

	2009	Average Weighted Exercise Price	2008	Average Weighted Exercise Price	2007	Average Weighted Exercise Price
Balance at beginning of year:	9,281,391	$ 2.64	6,640,445	$ 2.53	6,079,199	$ 2.50
Warrants issued	—		150,000	3.00	778,698	3.00
Warrants issued pursuant to Placement Agent Agreements	355,400	0.25	258,620	3.00	—	
Warrants issued pursuant to Private Placement	17,770,000	0.25	2,586,209	3.00	—	
Exchange Warrants issued	12,261,062	(0.33)	—		—	
Warrants exercised, forfeited or expired	—		(353,883)	3.50	(217,452)	3.50
Ending balance	39,667,853	$ 0.63	9,281,391	$ 2.64	6,640,445	$ 2.53

CLASS B WARRANTS

The Company's Class B Warrants originally issued in a private placement in September 1998 expired on November 30, 2005, their amended expiration date.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 10 - STOCK OPTION PLANS

STOCK-BASED COMPENSATION

During the years ended March 31, 2007, 2008 and 2009 the Company issued 3,779,500, 983,800 and 208,000, respectively options to purchase Common Stock to employees, consultants, financial advisors and to members of the board of directors. The options have an exercise price ranging from $.06 to $3.00 per share and all vest over three years except 750,000 issued for year ending March 31, 2007 which vested upon grant date, and 250,000 which vested in 6 months and 1,025,000 which vest based upon strategic events or accomplishments of certain milestones. For the year ending March 31, 2008, 195,000 options vested upon grant date and 280,000 vest based upon strategic events or accomplishments of certain milestones. The options expire between five and ten years from the date of grant. The Company has recorded compensation expense of $3,479,070, $2,607,470 and $921,422 for the years ended March 31, 2007, 2008 and 2009, respectively, which represents the fair value of the options vested computed using the Black-Scholes options pricing model on each grant date.

Under its 2004 Stock Option Plan and prior option plans, the Company may grant stock options to officers, selected employees, as well as members of the board of directors and advisory board members. All options have generally been granted at a price equal to or greater than the fair market value of the Company's Common Stock at the date of grant. Generally, options are granted with a vesting period of up to three years and expire ten years from the date of grant. Transactions under the plans for the years indicated were as follows:

	2009		2008		2007	
	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE
Outstanding at beginning of year	5,543,300	$ 2.16	6,622,500	2.28	2,971,250	$ 2.36
Granted	258,000	.07	983,800	1.49	3,779,500	2.20
Exercised	—	—	(41,000)	1.50	(59,000)	1.50
Expired	(3,246,400)	(2.40)	(2,022,000)	(2.23)	(69,250)	2.31
Outstanding at end of year	2,554,900	$ 1.87	5,543,300	2.16	6,622,500	$ 2.28

The following table summarizes information about stock options outstanding at March 31, 2009:

RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISABLE PRICE
$ .01 – 1.00	258,000	9.75	$ 0.06	—	$ —
1.01 - 2.00	402,900	8.50	1.29	195,000	1.51
2.01 - 3.00	1,894,000	6.50	2.33	2,858,928	2.24
$ .01 - 3.00	2,554,900	6.82	$ 2.16	3,053,928	$ 2.19

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 10 - STOCK OPTION PLANS (CONTINUED)

STOCK-BASED COMPENSATION (CONTINUED)

During the fiscal year ended March 31, 2009, options granted were of an insignificant value. The per shares weighted-average fair value of each option granted during such fiscal year was $0.0156 on the date of the grant using the Black-Scholes options pricing model with the following weighted-average assumptions: no dividend yield; expected volatility of 128%; risk -free interest rate of 3.00%; and expected life of 10 years. The per share weighted-average fair value of each option granted during fiscal years ended March 31, 2008 and March 31, 2007 ranged from $.56 to $1.20 during fiscal 2008 and $1.36 to $1.39 during fiscal 2007 on the date of grant using the Black-Scholes options pricing model with the following weighted-average assumptions: no dividend yield; expected volatility of 33.0% for fiscal 2008 and ranging from 46.12% to 57.95% for fiscal 2007; risk-free interest rates of 4.00% in 2008 and 5.00% in 2007. Expected lives range from 5 to 10 years.

There are 7,520,100 options available for future grant under our Stock Option Plan.

NOTE 11 - MAJOR CUSTOMERS

For the years ended March 31, revenues from its major customers are as follows:

	2009	2008	2007
Customer A -	100%	100%	100%

NOTE 12 - SUBSEQUENT EVENTS

EPIC TRANSACTION DISCUSSION

On March 18, 2009, the Company entered into a Strategic Alliance Agreement (as amended on April 30, 2009 (the “First Amendment”) and June 1, 2009 (the “Second Amendment), the “Epic Strategic Alliance Agreement”) with Epic Pharma, LLC (the “Parent”) and Epic Investments, LLC, a subsidiary controlled by the Parent (the “Purchaser”, and collectively with the Parent, "Epic”), pursuant to which the Company commenced a strategic relationship with Epic, a pharmaceutical company that operates a business synergistic to that of the Company in the research and development, manufacturing, sales and marketing of oral immediate and controlled-release drug products.

Pursuant to the Epic Strategic Alliance Agreement, on June 3, 2009 (the “Initial Closing Date”), the Company and Epic conducted the initial closing (the “Initial Closing”), and Epic and its employees and consultants commenced use of a portion of the Company’s facility located at 165 Ludlow Avenue, Northvale, New Jersey (the “Facility”), for the purpose of developing new generic drug products, all at Epic’s sole cost and expense (other than Facility-related expenses), for a period of at least three years (the “Initial Term”). In addition to the use of the Facility, Epic will use the Company’s machinery, equipment, systems, instruments and tools residing at the Facility (collectively, the “Personal Property”) in connection with its joint drug development project at the Facility.

At the Initial Closing, on June 3, 2009, the Company issued and sold to Epic, in a private placement, 1,000 shares of its Series E Convertible Preferred Stock, par value $0.01 per share (the “Series E Preferred Stock”), at a price of $1,000 per share, each share convertible, at $0.05 per share (the “Conversion Price”), into 20,000,000 shares of Common Stock, par value $0.01 per share (the “Common Stock”). The Conversion Price is subject to adjustment for certain events, including, without limitation, dividends, stock splits, combinations and the like. The Conversion Price is also subject to adjustment for (a) the sale of Common Stock or securities convertible into or exercisable for Common Stock, for which the Purchaser's consent was not required under the Certificate of Designation of Preferences, Rights and Limitations of the Series E Convertible Preferred Stock, at a price less than the then applicable Conversion Price, (b) the issuance of Common Stock in lieu of cash in satisfaction of the Company's dividend obligations on outstanding shares of its Series B Preferred Stock, Series C Preferred Stock, and/or

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

Series D Preferred Stock, and (c) the issuance of Common Stock as a result of any holder of Series D Preferred Stock exercising its right to require the Company to redeem all of such holder's shares of Series D Preferred Stock pursuant to the terms thereof. The Purchaser also acquired a warrant to purchase 40,000,000 shares of Common Stock (the "Initial Warrant"), exercisable on or prior to June 3, 2016, at a per share exercise price of $0.0625 (the "Exercise Price"), subject to adjustments for certain events, including, but not limited to, dividends, stock splits, combinations and the like. The Exercise Price of the Initial Warrant will also be subject to adjustment for the sale of Common Stock or securities convertible into Common Stock, for which the Purchaser's consent was not required under the Epic Strategic Alliance Agreement, at a price less than the then applicable Exercise Price of the Initial Warrant. The Purchaser paid an aggregate purchase price of $1,000,000 for the shares of Series E Preferred Stock and the Initial Warrant issued and sold by the Company to the Purchaser at the Initial Closing, of which $250,000 was received by the Company, in the form of a cash deposit, on April 30, 2009, pursuant to the First Amendment. The remaining $750,000 of such aggregate purchase price was paid to the Company by the Purchaser at the Initial Closing.

A Second Closing must occur within 180 days of the Initial Closing Date, upon which, Epic will pay to the Company a sum of $1,000,000 in exchange for an additional 1,000 shares of Series E Preferred Stock, which such shares of Series E Preferred Stock will be convertible, at the Conversion Price, subject to adjustment, into 20,000,000 shares of Common Stock, and a warrant (the "Second Warrant") to purchase an additional 40,000,000 shares of Common Stock. The Second Warrant will be exercisable until the date that is the seventh anniversary of the Second Closing Date and will have a per share exercise price equal to $0.0625, subject to adjustments for certain events.

On the first trading day following the first anniversary of the Initial Closing Date, the Company and Epic will conduct a third closing (the "Third Closing"), provided that all conditions precedent to such Third Closing contained in the Epic Strategic Alliance Agreement have been satisfied or waived by the appropriate party on or before such Third Closing. The Third Closing must occur within thirty days following the first anniversary of the Initial Closing Date. At the Third Closing, Epic will pay to the Company a sum of $1,000,000 in exchange for an additional 1,000 shares of Series E Preferred Stock, which such shares of Series E Preferred Stock will be convertible, at the Conversion Price, subject to adjustment, into 20,000,000 shares of Common Stock, and a warrant (the "Third Warrant" and collectively with the Initial Warrant and the Second Warrant, the "Warrants") to purchase an additional 40,000,000 shares of Common Stock. The Third Warrant will be exercisable until the date that is the seventh anniversary of the Third Closing Date and will have a per share exercise price equal to $0.0625, subject to adjustments for certain events.

In addition, within ten business days following the last day of each calendar quarter, beginning with the first calendar quarter following the Initial Closing Date and continuing for each of the eleven calendar quarters thereafter, Epic will pay to the Company a sum of $62,500, for an aggregate purchase price over such period of $750,000, in exchange for an additional 62.5 shares of Series E Preferred Stock per quarter and 750 shares of Series E Preferred Stock, in the aggregate, over such period, which such shares will be convertible into 1,250,000 shares of Common Stock per quarter and 15,000,000 shares of Common Stock, in the aggregate, over such period, subject to adjustment.

As additional consideration for Epic's use and occupancy of a portion of the Facility and its use of the Personal Property during the Term and the issuance and delivery by the Company to Epic of the Milestone Shares (as defined below) and Milestone Warrants (as defined below), for the period beginning on the First Commercial Sale (as defined in the Epic Strategic Alliance Agreement) of each Product and continuing for a period of ten years thereafter (measured independently for each Product), Epic will pay the Company a cash fee (the "Product Fee") equal to fifteen percent of the Profit (as defined in the Epic Strategic Alliance Agreement), if any, on each of the Products.

The Company will issue and deliver to Epic a seven-year warrant to purchase up to 10,000,000 shares of Common Stock, at an exercise price of $0.0625, following the receipt by the Company from Epic of each written notice of Epic's receipt of an acknowledgment from the FDA that the FDA accepted for filing an ANDA for a Identified Controlled Release Products (as defined in the Epic Strategic Alliance Assignment) and/or Additional Controlled Release Products (as defined in the Epic Strategic Alliance Assignment), up to a maximum of four such warrants for the right to purchase up to an aggregate of 40,000,000 shares of Common Stock (such warrants, the "CR Related Warrants"), and the Company will issue and deliver to Epic 7,000,000 shares of Common Stock following the receipt by the Company from Epic of each written notice of Epic's receipt from the FDA of approval for such Identified Controlled Release Products and/or Additional Controlled Release Products, up to a maximum of an aggregate of 28,000,000 shares of Common Stock (such shares, the "CR Related Shares").

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
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NOTE 12 - SUBSEQUENT EVENTS (CONTINUED)

The Company will issue and deliver to Epic a seven year warrant to purchase up to 4,000,000 shares of Common Stock, at an exercise price of $0.0625, following the receipt by the Company from Epic of each written notice of Epic's receipt of an acknowledgment from the FDA that the FDA accepted for filing an ANDA for a Identified Immediate Release Products (as defined in the Epic Strategic Alliance Assignment) and/or Additional Identified Immediate Release Products (as defined in the Epic Strategic Alliance Assignment), up to a maximum of four such warrants for the right to purchase up to an aggregate of 16,000,000 shares of Common Stock (such warrants, together with the Controlled Release Related Warrants, the "Milestone Warrants"), and (ii) the Company will issue and deliver to Epic 3,000,000 shares of Common Stock following the receipt by the Company from Epic of each written notice of Epic's receipt from the FDA of approval for such Identified Immediate Release Products and/or Additional Identified Immediate Release Products, up to a maximum of an aggregate of 12,000,000 shares of Common Stock. The Milestone Warrants may only be exercised by payment of the applicable cash exercise price.

COMMON STOCK TRANSATIONS

During the first quarter of the fiscal year ending March 31, 2010, 150 shares of Series B Preferred Stock were converted into 96,154 shares of Common Stock. In connection with such conversion, the Registrant issued 22,857 shares of Common Stock in satisfaction of dividend obligations on such shares of Series B Preferred Stock accrued through the date of conversion

During the first quarter of the fiscal year ending March 31, 2010, 8,287 shares of Series C Preferred Stock were converted into 5,147,206 shares of Common Stock. In connection with such conversion, the Registrant issued 131,281shares of Common Stock in satisfaction of dividend obligations on such shares of Series C Preferred Stock accrued through the date of conversion.

During the first quarter of the fiscal year ending March 31, 2010, 95 shares of Series D Preferred Stock were converted into 475,000 shares of Common Stock. In connection with such conversion, the Registrant issued 15,835 shares of Common Stock in satisfaction of dividend obligations on such shares of Series D Preferred Stock accrued through the date of conversion.

On June 3, 2009, upon the consummation of the initial closing of the Epic Strategic Alliance Agreement, the Company issued warrants to certain investors, pursuant to individual conversion agreements between the Company and each such investor, to purchase an aggregate of 6,518,360 shares of Common Stock, at an exercise price per share of $0.25, in consideration of such investors' conversion of the shares of the Company's preferred stock held by the respective investors in accordance with the terms of the Epic Strategic Alliance Agreement.