

ELITE PHARMACEUTICALS INC /DE/  
Form 10-Q  
August 16, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period ended to

Commission File Number: 333-45241

ELITE PHARMACEUTICALS, INC.  
(Exact name of registrant as specified in its charter)

Delaware 22-3542636  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

165 Ludlow Avenue, Northvale, New Jersey 07647  
(Address of principal executive offices) (Zip Code)

(201) 750-2646  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No  The registrant is not yet subject to this requirement.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of August 9, 2010 the issuer had outstanding 87,352,981 shares of common stock, \$0.001 par value (exclusive of 100,000 shares held in treasury).

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## ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES

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ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2010 (Unaudited)	March 31, 2010 (Audited)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 389,884	\$ 578,187
Accounts receivable, (net of allowance for doubtful accounts of zero)	294,851	404,961
Inventories (net of allowance of \$494,425 and \$ 494,425, respectively)	1,296,444	1,371,292
Prepaid expenses and other current assets	87,339	131,507
<b>Total current assets</b>	<b>2,068,517</b>	<b>2,485,143</b>
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$3,838,297 and \$3,840,279, respectively</b>	<b>3,959,878</b>	<b>4,095,814</b>
<b>INTANGIBLE ASSETS – net of accumulated amortization of zero</b>	<b>338,119</b>	<b>96,407</b>
<b>OTHER ASSETS</b>		
Investment in Novel Laboratories Inc.	3,329,322	3,329,322
Security deposits	27,778	14,652
Restricted cash – debt service for EDA bonds	351,377	294,836
EDA Bond offering costs, net of accumulated amortization of \$68,300 and \$64,767, respectively	286,152	289,685
<b>Total other assets</b>	<b>3,994,629</b>	<b>4,024,902</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,361,144</b>	<b>\$ 10,606,663</b>

The accompanying notes are an integral part of the condensed consolidated financial statements

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY

	June 30, 2010 (Unaudited)	March 31, 2010 (Audited)
<b>CURRENT LIABILITIES</b>		
EDA Bonds payable	\$ 3,385,000	\$ 3,385,000
Short term loans and current portion of long-term debt	12,061	82,302
Accounts payable and accrued expenses	954,096	986,777
Preferred share derivative interest payable	363,919	306,440
<b>Total Current Liabilities</b>	<b>4,671,076</b>	<b>4,760,519</b>
<b>LONG TERM LIABILITIES</b>		
Long-term debt, less current portion	16,706	19,823
Derivative Liability – Preferred Shares	13,999,102	7,924,763
Derivative Liability – Warrants	6,675,722	8,499,423
<b>Total Long-Term Liabilities</b>	<b>20,691,530</b>	<b>16,444,009</b>
<b>Total Liabilities</b>	<b>25,406,606</b>	<b>21,204,528</b>
<b>COMMITMENTS AND CONTINGENCIES:</b>		
<b>STOCKHOLDERS (DEFICIT) EQUITY</b>		
Common Stock – par value of \$0.001, Authorized 355,516,558		
Issued and outstanding – 87,352,981 shares and 83,950,168 shares, as of June 30 and March 31, 2010, respectively	87,353	83,950
Additional paid-in capital	91,222,292	90,903,896
Accumulated deficit	(106,048,266)	(101,278,870)
Treasury stock, at cost (100,000 common shares)	(306,841)	(306,841)
<b>Total Stockholders (Deficit) / Equity</b>	<b>(15,045,462)</b>	<b>(10,597,865)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY</b>	<b>\$ 10,361,144</b>	<b>\$ 10,606,663</b>

The accompanying notes are an integral part of the condensed consolidated financial statements

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,	
	2010 (unaudited)	2009 (unaudited)
<b>REVENUES:</b>		
Manufacturing Revenues	\$ 567,069	\$ 665,064
Lab Fee Revenues	83,817	—
Royalties	181,034	148,811
Total Revenues	831,920	813,875
Cost of Revenues	411,671	862,000
Gross Profit	420,249	(48,125)
<b>OPERATING EXPENSES</b>		
Research and Development	165,008	251,092
General and Administrative	258,321	396,537
Non-cash compensation through issuance of stock options and warrants	15,358	55,363
Depreciation and amortization	78,331	125,542
Total Operating Expenses	517,018	828,534
<b>LOSS FROM OPERATIONS</b>	(96,769)	(876,659)
<b>OTHER INCOME / (EXPENSES):</b>		
Interest expense	(58,069)	(69,979)
Change in fair value of outstanding warrant derivatives	1,823,701	154,326
Change in fair value of preferred share derivatives	(6,074,338)	2,561,527
Interest expense attributable to dividends accrued to preferred share derivative liabilities	(363,919)	(359,021)
Discount in Series E issuance attributable to beneficial conversion features	—	(258,700)
Total Other Expense	(4,672,625)	2,028,153
<b>INCOME / (LOSS) BEFORE PROVISION FOR INCOME TAXES</b>	(4,769,394)	1,151,494
Provision for Income Taxes	—	—
<b>NET INCOME / (LOSS)</b>	(4,711,915)	1,151,494
<b>NET INCOME / (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	\$ (4,769,394)	\$ 1,151,494
<b>NET INCOME / (LOSS) PER SHARE</b>		
BASIC	\$ (0.05)	\$ 0.02
DILUTED	\$ (0.05)	\$ 0.01
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDINGS</b>		
BASIC	87,094,071	66,240,476
DILUTED		128,304,240

The accompanying notes are an integral part of the condensed consolidated financial statements

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S (DEFICIT) EQUITY  
 (Unaudited)

	Common Stock			Treasury Stock		Accumulated Deficit	Stockholders Equity
	Shares	Amount	Additional Paid-In Capital	Shares	Amount		
Balance at March 31, 2010	83,950,168	\$ 83,950	\$ 90,903,897	100,000	\$ (306,841)	\$ (101,278,871)	\$ (10,597,866)
Net Loss						(4,769,395)	(4,769,395)
Common shares issued in lieu of cash in payment of preferred share derivative interest expense	3,402,813	3,403	303,307				306,440
Non-cash compensation through issuance of stock options			15,358				15,358
Balance at June 30, 2010	87,352,981	\$ 87,353	\$ 91,222,292	100,000	\$ (306,841)	\$ (106,048,266)	\$ (15,045,462)

The accompanying notes are an integral part of the condensed consolidated financial statements



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

	Three Months Ended June 30,	
	2010 (unaudited)	2009 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income / (Loss)	\$ (4,769,394)	\$ 1,151,494
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	121,344	125,542
Inventory adjustment	—	311,986
Change in fair value of warrant derivative liability	(1,823,701)	(154,326)
Change in fair value of preferred shares derivative liability	6,074,338	(2,561,527)
Discount in Series E issuance attributable to embedded beneficial conversion feature	—	258,700
Preferred shares derivative interest satisfied by the issuance of common stock	306,440	359,021
Non-cash compensation satisfied by the issuance of common stock, options and warrants	15,358	55,363
Other	208	—
Changes in assets and liabilities:		
Accounts and interest receivable	140,111	1,177
Inventories	74,849	(47,163)
Prepaid expenses and other current assets	44,168	(10,755)
Security deposit	(13,126)	14,073
Accounts payable, accrued expenses and other current liabilities	(120,444)	16,798
<b>NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES</b>	<b>50,151</b>	<b>(479,617)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(12,082)	—
Costs incurred for intellectual property assets	(166,714)	—
(Deposits) to / Withdrawals from restricted cash, net	(56,541)	(36,916)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(235,337)</b>	<b>(36,916)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Other loan payments	(3,117)	(2,928)
Proceeds from issuance of Series E Convertible Preferred Stock and Warrants	—	1,000,000
<b>NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES</b>	<b>(3,117)</b>	<b>997,072</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(188,303)</b>	<b>480,539</b>
<b>CASH AND CASH EQUIVALENTS – beginning of period</b>	<b>578,187</b>	<b>282,578</b>
<b>CASH AND CASH EQUIVALENTS – end of period</b>	<b>\$ 389,884</b>	<b>\$ 763,117</b>

The accompanying notes are an integral part of the condensed consolidated financial statements

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED JUNE 30, 2010 AND 2009  
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION AND LIQUIDITY

The information in this quarterly report on Form 10-Q includes the results of operations of Elite Pharmaceuticals, Inc. and its consolidated subsidiaries (collectively the "Company") for the three months ended June 30, 2010 and 2009. The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to rules and regulations of the Securities and Exchange Commission in accordance with accounting principles generally accepted for interim financial statement presentation. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the condensed consolidated financial position, results of operations and cash flows of the Company for the periods presented have been included.

The financial results for the interim periods are not necessarily indicative of the results to be expected for the full year or future interim periods.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended March 31, 2010. There have been no changes in significant accounting policies since March 31, 2010.

The Company does not anticipate being profitable for the fiscal year ending March 31, 2011; therefore a current provision for income tax was not established for the three months ended June 30, 2010. Only the minimum liability required for state corporation taxes was considered.

The accompanying unaudited condensed consolidated financial statements were prepared on the assumption that the Company will continue as a going concern. The Company continues to generate losses and negative cash flow from operations and does not anticipate being profitable for fiscal year 2011. As of June 30, 2010, we had cash and cash equivalents of \$389,884. We believe that our existing cash and cash equivalents plus revenues from the sale of our Lodrane 24® and Lodrane 24D® products, will be sufficient to fund our anticipated operating expenses and capital requirements through July 2011. We will require additional funding in order to continue to operate thereafter. If the third closing of the transactions contemplated by the Epic Strategic Alliance Agreement is not completed on a timely basis, or if another financing or strategic alternative providing sufficient resources to allow us to continue operations is not consummated upon exhaustion of our current capital, we will be required to cease operations and liquidate our assets. No assurance can be given that we will be able to consummate the third closing under the Epic Strategic Alliance Agreement on a timely basis, or consummate another financing or strategic alternative in the time necessary to avoid the cessation of our operations and liquidation of our assets. Moreover, even if we consummate the third closing under the Epic Strategic Alliance Agreement, or another financing or strategic alternative, we may be required to seek additional capital in the future and there can be no assurances that the Company will be able to obtain such additional capital on favorable terms, if at all.

NOTE 2 - 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.

NOTE 3 -

INVENTORIES

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

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## NOTE 4 -

## INTANGIBLE ASSETS

Costs to acquire intangible assets, such as asset purchases of Abbreviated New Drug Applications (“ANDA’s”) which are approved by the FDA or costs incurred in the application of patents 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 or site transfers required for commercialization of an acquired ANDA. Such costs are charged to expense if the patent application or ANDA site transfer is unsuccessful.

As of June 30, 2010, the following costs were recorded as intangible assets on the Company’s balance sheet:

Intangible assets at March 31, 2010 (audited)	
Patent application costs	96,407
ANDA acquisitions	—
Intangible asset costs capitalized during the quarter ended June 30, 2010	
Patent application costs	16,712
ANDA acquisition costs	225,000
Amortization of intangible assets during the quarter ended June 30, 2010	
Patent application costs	—
ANDA acquisition costs	—
Intangible assets at June 30, 2010 (unaudited)	
Patent application costs	113,119
ANDA acquisition costs	225,000
Total	\$ 338,119

The costs incurred in patent applications totaling \$16,712 for the quarter ended June 30, 2010 were all related to our abuse resistant and extended release opioid product lines. The Company is continuing its efforts to achieve approval of such patents. Additional costs incurred in relation to such patent applications will be capitalized as intangible assets, with amortization of such costs to commence upon approval of the patents.

The ANDA acquisition costs of \$225,000 during the quarter ended June 30, 2010, are related to our acquisition of the Hydromorphone 8mg ANDA. Please refer to the current report on Form 8-K filed with the SEC on May 24, 2010, such filing being herein incorporated by this reference, for further details on this acquisition. The Company is in the process of complying with all FDA and DEA requirements which are a prerequisite to achieving our manufacture and commercialization of the Hydromorphone 8mg ANDA. Amortization of the costs incurred to acquire the ANDA is to commence upon the Company’s commercialization of such.

## NOTE 5 -

## NJEDA BONDS

On August 31, 2005, the Company successfully completed a refinancing of a prior 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 June 30, 2010, all of these proceeds were utilized to upgrade the Company's manufacturing facilities and for the purchase of manufacturing and laboratory equipment.

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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 issuance costs amounted to \$3,533 and \$3,546 for the three months ended June 30, 2010 and 2009, respectively.

The NJED Bonds require the Company to make an annual principal payment on September 1st of varying amounts as specified in the loan documents and semi-annual interest payments on March 1st and September 1st, equal to interest due on the outstanding principal at the applicable rate for the semi-annual period just ended.

The principal payment due on September 1, 2009, totaling \$210,000 and the interest payments due on September 1, 2009 and March 1, 2010, totaling \$120,775 and \$113,075, respectively were all paid from the debt service reserve held in the restricted cash account, due to the Company not having sufficient available funds to make such payments when due. Pursuant to the terms of the NJED Bonds, the Company is required to replenish any amounts withdrawn from the debt service reserve and used to make principal or interest payments in six monthly installments, each being equal to one-sixth of the amount withdrawn and with the first installment due on the 15th of the month in which the withdrawal from debt service reserve occurred and the remaining five monthly payments being due on the 15th of the five immediately subsequent months. The Company has, to date, made all payments required in relation to the withdrawals made from the debt service reserve on September 1, 2009 and March 1, 2010. The Company is required to make one additional payment of \$18,846 on August 15, 2010, in order to fully replenish the March 1, 2010 withdrawal from the debt service reserve.

Principal payments totaling \$225,000 and interest payments totaling \$113,075 are due on September 1, 2010. The Company does not expect to have sufficient available funds to make such payments when due, and accordingly, expect such payments to be made via the withdrawal of funds from the debt service reserve, in the same manner as was done for the principal and interest payment of September 1, 2009.

The Company has received Notice of Default from the Trustee of the NJED Bonds in relation to the withdrawals from the debt service reserve, and has requested a postponement of principal payments due on September 1st of 2010, 2011 and 2012, with an aggregate of all such postponed principal payments being added to the principal payments due on September 1, 2013. Resolution of the Company's default under the NJED Bonds and our request for postponement of principal payments will have a significant effect on our ability to operate in the future.

Due to issuance of a Notice of Default being received from the Trustee of the NJED Bonds, and until the event of default is waived or rescinded, the Company has classified the entire principal due, an amount aggregating \$3.385 million, as a current liability.

## NOTE 6 -

## DERIVATIVE LIABILITIES

Accounting Standard Codification “ASC” 815 – Derivatives and Hedging, which provides guidance on determining what types of instruments or embedded features in an instrument issued by a reporting entity can be considered indexed to its own stock for the purpose of evaluating the first criteria of the scope exception in the pronouncement on accounting for derivatives. These requirements can affect the accounting for warrants and convertible preferred instruments issued by the Company. As the conversion features within, and the detachable warrants issued with the Company’s Series B, Series C, Series D and Series E Preferred Stock, do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities and lower prices in the future, we have concluded that the instruments are not indexed the Company’s stock and are to be treated as derivative liabilities.

## Preferred Stock Derivative Liabilities

	Series B	Series C	Series D	Series E	Total
Preferred shares Outstanding	896	5,418	9,008	2,000	17,322
Underlying common shares into which Preferred may convert	574,076	3,365,217	128,692,014	73,237,823	205,869,131
Closing price on valuation date	\$ 0.068	\$ 0.068	\$ 0.068	\$ 0.068	\$ 0.068
Preferred stock derivative liability at June 30, 2010	\$ 39,037	\$ 228,835	\$ 8,751,057	\$ 4,980,172	\$ 13,999,102
Preferred stock derivative liability at March 31, 2010	\$ 48,796	\$ 286,043	\$ 3,828,163	\$ 3,761,761	\$ 7,924,763
Change in preferred stock derivative liability for the three months ended June 30, 2010	\$ (9,759)	\$ (57,209)	\$ 4,922,895	\$ 1,218,412	\$ 6,074,339

## Warrant Derivative Liabilities

The portion of derivative liabilities related to outstanding warrants was valued using the Black-Scholes option valuation model and the following assumptions on the following dates:

	Mar 31 2010	Jun 30 2010
Risk-Free interest rate	2.4% - 3.3%	0.3% - 2.4%
Expected volatility	126% - 214%	120% - 210%
Expected life (in years)	0.5 – 6.6	0.3 – 6.3
Expected dividend yield	—	—

Number of warrants	125,299,740	125,299,740
Fair value – Warrant Derivative Liability	\$ 8,499,423	\$ 6,675,722
Change in warrant derivative liability for the quarter ended		\$ (1,823,701)

The risk free interest rate was based on rates established by the Federal Reserve. The expected volatility was based on the historical volatility of the Company's share price for periods equal to the expected life of the outstanding warrants at each valuation date. The expected dividend rate was based on the fact that the Company has not historically paid dividends on common stock and does not expect to pay dividends on common stock in the future.



## NOTE 7 - PREFERRED SHARE DERIVATIVE INTEREST PAYABLE

Preferred share derivative interest payable as of June 30, 2010 consisted of \$306,440 in derivative interest accrued as of June 30, 2010. The full amount of derivative interest payable as of June 30, 2010 was paid via the issuance of 4,482,629 shares of common stock in July 2010.

## NOTE 8 - STOCKHOLDERS' EQUITY

## Common Stock

During the three months ended June 30, 2010, the Company issued 3,402,813 shares of common stock in lieu of cash in payment of interest expense for the quarter ended March 31, 2010, totaling \$306,440 due to holders of the Company's Series B, Series C and Series D Preferred Share derivative instruments.

## Options

At June 30, 2010, the Company had 2,272,000 options fully vested and outstanding with exercise prices ranging from \$0.06 to \$3.00 per share; each option representing the right to purchase one share of common stock. In addition, there are 850,000 options, issued to current employees pursuant to the Company's 2004 Stock Option Plan which are outstanding and not vested, with an exercise price of \$0.10 per share. These 850,000 options are scheduled to vest in equal annual increments on January 18, 2011, 2012 and 2013 and require that the employee awarded such options be employed by the Company on the vesting date.

## NOTE 9 - PER SHARE INFORMATION

Basic earnings per share of common stock ("Basic EPS") is computed by dividing the net (loss) income by the weighted-average number of shares of common stock outstanding. Diluted earnings per share of common stock ("Diluted EPS") is computed by dividing the net (loss) income by the weighted-average number of shares of common stock, and dilutive common stock equivalents and convertible securities then outstanding. GAAP requires the presentation of both Basic and Diluted EPS, if such Diluted EPS is not anti-dilutive, on the face of Company's Condensed Statements of Operations. Diluted earnings per share is not presented for the three months ended June 30, 2010, because the effect of the Company's common stock equivalents is anti-dilutive.

	For the Three Months Ended June 30, 2010	For the Three Months Ended June 30, 2009
<b>Numerator</b>		
Net Income (loss) attributable to common shareholders	\$ (4,711,914)	\$ 1,154,494
<b>Denominator</b>		
Weighted-average shares of common stock outstanding	87,094,071	66,240,476
Dilutive effect of stock options, warrants and convertible securities		— 62,063,764
<b>Net (loss) income per share</b>		
Basic	\$ (0.05)	\$ 0.02
Diluted		—\$ 0.01



## NOTE 10 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the balance sheet date through August 16, 2010, the date the accompanying financial statements were issued. The following are material subsequent events:

Common shares issued in lieu of cash in payment of derivative interest expense

Derivative interest expense related to the Preferred Share derivatives due and payable as of June 30, 2010 were paid during July 2010 through the issuance of 4,482,629 shares of common stock.

Common shares issued pursuant to litigation settlement

Pursuant to the Stipulation of Settlement and Release dated June 25, 2010 (the "Settlement Agreement") entered into by the Company with Midsummer Investments Ltd ("Midsummer") and Bushido Master Capital Fund LP ("Bushido", and together with Midsummer, the "Plaintiffs"), the Company agreed to issue certain shares of common stock to the Plaintiffs and their respective affiliates in satisfaction of the Company's obligation pay certain previously accrued but unpaid dividends through March 31, 2010 owing to the Plaintiffs and their respective affiliates. Accordingly 821,135 shares of common stock were issued in July 2010 in satisfaction of this condition of the Settlement Agreement.

For further details on the Settlement Agreement, please refer to the current report on Form 8-K issued on July 1, 2010, with such filing being herein incorporated by this reference.

#### Lease Agreement for Facility Expansion

We entered into a lease for a portion of a one-story warehouse, located at 135 Ludlow Avenue, Northvale, New Jersey, consisting of approximately 15,000 square feet of floor space. The lease term begins on July 1, 2010. The lease includes an initial term of 5 years and 6 months and we have the option to renew the lease for two additional terms, each of 5 years. The property related to this lease will be used for the storage of pharmaceutical finished goods, raw materials, equipment and documents as well as engaging in manufacturing, packaging and distribution activities.

This property requires significant leasehold improvements and qualification as a prerequisite to achieving suitability for such intended future use. It is expected that approximately 3,500 square feet of this property will be constructed and qualified as suitable for use for storage of pharmaceutical finished goods, raw materials, equipment and documents on or before the expiration of the lease for the current warehouse at 80 Oak Street.

Leasehold improvements and qualification as suitable for manufacturing, packaging and distribution operations are expected to be achieved within two years from the beginning of the lease term. These are estimates based on current project plans, which are subject to change. There can be no assurance that the construction and qualification will be accomplished during the estimated time frames, or that the property located at 135 Ludlow Avenue, Northvale, New Jersey will ever achieve qualification for intended future utilization.

Minimum 5 year payments\* for the leasing of 15,000 square feet at 135 Ludlow are as follows:

Fiscal year ended March 31, 2011	\$ 19,689
Fiscal year ended March 31, 2012	79,248
Fiscal year ended March 31, 2013	81,228
Fiscal year ended March 31, 2014	83,259
Fiscal year ended March 31, 2015	85,344
Total Minimum 5 year lease payments	\$ 348,768

\* Minimum lease payments are exclusive of additional expenses related to certain expenses incurred in the operation and maintenance of the premises, including, without limitation, real estate taxes and common area charges which may be due under the terms and conditions of the lease, but which are not quantifiable at the time of filing of this quarterly report on Form 10-Q.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

THREE MONTH PERIOD ENDED JUNE 30, 2010 COMPARED TO THE  
THREE MONTH PERIOD ENDED JUNE 30, 2009  
(UNAUDITED)

The following discussion and analysis should be read with the financial statements and accompanying notes included elsewhere in this Form 10-Q and in the Annual Report. It is intended to assist the reader in understanding and evaluating our financial position.

This Quarterly Report on Form 10-Q and the documents incorporated herein contain "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this Form 10-Q, statements that are not statements of current or historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "plan", "intend", "may," "will," "expect", "believe", "could," "anticipate," "estimate," or "continue" or similar expressions or other variations or comparable terminology are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, the Company undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Any reference to "Elite", the "Company", "we", "us", "our" or the "Registrant" refers to Elite Pharmaceuticals Inc. and its subsidiaries.

#### Overview

We are a specialty pharmaceutical company principally engaged in the development and manufacture of oral, controlled-release products, using proprietary technology. Our strategy includes improving off-patent drug products for life cycle management and developing generic versions of controlled-release drug products with high barriers to entry. Our technology is applicable to the development of delayed-, sustained- or targeted-release pellets, capsules, tablets, granules and powders.

We have two products, Lodrane 24® and Lodrane 24D®, currently being sold commercially. We also have an approved generic methadone product developed with our partner, The PharmaNetwork. Elite is preparing for a commercial launch of this product. We are currently negotiating a sales and distribution agreement for this product. A sales and distribution agreement is a prerequisite for the launch of this product. Elite also purchased an approved generic to Dilaudid® (a product owned and sold by Purdue Pharma). The transfer of the process from the previous ANDA holder, Mikah Pharma, to our manufacturing facilities is currently in progress. The Company also has a pipeline of additional generic drug candidates under active development and the Company is developing ELI-216, an abuse resistant oxycodone product, and ELI-154, a once-a-day oxycodone product. Elite's facility in Northvale, New Jersey (the "Facility") operates under Good Manufacturing Practice ("GMP") and is a United States Drug Enforcement Agency ("DEA") registered facility for research, development and manufacturing.

#### Strategy

Elite is focusing its efforts on the following areas: (i) development of Elite's pain management products, (ii) manufacturing of Lodrane 24® and Lodrane 24D® products; (iii) set up and launch of the methadone generic and

hydromorphone generic products; (iv) the development of the other products in our pipeline including the eight products pursuant to the Epic Strategic Alliance Agreement; (v) commercial exploitation of our products either by license and the collection of royalties, or through the manufacture of our formulations, and (vi) development of new products and the expansion of our licensing agreements with other pharmaceutical companies, including co-development projects, joint ventures and other collaborations.

Elite is focusing on the development of various types of drug products, including branded drug products which require new drug applications (“NDAs”) under Section 505(b)(1) or 505(b)(2) of the Drug Price Competition and Patent Term Restoration Act of 1984 (the “Drug Price Competition Act”) as well as generic drug products which require abbreviated new drug applications (“ANDAs”).

Elite believes that its business strategy enables it to reduce risk by having a diverse product portfolio that includes both branded and generic products in various therapeutic categories and to build collaborations and establish licensing agreements with companies with greater resources thereby allowing us to share costs of development and improve cash-flow.

#### FDA Approval for generic Methadone tablets

On December 2, 2009, the Company and ThePharmaNetwork, LLC (“TPN”) announced the approval of an Abbreviated New Drug Application for methadone hydrochloride 10mg tablets by the U.S. Food and Drug Administration (“FDA”). Elite and TPN co-developed the product and the ANDA was filed under the TPN name.

A current report on form 8-K was filed on December 2, 2009 in relation to this announcement, such filing being incorporated herein by this reference.

#### Elite Purchased A Generic Hydromorphone HCl Product

On May 18, 2010, Elite executed an asset purchase agreement with Mikah Pharma LLC. Under that agreement we completed the acquisition from Mikah of an Abbreviated New Drug Application (Hydromorphone Hydrochloride Tablets USP, 8 mg) for aggregate consideration of \$225,000, comprised of an initial payment of \$150,000, which was made on May 18, 2010. A second payment of \$75,000 was due to be paid to Mikah on June 15, 2010 and is recorded in accounts payable as of June 30, 2010. The Company may, at its election, make this payment in cash or by issuing to Mikah 937,500 shares of the Company’s common stock. Elite is transferring the process to the Facility in Northvale, NJ where it intends to manufacture the product. Elite will engage a third party to distribute and sell the product.

A current report on form 8-K was filed on May 24, 2010 in relation to this announcement, such filing being incorporated herein by this reference.

#### Commercial Products

Elite manufactures two once-daily allergy products, Lodrane 24® and Lodrane 24D®, that were co-developed with our partner, ECR Pharmaceuticals (“ECR”). Elite entered into development agreements for these two products with ECR in June 2001 whereby Elite agreed to commercially develop two products in exchange for development fees, certain payments, royalties and manufacturing rights. The products are being marketed by ECR which also has the responsibility for regulatory matters. In addition to receiving revenues for the manufacture of these products, Elite receives a royalty on in-market sales.

Lodrane 24®, was first commercially offered in November 2004 and Lodrane 24D® was first commercially offered in December 2006. Elite’s revenues for manufacturing these products and a royalty on sales for the quarters ended June 30, 2010 and 2009 aggregated \$748,103 and, \$813,875, respectively.

#### Approved Products

Elite co-developed a generic methadone product that was approved in November 2009. Elite and its partner, The PharmaNetwork, are in discussions to complete a marketing and distribution arrangement for this product. Elite is also preparing for the manufacture of this product at the Facility. Elite intends to launch this product as soon as these steps have been completed.

Elite purchased a generic hydromorphone product (equivalent to 8 mg Dilaudid®) in May 2010. Elite is transferring this product to the Facility. Elite will also complete a sales and distribution agreement with a third party for the product. Elite expects to launch this product after these steps have been completed.

#### Products Under Development

It is our general policy not to disclose products in our development pipeline or the status of such products until a product reaches a stage that we determine, for competitive reasons, in our discretion, to be appropriate for disclosure and because the disclosure of such information might suggest the occurrence of future matters or events that may not occur.



## ELI-154 and ELI-216

For ELI-154, Elite has developed a once-daily oxycodone formulation using its proprietary technology. An investigational new drug application, or IND, has been filed and Elite has completed two pharmacokinetic studies in healthy subjects that compared blood levels of oxycodone from dosing ELI-154 and the twice-a-day product that is on the market currently, OxyContin® marketed in the U.S. by Purdue Pharma LP. These studies confirmed that ELI-154, when compared to twice-daily delivery, demonstrated an equivalent onset, more constant blood levels of the drug over the 24 hour period and equivalent blood levels to the twice-a-day product at the end of 24 hours. Elite has successfully manufactured multiple batches on commercial scale equipment and we have discussions ongoing in Europe for this product. We are looking for a partner who can complete the clinical studies required for Europe and who can sell and distribute the product in key European territories. .

ELI-216 utilizes our patent-pending abuse-deterrent technology that is based on a pharmacological approach. ELI-216 is a combination of a narcotic agonist, oxycodone hydrochloride, in a sustained-release formulation intended for use in patients with moderate to severe chronic pain, and an antagonist, naltrexone hydrochloride, formulated to deter abuse of the drug. Both of these compounds, oxycodone hydrochloride and naltrexone hydrochloride, have been on the market for a number of years and sold separately in various dose strengths. Elite has filed an IND for the product and has tested the product in a series of pharmacokinetic studies. In single-dose studies for ELI-216, it was demonstrated that no quantifiable blood levels of naltrexone hydrochloride were released at a limit of quantification (“LOQ”) of 7.5 pg/ml. As described below, when crushed, naltrexone hydrochloride was released at levels that would be expected to eliminate the euphoria from the crushed oxycodone hydrochloride. This data is consistent with the premise of Elite’s abuse resistant technology, or ART, that essentially no naltrexone is released and absorbed when administered as intended. Products utilizing the pharmacological approach to deter abuse such as Suboxone®, a product marketed in the United States by Reckitt Benckiser Pharmaceuticals, Inc., and Embeda®, a product marketed in the United States by King Pharmaceuticals, have been approved by the FDA and are being marketed in the United States.

ELI-216 demonstrates a euphoria-blocking effect when the product is crushed. A study completed in 2007 was designed to determine the optimal ratio of oxycodone hydrochloride and the opioid antagonist, naltrexone hydrochloride, to significantly block the euphoric effect of the opioid if the product is abused by physically altering it (i.e., crushing). The study also helped determine the appropriate levels of naltrexone hydrochloride required to reduce or eliminate the euphoria experienced by subjects who might take crushed product to achieve a “high”.

Elite met with the FDA for a Type C clinical guidance meeting regarding the NDA development program for ELI-216. Elite has incorporated the FDA’s guidance into its developmental plan. Elite has obtained a special protocol assessment, or SPA, with the FDA for the ELI-216 Phase III protocol. Elite will conduct additional Phase I studies including, but not limited to, food effect, ascending dose and multi-dose studies.

Elite has developed ELI-154 and ELI-216 and retains the rights to these products. Elite has currently chosen to develop these products itself but expects to license these products at a later date to a third party who could provide funding for the remaining clinical studies, including a Phase III study, and who could provide sales and distribution for the product. The drug delivery technology underlying ELI-154 was originally developed under a joint venture with Elan which terminated in 2002.

According to the Elan Termination Agreement, Elite acquired all proprietary, development and commercial rights for the worldwide markets for the products developed by the joint venture, including ELI-154. Upon licensing or commercialization of ELI-154, Elite will pay a royalty to Elan pursuant to the Termination Agreement. If Elite were to sell the product itself, Elite will pay a 1% royalty to Elan based on the product’s net sales, and if Elite enters into an agreement with another party to sell the product, Elite will pay a 9% royalty to Elan based on Elite’s net revenues from this product. (Elite’s net product revenues would include license fees, royalties, manufacturing profits and milestones)

Elite is allowed to recoup all development costs including research, process development, analytical development, clinical development and regulatory costs before payment of any royalties to Elan.

#### Epic Strategic Alliance Agreement

On March 18, 2009, Elite and Epic Pharma, LLC and Epic Investments, LLC, a subsidiary of Epic Pharma LLC (collectively, "Epic") entered into the Epic Strategic Alliance Agreement (amended on April 30, 2009, June 1, 2009 and July 28, 2009). Epic is a pharmaceutical company that operates a business synergistic to that of Elite in the research and development, manufacturing and sales and marketing of oral immediate release and controlled-release drug products.

Under the Epic Strategic Alliance Agreement (i) at least eight additional generic drug products will be developed by Epic at the Facility with the intent of filing abbreviated new drug applications for obtaining FDA approval of such generic drugs, (ii) Elite will be entitled to 15% of the profits generated from the sales of such additional generic drug products upon approval by the FDA, and (iii) Epic and Elite will share certain resources, technology and know-how in the development of drug products, which Elite believes will benefit the continued development of its current drug products.

For additional information regarding the Epic Strategic Alliance Agreement, please see our disclosures under “Epic Strategic Alliance Agreement” in Item 7 of Part II of this Annual Report on Form 10-K, and in our Current Reports on Form 8-K, filed with the SEC on March 23, 2009, May 6, 2009 and June 5, 2009, which are incorporated herein by reference.

#### Novel Labs Investment

At the end of 2006, Elite entered into an agreement with VGS Pharma, LLC (“VGS”) and created Novel Laboratories, Inc. (“Novel”), a privately-held company specializing in pharmaceutical research, development, manufacturing, licensing, acquisition and marketing of specialty generic pharmaceuticals. Novel's business strategy is to focus on its core strength in identifying and timely executing niche business opportunities in the generic pharmaceutical area. Elite owns approximately 10% of the outstanding shares of Class A Voting Common Stock of Novel. To date, Elite has received no distributions or dividends from this investment.

#### Critical Accounting Policies and Estimates

Management's discussion addresses our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgment, including those related to bad debts, intangible assets, income taxes, workers compensation, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its Consolidated Financial Statements. Our most critical accounting policies include the recognition of revenue upon completion of certain phases of projects under research and development contracts. We also assess a need for an allowance to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. We assess the recoverability of long-lived assets and intangible assets whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. We assess our exposure to current commitments and contingencies. It should be noted that actual results may differ from these estimates under different assumptions or conditions.

#### Results of Consolidated Operations

##### Three Months Ended June 30, 2010 Compared to Three Months Ended June 30, 2009

Our revenues for the three months ended June 30, 2010 were \$831,920 an increase of \$18,045 or approximately 2% over revenues for the comparable period of the prior year, and consisted of \$567,069 in manufacturing fees, 83,817 in lab fees and \$181,034 in royalty fees. Revenues for the three months ended June 30, 2009, consisted of \$665,064 in manufacturing fees and \$148,811 in royalty fees. Manufacturing fees decreased by approximately 15% due in large part to timing of orders and shipments. Royalties increased by approximately 22% due to the growth of product sales.

Research and development costs for the three months ended June 30, 2010 were \$165,008, a decrease of \$86,084 or approximately 34% from \$251,092 of such costs for the comparable period of the prior year. Decreases were attributed to decreases in employee costs and consulting fees associated with the development of products and lower

active pharmaceutical ingredient costs for product development.

General and administrative expenses for the three months ended June 30, 2010, were \$258,321, a decrease of \$138,216, or approximately 35% from \$396,537 of general and administrative expenses for the comparable period of the prior year. The decrease was primarily due to continued cost reduction initiatives throughout all aspects of our operations.

Depreciation and amortization for the three months ended June 30, 2010 was \$78,331, a decrease of \$47,211, or approximately 38%, from \$125,542 for the comparable period of the prior year. The decrease was due to the implementation of a manufacturing cost accounting system as of July 1, 2009 which more accurately allocates depreciation expense among manufacturing and other operations.

Non-cash compensation through the issuance of stock options and warrants for the three months ended June 30, 2010 was \$15,358, a decrease of \$40,005, or approximately 72% from \$55,363 for the comparable period of the prior year. The decrease was due to the timing of the amortization schedule established at the time of issuance of the related stock options and warrants.

Other income/(expenses) for the three months ended June 30, 2010 were \$(4,615,146), a decrease in other income of \$6,643,298 from the net other income of \$2,028,152 for the comparable period of the prior year. The decrease in other income/(expenses) was due to derivative expenses related to changes in the fair value of our preferred shares and outstanding warrants of \$(4,250,637), and derivative interest expense of \$(306,440)

As a result of the foregoing, our net loss for the three months ended June 30, 2010 was \$4,711,915 compared to a net income of \$1,151,494 for the three months ended June 30, 2009.

#### Material Changes in Financial Condition

Our working capital (total current assets less total current liabilities), decreased to a deficit of \$2,589,078 as of June 30, 2010 from a working capital deficit of \$2,274,572 as of March 31, 2010, primarily due to our net loss from operations, exclusive of non-cash charges.

We experienced a positive cash flow from operations of \$95,151 for the three months ended June 30, 2010, primarily due to our net loss from continuing operations of \$4,711,915, increased by non cash charges totaling \$4,807,066, which included depreciation and amortization of \$121,344, change in fair value of warrant derivative liabilities of \$(1,823,701), change in fair value of preferred share derivative liabilities of \$6,074,338, dividends accruing to preferred share derivative liabilities of \$306,440, non cash compensation satisfied by the issuance of common stock, options and warrants of \$15,358.

On November 15, 2004 and on December 18, 2006, our partner, ECR Pharmaceuticals, launched Lodrane 24® and Lodrane 24D®, respectively. Under our agreement with ECR, we are currently manufacturing commercial batches of Lodrane 24® and Lodrane 24D® in exchange for manufacturing margins and royalties on product revenues. Manufacturing revenues and royalty income earned for the three months ended June 30, 2010 and June 30, 2009 were \$748,103 and \$813,875, respectively. We expect future cash flows from manufacturing fees and royalties to provide additional cash to help fund our operations. However, no assurance can be given that we will generate any material revenues from the manufacturing fees and royalties of the Lodrane products.

#### Liquidity and Capital Resources

##### Going concern considerations

As of June 30, 2010, after giving effect to the initial and second closings of the Epic Strategic Alliance Agreement, we had cash reserves of \$389,884 which permits us to continue at our anticipated level of operations, including, but not limited to, the continued development of our pipeline products, through July 2011. The completion of all transactions contemplated by the Epic Strategic Alliance Agreement, including the consummation of the third closing thereof, is expected to provide additional funds to permit us to continue development of our product pipeline for more than two years. Beyond two years, we anticipate that, with growth of Lodrane and the launch of the generic methadone product co-developed with The Pharma Network and recently approved by the FDA, and Hydromorphone 8mg recently acquired pursuant to an asset purchase agreement with Mikah Pharma LLC, Elite could be profitable. In addition, the commercialization of the products developed at the Facility under the Epic Strategic Alliance Agreement is expected to add a new revenue source for Elite. However, there can be no assurances as to the growth, success of development or commercialization of these products.

Despite the successful completion of the initial and second closings of the Epic Strategic Alliance Agreement, there can be no assurances that we will be able to consummate the third closing pursuant to the terms and conditions of the Epic Strategic Alliance Agreement. If such transactions are consummated, we will receive additional cash proceeds of \$1.6875 million (which will include quarterly payments of \$62,500 for a period of 11 quarters). Even if we were able

to successfully complete the third closing of the Epic Strategic Alliance Agreement, we still may be required to seek additional capital in the future and there can be no assurances that we will be able to obtain such additional capital on favorable terms, if at all. For additional information regarding the Epic Strategic Alliance Agreement, please see our disclosures under "Epic Strategic Alliance Agreement" in Item 7 of Part II of our Annual Report on Form 10-K, and in our Current Reports on Form 8-K, filed with the SEC on March 23, 2009, May 6, 2009, June 5, 2009 and July 1, 2010, which disclosures are incorporated herein by reference.

As of June 30, 2010, we had approximately 13 months of cash available based on our current operations

Based upon our current cash position, management has undertaken a review of our operations and implemented cost-cutting measures in an effort to eliminate any expenses which are not deemed critical to our current strategic objectives. We will continue this process without impeding our ability to proceed with our critical strategic goals, which, as noted above, include developing our pain management and other products and manufacturing our current products.

For the three months ended June 30, 2010, we realized approximately \$0.1 million positive cash flow from operating activities. Our working capital deficit at June 30, 2010 was approximately \$2.6 million compared with working capital surplus of approximately \$0.7 million at June 30, 2009. Cash and cash equivalents at June 30, 2010, were approximately \$0.4 million, a decrease of approximately \$0.4 million from the approximately \$0.8 million at June 30, 2009.

As of June 30, 2010, our principal source of liquidity was approximately \$0.4 million of cash and cash equivalents. Additionally, we may have access to funds through the exercise of outstanding stock options and warrants. There can be no assurance that the exercise of outstanding warrants or options will generate or provide sufficient cash.

We had outstanding, as of June 30, 2010, bonds in the aggregate principal amount of \$3,385,000 consisting of \$3,140,000 of 6.5% tax exempt bonds with an outside maturity of September 1, 2030 and \$245,000 of 9.0% bonds with an outside maturity of September 1, 2012. The bonds are secured by a first lien on our facility in Northvale, New Jersey. Pursuant to the terms of the bonds, a restricted cash account has been established for the payment of bond principal and interest. Bond proceeds were utilized (i) for the redemption of previously issued tax exempt bonds issued by the New Jersey Economic Development Authority in September 1999, (ii) to refinance equipment financing, (iii) to as provide approximately \$1,000,000 of capital for the purchase of additional equipment for the manufacture and development of pharmaceutical products and (iv) for the maintenance of a \$415,500 debt service reserve. All of the restricted cash, other than the debt service, was expended within the year ended March 31, 2008. Pursuant to the terms of the related bond indenture agreement, the Company is required to observe certain covenants, including covenants relating to incurring additional indebtedness, granting liens and maintaining certain financial covenants. As of June 30, 2010, the Company had received a notice of default from the Trustee of the NJEDA Bonds, which was not waived or rescinded. For further details, please refer to Note 5 of the financial statements and below in this section.

The principal payment due on September 1, 2009, totaling \$210,000 and the interest payments due on September 1, 2009 and March 1, 2010, totaling \$120,775 and \$113,075, respectively were all paid from the debt service reserve held in the restricted cash account, because of the Company not having sufficient available funds to make the payments when due. Pursuant to the terms of the NJED Bonds, the Company is required to replenish any amounts withdrawn from the debt service reserve and used to make principal or interest payments in six monthly installments, each being equal to one-sixth of the amount withdrawn and with the first installment due on the 15th of the month in which the withdrawal from debt service reserve occurred and the remaining five monthly payments being due on the 15th of the five immediately subsequent months. The Company has, to date, made all payments required in relation to the withdrawals made from the debt service reserve on September 1, 2009 and March 1, 2010. The Company is required to make one additional payment of \$18,846 on August 15, 2010, in order to fully replenish the March 1, 2010 withdrawal from the debt service reserve.

Principal payments totaling \$225,000 and interest payments totaling \$113,075 are due on September 1, 2010. The Company does not expect to have sufficient available funds to make such payments when due, and accordingly, expects such payments to be made via the withdrawal of funds from the debt service reserve, in the same manner as was done for the principal and interest payment of September 1, 2009.

The Company has received Notice of Default from the Trustee of the NJED Bonds in relation to the withdrawals from the debt service reserve, and has requested a postponement of principal payments due on September 1st of 2010, 2011 and 2012, with an aggregate of all such postponed principal payments being added to the principal payments due on September 1, 2013. Resolution of the Company's default under the NJED Bonds and our request for postponement of principal payments will have a significant effect on our ability to operate in the future.

Due to issuance of a Notice of Default being received from the Trustee of the NJED Bonds, and until the event of default is resolved, the Company has classified the entire principal due, an amount aggregating \$3.385 million, as a current liability.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that would be considered material to investors.

Effects of Inflation

We are subject to price risks arising from price fluctuations in the market prices of the products that we sell. Management does not believe that inflation risk is material to our business or our consolidated financial position, results of operations, or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable



ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive and Chief Financial Officers, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive and Chief Financial Officers concluded that our disclosure controls and procedures as of the end of the period covered by this report were not effective so that that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management in order to allow for timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management has determined that, as of June 30, 2010, there were material weaknesses in both the design and effectiveness of our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

The deficiencies in our internal controls over financial reporting and disclosure controls and procedures are related to the lack of segregation of duties due to the size of our accounting department, which replaced an outside accounting firm and non-employee Chief Financial Officer on July 1, 2009, and limited enterprise resource planning systems. When our financial position improves, we intend to hire additional personnel and implement enterprise resource planning systems required to remedy such deficiencies.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15 (f) under the Exchange Act) during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business we may be subject to litigation from time to time. Except as follows, there is no past, pending or, to our knowledge, threatened litigation or administrative action to which we are a party or of which our property is the subject (including litigation or actions involving our officers, directors, affiliates, or other key personnel, or holders of record or beneficially of more than 5% of any class of our voting securities, or any associate of any such party) which in our opinion has, or is expected to have, a material adverse effect upon our business, prospects, financial condition or operations.

Midsummer Investments, Ltd., et al. v. Elite Pharmaceuticals, Inc. – On or about September 22, 2009, Midsummer Investments, Ltd. (“Midsummer”) and Bushido Capital Master Fund, LP (“Bushido”, and together with Midsummer, the “Plaintiffs”) filed a complaint against Elite Pharmaceuticals, Inc., a Delaware corporation (the “Company”), in the United States District Court, Southern District of New York (Case No. 09 CIV 8074) (the “Action”). The Plaintiffs asserted

claims for breach of contract (injunctive relief and damages), anticipatory breach of contract (injunctive relief), conversion (injunctive relief and damages), and attorneys' fees, arising out of a Securities Purchase Agreement, dated September 15, 2008, by and among the Company and certain purchasers of the Company's securities (including the Plaintiffs) and the Certificate of Designation of Preferences, Rights and Limitations of Series D 8% Convertible Preferred Stock, filed with the Secretary of State of the State of Delaware on September 15, 2009 (the "Series D Certificate"). Plaintiffs claimed that they were entitled to a reduced conversion price for their Series D 8% Convertible Preferred Stock, par value US\$0.01 per share (the "Series D Preferred Stock"), as a result of the Strategic Alliance Agreement, dated March 18, 2009, as amended (the "Epic SAA"), by and among the Company, on the one hand, and Epic Pharma, LLC ("Epic") and Epic Investments, LLC ("Epic Investments", and together with Epic, the "Epic Parties"). With their complaint, the Plaintiffs concurrently filed a request for preliminary injunction. Pursuant to an order of the Court entered into on October 16, 2009, the Plaintiffs' request for a preliminary injunction was denied. Thereafter, Plaintiffs filed an amended complaint (the "Complaint"), asserting claims for breach of contract (injunctive relief and damages), anticipatory breach of contract (injunctive relief), conversion (damages) and attorneys' fees, seeking compensatory damages of \$7,455,363.00, delivery of 1,000,000 shares of the Company's common stock, par value \$0.001 per share (the "Common Stock"), a declaration that all future conversions of the Series D Preferred Stock, held by Plaintiffs is at a conversion price of \$0.05, attorneys' fees, interest and costs.

The Company disputed the claims in the Complaint, believing the lawsuit to be without merit, and vigorously defended against them. The Company moved for summary judgment on the Complaint and the judge in the case did not issue an order on such motion. The Company proceeded with extensive, time-consuming and costly discovery. The court scheduled the trial to commence on June 28, 2010.

In order to avoid the delays, expense and risks inherent in litigation, after extensive negotiations, the Company entered into (i) a Stipulation of Settlement and Release, dated June 25, 2010 (the "Settlement Agreement"), with the Plaintiffs and the Epic Parties, (ii) an Amendment Agreement, dated June 25, 2010 (the "Series D Amendment Agreement"), with the Plaintiffs and (iii) an Amendment Agreement, dated June 25, 2010 (the "Series E Amendment Agreement") with the Epic Parties. As part of the Settlement Agreement, the Action will be dismissed with prejudice.

#### Series D Amendment Agreement

Pursuant to the Series D Amendment Agreement, the Company and Plaintiffs agreed to amend the Series D Certificate. The holders of at least 50.1%, in the aggregate, of the Company's outstanding Series B Preferred 8% Convertible Preferred Stock, par value US\$0.01 per share, Series C 8% Convertible Preferred Stock, par value US\$0.01 per share, and Series D Preferred Stock, voting as one class, consented to the filing of the Amended Certificate of Designations of the Series D 8% Convertible Preferred Stock (the "Amended Series D Certificate") with the Secretary of State of the State of Delaware. On June 29, 2010, pursuant to the authority of its Board of Directors, the Company filed with the Secretary of State of the State of Delaware the Amended Series D Certificate.

Pursuant to the terms of the Amended Series D Certificate, the terms of the Series D Preferred Stock have been amended as follows:

- **Dividends:** The Series D Preferred Stock will continue to accrue dividends at the rate of 8% per annum on their stated value of US\$1,000 per share, payable quarterly on January 1, April 1, July 1 and October 1 and such rate shall not increase to 15% per annum as previously provided prior to giving effect to the Series D Amendment Agreement. In addition to being payable in cash and shares of Common Stock, as provided in the Series D Certificate, such dividends may also be paid in shares of Series D Preferred Stock (the "Dividend Payment Preferred Stock") or a combination of cash, Common Stock and Dividend Payment Preferred Stock. Dividend Payment Preferred Stock will have the same rights, privileges and preferences as the Series D Preferred Stock, except that such Dividend Payment Preferred Stock will not be entitled to, nor accrue, any dividends pursuant to the Amended Series D Certificate.
- **Conversion Price:** The conversion price of the Series D Preferred Stock shall be reduced from US\$0.20 per share to US\$0.07 per share (subject to adjustment as provided in the Amended Series D Certificate).
- **Automatic Monthly Conversion:** On each Monthly Conversion Date (as defined below), a number of shares of Series D Preferred Stock equal to each holder's pro-rata portion (based on the shares of Series D Preferred Stock held by each Holder on June 25, 2010) of the Monthly Conversion Amount (as defined below) will automatically convert into shares of Common Stock at the then-effective conversion price (each such conversion, a "Monthly Conversion"). Notwithstanding the foregoing, the Company will not be permitted to effect a Monthly Conversion on a Monthly Conversion Date unless (i) the Common Stock shall be listed or quoted for trading on a trading market, (ii) there is a sufficient number of authorized shares of Common Stock for issuance of all Common Stock to be issued upon such Monthly Conversion, (iii) as to any holder of Series D Preferred Stock, the issuance of the shares will not cause a breach of the beneficial ownership limitations set forth in the Amended Series D Certificate, (iv) if requested by a holder of Series D Preferred Stock and a customary Rule 144 representation letter relating to all shares of Common Stock to be issued upon each Monthly Conversion is provided by such holder after request from the Company, the shares of Common Stock issued upon such Monthly Conversion are delivered electronically

through the Depository Trust Company or another established clearing corporation performing similar functions (“DTC”), may be resold by such holder pursuant to an exemption under the Securities Act and are otherwise free of restrictive legends and trading restrictions on such Holder, (v) there has been no public announcement of a pending or proposed Fundamental Transaction or Change of Control Transaction (as such terms are defined in the Amended Series D Certificate) that has not been consummated, (vi) the applicable holder of Series D Preferred Stock is not in possession of any information provided to such holder by the Company that constitutes material non-public information, and (vii) the average VWAP (as defined in the Amended Series D Certificate) for the 20 trading days immediately prior to the applicable Monthly Conversion Date equals or exceeds the then-effective conversion price of the Series D Preferred Stock. Shares of the Series D Preferred Stock issued to the holders of Series D Preferred Stock as Dividend Payment Preferred Stock shall be the last shares of Series D Preferred Stock to be subject to Monthly Conversion. As used herein, the following terms have the following meanings: (i) “Monthly Conversion Date” means the first day of each month, commencing on August 1, 2010, and terminating on the date the Series D Preferred Stock is no longer outstanding; (ii) “Monthly Conversion Amount” means an aggregate Stated Value of Series D Preferred Stock among all Holders that is equal to 25% of aggregate dollar trading volume of the Common Stock during the 20 trading days immediately prior to the applicable Monthly Conversion Date (such 20 trading day period, the “Measurement Period”), increasing to 35% of the aggregate dollar trading volume during the Measurement Period if the average VWAP during such Measurement Period equals or exceeds \$0.12 (subject to adjustment for forward and reverse stock splits and the like that occur after June 25, 2010) and further increasing to 50% of the aggregate dollar trading volume during such Measurement Period if the average VWAP during such Measurement Period equals or exceeds \$0.16 (subject to adjustment for forward and reverse stock splits and the like that occur after June 25, 2010).

- Change of Control Transaction: Epic and its affiliates were expressly excluded from any event which would otherwise constitute a “Change of Control Transaction” due to the acquisition in excess of 40% of the Company’s voting securities.

Pursuant to the Series D Amendment Agreement, the exercise price of the Warrants (the “Series D Warrants”) to purchase shares of Common Stock issued to the holders of Series D Preferred Stock pursuant to the Securities Purchase Agreement, dated as of September 15, 2008, by and among the Company and the purchasers of Series D Preferred Stock will be reduced from \$0.25 per share to US\$0.125. In addition, the exercise price of the Series D Warrants may be reduced as follows:

- (i) by 20%, if on September 15, 2011, the holder of such Warrant still beneficially owns more than 50% of the Series D Preferred Stock beneficially owned by such holder as of June 25, 2010 (“Base Ownership”); and
- (ii) by 20%, if (a) on September 15, 2011, such holder then beneficially owns more than 25% of the Base Ownership and 50% or less of the Base Ownership and (b) on September 15, 2012, such holder then beneficially owns more than 25% of the Base Ownership.

Notwithstanding the foregoing, (x) in no event will the exercise price of the Series D Warrants be reduced more than once as a result of the amendments to such Series D Warrants, and (y) in the event that on September 15, 2011 or, if the condition of clause (ii)(a) above is met, on September 15, 2012, the Holder beneficially owns 25% or less of the Base Ownership, then no adjustment shall occur pursuant to the Series D Warrants, as amended by the Series D Amendment Agreement. Additionally, there will be no corresponding increase in the number of shares of Common Stock issuable upon exercise of the Warrants solely as a result of the foregoing adjustments.

To the extent such issuance does not cause the breach of the beneficial ownership limitations set forth in the Amended Series D Certificate (any excess shares will be issued to the affected holder of Series D Preferred Stock upon written notice from such holder when such holder’s beneficial ownership is below 9.9% to the extent that such issuance does not cause such holder to exceed such amount), the Company agreed to issue certain shares of Common Stock to the Plaintiffs and their respective affiliates in satisfaction of the Company’s obligation to pay certain previously accrued but unpaid dividends through March 31, 2010 owing to the Plaintiffs and their respective affiliates.

#### Series E Amendment Agreement

Pursuant to the Series E Amendment Agreement, the Company agreed to amend the Certificate of Designation of Preferences, Rights and Limitations of the Series E Convertible Preferred Stock, filed with Secretary of State of the State of Delaware on June 3, 2009 (the “Series E Certificate”). The Epic Parties, constituting all holders of Series E Preferred Stock, consented to the filing of the Amended Certificate of Designations of the Series E Convertible Preferred Stock (the “Amended Series E Certificate”) with the Secretary of State of the State of Delaware. On June 29, 2010, pursuant to the authority of its Board of Directors, Company filed with the Secretary of State of the State of Delaware the Amended Series E Certificate. Pursuant to the terms of the Amended Series E Certificate, the conversion price of the Series E Preferred Stock will be adjusted downward to reflect, on a pro rata basis, the reduction in the conversion price of the Series D Preferred Stock as the result of the Series D Amendment Agreement, to the extent shares of Series D Preferred Stock are converted at the reduced conversion price set forth in the Amended Series D Certificate.

Pursuant to the Series E Amendment Agreement, the Epic SAA was amended so that the purchase of the 750 Additional Shares of Series E Preferred Stock described therein for an aggregate purchase price of \$750,000 would occur in 12 installments of 62.5 shares (for a purchase price of \$62,500) (i) on or prior to November 1, 2009 (which has been satisfied) and (ii) within 10 business days following the last day of each calendar quarter, beginning with the

first calendar quarter ending on September 30, 2010 and continuing for each of the 10 calendar quarters thereafter.

In addition, under the Series E Amendment Agreement, the third closing date is scheduled to occur on or before December 31, 2010, subject to certain conditions set forth in the Epic SAA (as amended by the Series E Amendment Agreement).

Under each of the Series D Amendment Agreement and the Series E Amendment Agreement, the Company agreed that at its next meeting of shareholders it will seek shareholder approval to amend its certificate of incorporation to increase the number of authorized but unissued shares of Common Stock to at least 760,000,000.

## Settlement Agreement

Pursuant to the Settlement Agreement, Elite and the Epic Parties, individually and on behalf of each of their respective officers, directors, agents, representatives, successors, affiliated entities, subsidiaries, heirs, employees, administrators and assigns (the "Elite Releasers") agreed to release and discharge each of the Plaintiffs, BCMF Trustees LLC, an affiliate of Bushido ("BCMF"), their respective owners, officers, directors, investors, agents, representatives, successors, affiliated entities, subsidiaries, heirs, employees, administrators and assigns (the "Plaintiffs' Releasees") from any and all actions, causes of action, claims, liens, suits, debts, accounts, liabilities, expenses, attorneys' fees, agreements, promises, charges, complaints and demands (collectively, "Loses") which the Elite Releasers have or may have against the Plaintiffs' Releasees that could have been asserted in the Action or any other court action, based upon any conduct up to and including the date of the Settlement Agreement. Notwithstanding the foregoing, the Elite Releasers will not release any claim of breach of the terms of the Settlement Agreement, breach of the terms of the Series D Amendment Agreement, or any cause of action arising from future conduct by the Plaintiffs' Releasees.

Pursuant to the Settlement Agreement, the Plaintiffs and BCMF, individually and on behalf of each of their respective owners, officers, directors, investors, agents, representatives, successors, affiliated entities, subsidiaries, heirs, employees, administrators and assigns (the "Plaintiffs' Releasers") agreed to release and discharge Elite and the Epic Parties and each of their respective officers, directors, agents, representatives, successors, affiliated entities, subsidiaries, heirs, employees, administrators and assigns (the "Elite Releasees"), from any and all Losses which the Plaintiffs' Releasers have or may have against the Elite Releasees that could have been asserted in the Action or any other court action, based upon any conduct up to and including the date of the Settlement Agreement. Notwithstanding the foregoing, the Plaintiffs' Releasers did not release any claim of breach of the terms of the Settlement Agreement, breach of the terms of the Series D Amendment Agreement or any cause of action arising from future conduct by the Elite Releasees.

In addition, concurrently with the execution of the Settlement Agreement, legal counsel for both the Company and the Plaintiffs executed a Stipulation of Discontinuance of the Action, which such counsel will file once all conditions precedent to the effectiveness of the Settlement Agreement have been satisfied.

The foregoing description of the Amended Series D Certificate, Amended Series E Certificate, Settlement Agreement, Series D Amendment Agreement and Series E Amendment Agreement does not purport to be complete and is qualified in its entirety by reference to the complete text of such documents which are filed herewith and incorporated herein by reference.

On July 1, 2010, the Company filed with the SEC a Current Report on Form 8-K announcing the settlement of the litigation with the Plaintiffs, with such filing being incorporated by reference herein.

## ITEM 1A. RISK FACTORS

There have been no material changes from the Risk Factors described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2010.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 2010, we issued 3,402,813 shares of our common stock to the holders of our Series B, C and D Preferred Stock. The shares were issued in satisfaction of our obligation to pay \$306,440 in dividends earned and/or accrued during the quarter ended March 31, 2010. We did not receive any proceeds in exchange for the issuance of these securities. We relied on the exemption provided by Section 4(2) of the Securities Act of 1933 to issue the common stock. The securities were offered and sold without any form of general solicitation or general

advertising and the offerees made representations that they were accredited investors.

ITEM 3.           DEFAULTS UPON SENIOR SECURITIES

Please see the discussion in Note 5 to our financial statements titled “NJEDA Bonds” which is incorporated herein by this reference.

ITEM 4.           REMOVED AND RESERVED

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed in the index below are filed as part of this report.

Exhibit Number	Description
3.1(a)	Certificate of Incorporation of the Company, together with all other amendments thereto, as filed with the Secretary of State of the State of Delaware, incorporated by reference to (a) Exhibit 4.1 to the Registration Statement on Form S-4 (Reg. No. 333-101686), filed with the SEC on December 6, 2002 (the "Form S-4"), (b) Exhibit 3.1 to the Company's Current Report on Form 8-K dated July 28, 2004 and filed with the SEC on July 29, 2004, (c) Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 26, 2008 and filed with the SEC on July 2, 2008, and (d) Exhibit 3.1 to the Company's Current Report on Form 8-K dated December 19, 2008 and filed with the SEC on December 23, 2008.
3.1(b)	Certificate of Designations, Preferences and Rights of Series A Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 4.5 to the Current Report on Form 8-K dated October 6, 2004, and filed with the SEC on October 12, 2004.
3.1(c)	Certificate of Retirement with the Secretary of the State of the Delaware to retire 516,558 shares of the Series A Preferred Stock, as filed with the Secretary of State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 10, 2006, and filed with the SEC on March 14, 2006.
3.1(d)	Certificate of Designations, Preferences and Rights of Series B 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated March 15, 2006, and filed with the SEC on March 16, 2006.
3.1(e)	Amended Certificate of Designations of Preferences, Rights and Limitations of Series B 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007.
3.1(f)	Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007.
3.1(g)	Amended Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated April 24, 2007, and filed with the SEC on April 25, 2007
3.1(h)	Amended Certificate of Designations of Preferences, Rights and Limitations of Series B 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.

- 3.1(i) Amended Certificate of Designations, Preferences and Rights of Series C 8% Convertible Preferred Stock, as filed with the Secretary of the State of Delaware, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.
- 3.1(j) Amended Certificate of Designations of Preferences, Rights and Limitations of Series D 8% Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.3 to the Current Report on Form 8-K dated September 15, 2008, and filed with the SEC on September 16, 2008.
- 3.1(k) Certificate of Designation of Preferences, Rights and Limitations of Series E Convertible Preferred Stock, as filed with the Secretary of State of the State of Delaware, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K dated June 1, 2009, and filed with the SEC on June 5, 2009.

- 3.1(l) Amended Certificate of Designations of the Series D 8% Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on June 29, 2010, incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, dated July 1, 2010 and filed with the SEC on July 1, 2010
- 3.1(m) Amended Certificate of Designations of the Series E Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on June 29, 2010, incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, dated July 1, 2010 and filed with the SEC on July 1, 2010
- 3.2 By-Laws of the Company, as amended, incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (Reg. No. 333-90633) made effective on February 28, 2000 (the "Form SB-2").
- 4.1 Form of specimen certificate for Common Stock of the Company, incorporated by reference to Exhibit 4.1 to the Form SB-2.
- 4.2 Form of specimen certificate for Series A 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.5 to the Current Report on Form 8-K, dated October 6, 2004, and filed with the SEC on October 12, 2004.
- 4.3 Form of specimen certificate for Series B 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 4.4 Form of specimen certificate for Series C 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 4.5 Warrant to purchase 100,000 shares of Common Stock issued to DH Blair Investment Banking Corp., incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ended September 30, 2004.
- 4.6 Warrant to purchase 50,000 shares of Common Stock issued to Jason Lyons incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the period ended June 30, 2004.
- 4.7 Form of Warrant to purchase shares of Common Stock issued to designees of lender with respect to financing of an equipment loan incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ended June 30, 2004.
- 4.8 Form of Short Term Warrant to purchase shares of Common Stock issued to purchasers in the private placement which initially closed on October 6, 2004 (the "Series A Financing"), incorporated by reference to Exhibit 4.6 to the Current Report on Form 8-K, dated October 6, 2004, and filed with the SEC on October 12, 2004
- 4.9 Form of Long Term Warrant to purchase shares of Common Stock issued to purchasers in the Series A Financing, incorporated by reference to Exhibit 4.7 to the Current Report on Form 8-K, dated October 6, 2004, and filed with the SEC on October 12, 2004.
- 4.10 Form of Warrant to purchase shares of Common Stock issued to the Placement Agent, in connection with the Series A Financing, incorporated by reference to Exhibit 4.8 to the Current Report on Form 8-K,

dated October 6, 2004, and filed with the SEC on October 12, 2004.

- 4.11 Form of Replacement Warrant to purchase shares of Common Stock in connection with the offer to holders of Warrants in the Series A Financing (the “Warrant Exchange”), incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated December 14, 2005, and filed with the SEC on December 20, 2005.
- 4.12 Form of Warrant to purchase shares of Common Stock to the Placement Agent, in connection with the Warrant Exchange, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated December 14, 2005, and filed with the SEC on December 20, 2005.

- 4.13 Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on March 15, 2006 (the “Series B Financing”), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 4.14 Form of Warrant to purchase shares of Common Stock issued to purchasers in the Series B Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 4.15 Form of Warrant to purchase shares of Common Stock issued to the Placement Agent, in connection with the Series B Financing, incorporated by reference to Exhibit 4.4 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.
- 4.16 Form of Warrant to purchase 600,000 shares of Common Stock issued to Indigo Ventures, LLC, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated July 12, 2006 and filed with the SEC on July 18, 2006.
- 4.17 Form of Warrant to purchase up to 478,698 shares of Common Stock issued to VGS PHARMA, LLC, incorporated by reference to Exhibit 3(a) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.
- 4.18 Form of Non-Qualified Stock Option Agreement for 1,750,000 shares of Common Stock granted to Veerappan Subramanian, incorporated by reference to Exhibit 3(b) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.
- 4.19 Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on April 24, 2007 (the “Series C Financing”), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 4.20 Form of Warrant to purchase shares of Common Stock issued to the placement agent in the Series C Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.
- 4.21 Form of specimen certificate for Series D 8% Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.
- 4.22 Form of Warrant to purchase shares of Common Stock issued to purchasers in the private placement which closed on September 15, 2008 (the “Series D Financing”), incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.
- 4.23 Form of Warrant to purchase shares of Common Stock issued to the placement agent in the Series D Financing, incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K, dated September 15, 2008 and filed with the SEC on September 16, 2008.
- 4.24 Form of specimen certificate for Series E Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K, dated June 1, 2009, and filed with the SEC on June 5, 2009.

- 4.25 Warrant to purchase shares of Common Stock issued to Epic Investments, LLC in the initial closing of the Strategic Alliance Agreement, dated as of March 18, 2009, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K, dated June 1, 2009, and filed with the SEC on June 5, 2009.
- 10.1 Stipulation of Settlement and Release, dated as of June 25, 2010, by and among the Company, Midsummer Investment, Ltd., Bushido Capital Master Fund, LP, BCMF Trustees, LLC, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated July 1, 2010 and filed with the SEC on July 1, 2010
- 10.2 Amendment Agreement, dated as of June 25, 2010, by and among the Company, and the investors signatory thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated July 1, 2010 and filed with the SEC on July 1, 2010

- 10.3 Amendment Agreement, dated as of June 2010, by and among the Company, Epic Pharma, LLC and Epic Investments, LLC, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated July 1, 2010 and filed with the SEC on July 1, 2010
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELITE PHARMACEUTICALS, INC.

Date: August 16, 2010

/s/ Jerry Treppel  
Jerry Treppel  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 16, 2010

/s/ Carter J. Ward  
Carter J. Ward  
Chief Financial Officer  
(Principal Financial and Accounting Officer)