ELITE PHARMACEUTICALS INC /DE/
Form 10-K
June 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED - March 31, 2008

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number: 001-15697

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

DELAWARE	22-3542636
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

165 LUDLOW AVENUE, NORTHVALE, NEW JERSEY 07647
(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act: Common Stock - $.01 pa
The Common Stock is list
American Stock Exch

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [X]

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 registrant was required to file such reports) and (2) has been subject to such filing requirements for at least the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K. [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

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

The aggregate market value of the voting common equity held by non-affiliates of the Registrant as of June 18, 2008 was approximately $9,297,948.50 based upon the closing price of $0.50 of the Registrant's Common Stock on the American Stock Exchange, as of June 18, 2008. (For purposes of determining this amount, only directors, executive officers, and, based on Schedule 13(d) filings as of June 18, 2008, 10% or greater stockholders and their respective affiliates have been deemed affiliates).

Registrant had 23,232,207 shares of common stock, par value $0.01 per share, outstanding as of June 18, 2008.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). N/A

FORWARD LOOKING STATEMENTS

THIS ANNUAL REPORT ON FORM 10-K AND THE DOCUMENTS INCORPORATED HEREIN CONTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. 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 ANNUAL REPORT, 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" MEANS ELITE PHARMACEUTICALS INC. AND ITS SUBSIDIARIES.

TABLE OF CONTENTS

Form 10-K Index

PART I

ITEM 1. BUSINESS

GENERAL

Elite Pharmaceuticals, Inc. ("ELITE PHARMACEUTICALS") was incorporated on October 1, 1997 under the laws of the State of Delaware, and our wholly-owned subsidiaries, Elite Laboratories, Inc. ("ELITE LABS") and Elite Research, Inc. ("ELITE RESEARCH") were incorporated on August 23, 1990 and December 20, 2002, respectively, under the laws of the State of Delaware. Elite Pharmaceuticals, Elite Labs, Elite Research and Novel, a variable interest entity, are referred to herein, collectively, as "ELITE", "WE", "US", "OUR" or the "COMPANY".

On October 24, 1997, Elite Pharmaceuticals merged with and into our predecessor company, Prologica International, Inc. ("PROLOGICA"), an inactive publicly held Pennsylvania corporation. At the same time, Elite Labs merged with a wholly-owned subsidiary of Prologica. Following these mergers, Elite Pharmaceuticals survived as the parent to its wholly-owned subsidiary, Elite Labs.

On September 30, 2002, we acquired from Elan Corporation, plc and Elan International Services, Ltd. (together "ELAN") Elan's 19.9% interest in Elite Research, Ltd. ("ERL"), a joint venture formed between Elite and Elan in which our initial interest was 80.1% of the outstanding capital stock (100% of the outstanding Common Stock). As a result of the termination of the joint venture, we owned 100% of ERL's capital stock. On December 31, 2002, ERL (a Bermuda Corporation) was merged into Elite Research, our wholly-owned subsidiary.

The address of our principal executive offices and our telephone and facsimile numbers at that address are:

Elite Pharmaceuticals, Inc., 165 Ludlow Avenue, Northvale, New Jersey 07647; Phone No.: (201) 750-2646; Facsimile No.: (201) 750-2755.

We file registration statements, periodic and current reports, proxy statements and other materials with the Securities and Exchange Commission (the

"SEC"). You may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.W., Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains a web site at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including our filings.

BUSINESS OVERVIEW AND STRATEGY

We are a specialty pharmaceutical company principally engaged in the development and manufacture of oral, controlled-release products. We develop 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 develop delayed, sustained or targeted release pellets, capsules, tablets, granules and powders.

We have two products, Lodrane 24(R) and Lodrane 24D(R), currently being sold commercially, and

a pipeline of five drug candidates under development in the therapeutic areas that include pain management, allergy and infection. Of the products under development, ELI-216, an abuse deterrent oxycodone product, and ELI-154, a once daily oxycodone product, are in clinical trials and we have completed pilot studies on two of our generic product candidates. The addressable market for the pipeline of products exceeds $6 billion. Our facility in Northvale, New Jersey also is a Good Manufacturing Practice ("GMP") and DEA registered facility for research, development and manufacturing.

STRATEGY

We are focusing our efforts on the following areas: (i) development of our pain management products, (ii) manufacturing of Lodrane 24(R) and Lodrane 24D(R) product; (ii) the development of the other products in our pipeline; and (iii) commercial exploitation of our products either by license and the collection of royalties, or through the manufacture of our formulations, and (iv) development of new products and the expansion of our licensing agreements with other pharmaceutical companies, including co-development projects, joint ventures and other collaborations.

We are focusing on the development of various types of drug products, including branded drug products (which require new drug applications ("NDA") under Section 505(b)(1) or 505(b)(2) of the Drug Price Competition and Patent Term Restoration Act of 1984 (the "DRUG PRICE ACT")) as well as generic drug products (which require abbreviated new drug applications ("ANDA")).

We intend to continue to collaborate in the development of additional products with our current partners. We also plan to seek additional collaborations to develop more drug products.

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

RESEARCH AND DEVELOPMENT

During each of the last three fiscal years, we have focused on research and development activities. We spent $5,795,779 for the fiscal year ended March 31, 2008, $5,777,865 for the fiscal year ended March 31, 2007 and $4,343,890 in the fiscal year ended March 31, 2006 on research and development activities. Our research and development spending has increased as we prepare for Phase III clinical trials for ELI-216 and ELI-154 and spend more on development costs including scale up and clinical studies.

Of our five products in the pipeline, three are for treatment or management of pain (ELI 216 is an abuse resistant oxycodone, ELI 154 is a once daily oxycodone and a third is for an analgesic indication), one is for anti-infective indications, and one is for gastrointestinal disorders

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. In this instance, we believe that disclosure of the information in the following table is helpful for the description of the general nature, orientation and activity of the Company, and the disclosures are made for such purpose. No inference should be made as

to the occurrence of matters or events not specifically described. We may or may not disclose such information in the future based on competitive reasons and/or contractual obligations. We believe that the information is helpful on a one-time basis for the purpose described above.

The following table provides information concerning the controlled-release products that Elite is currently developing and to which we are devoting substantial resources and attention. None of these products has been approved by the United Stated Food and Drug Administration (the "FDA") and all are in development.

PRODUCT	APPROX. U.S. SALES FOR BRAND AND/OR GENERIC PRODUCTS (2006) $MM(A)	NDA/ ANDA (B)	PARTNER	IN
ELI 154 Once Daily oxycodone	N/A(c)	NDA	None	Pai
ELI 216 Once daily oxycodone with abuse resistant technology (ART(TM))	N/A(c)	NDA	None	Pai
Generic	$30	ANDA	None	
Generic	$3,300	ANDA	IntelliPharmaceutics (Toronto, Canada)	Gast di
Generic	$39	ANDA	The PharmaNetwork, LLC (Montvale, NJ)	Pai

(a) Indicates the approximate amount of sales of our competitor's product and any generics (if there are any). It does not represent the sales of any of our products.

(b) "NDA" represents a new drug application which is filed with the FDA for new drug products and "ANDA" represents an abbreviated new drug application which is filed with the FDA for generic drug products.

(c) N/A means not applicable because there is no branded product on the market. There is neither a once-daily oxycodone nor an abuse resistant oxycodone on the market. The market for sustained release oxycodone was approximately $2 billion in 2007.

(d) This includes an agreement that grants to Elite a percentage of payments paid to its Canadian partner for commercial sale of a generic of this product.

The table below presents information with respect to the development of our five products under development. For some of the products, we intend to make NDA filings under Sections 505(b)(1) or 505(b)(2) of the Drug Price Act. Accordingly, we anticipate, as to which there is no assurance, that the development timetable for the products for which such NDA filings are made would be shorter and less expensive. Completion of development of products by us depends on a number of factors, however, and there can be no assurance that specific time frames will be met during the development process or that the development of any particular products will be continued.

In the table, Pilot Phase I studies for the NDA products are generally preliminary studies done in healthy human subjects to assess the tolerance/safety and pharmacokinetics of the product. The Phase II

study listed below was done in recreational drug users and a visual analog scale for euphoria was measured in the study. Additional larger studies in humans will be required prior to submission of the product to the FDA for review. Pilot bioequivalence studies are initial studies done in humans for generic products and are used to assess the likelihood of achieving bioequivalence for generic products. Larger pivotal bioequivalence studies will be required prior to submission of the product to the FDA for review.

DEVELOPMENT STAGE	NUMBER OF PRODUCTS	NDA/ANDA
Preclinical	1	ANDA
Pilot bioequivalence study	2	ANDA
Pilot Phase I study	1	NDA
Phase II	1	NDA

COMMERCIAL PRODUCTS

Elite manufactures two once-daily allergy products, Lodrane 24(R) and Lodrane 24D(R), that were co-developed with our partner, ECR Pharmaceuticals ("ECR"). Elite entered into development agreements on 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 manufacture of these products, Elite also receives a royalty on in-market sales.

Lodrane 24(R), was first commercially offered in November 2004, and Elite's revenues for manufacturing the product and a royalty on sales for the years ended March 31, 2008, 2007 and 2006 aggregated $1,413,119, $1,143,841 and $550,697 respectively. Lodrane 24D(R) was first commercially offered in December, 2006 and Elite's revenues for manufacturing the product and a royalty on sales for the years ended March 31, 2008 and March 31, 2007 aggregated $498,144 and $555,221 respectively.

PRODUCTS UNDER DEVELOPMENT

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. ELI-154, when compared to twice-daily delivery, demonstrated an equivalent onset, more constant blood levels of the drug over the 24 hours and equivalent blood levels to the twice-a-day product at the end of 24 hours. We are now scaling up that product using commercial size equipment for manufacture of batches. Elite submitted a proposed clinical plan and received guidance from the FDA for this product. Elite has also requested a special protocol assessment ("SPA") for the ELI-154 Phase III protocol but has not yet received a final agreement for it. Elite is also evaluating developing this product for markets outside the U.S.

ELI-216 utilizes our patent-pending abuse deterrent technology that is based on a pharmacological intervention 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. When crushed, however, 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.

In further studies, ELI-216 demonstrated the euphoria-blocking effect of ELI-216 when the product is crushed. This study 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 intends to complete and submit to the FDA a second stage of this study that will be a double blinded, cross-over pivotal study.

Elite met with the FDA in October 2006 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 begun scale up of ELI-216 to commercial size batches and Elite has obtained an 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 a 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 for sales and distribution. The drug delivery technology underlying ELI-154 was originally developed under a joint venture with Elan which terminated in 2002.

According to the 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 with Elan. If Elite were to sell the product itself, Elite would 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 net revenues from this product (Elite 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.

MANUFACTURING, CO-DEVELOPMENT AND LICENSE AGREEMENTS

On March 30, 2005, Elite entered into a three party agreement with Tish Technologies, Inc. and Harris Pharmaceuticals, Inc. ("HARRIS") for the co-development and license of a controlled-release generic product. The innovator has now received approval for an alternative dose form (a tablet rather than capsule) and has discontinued the original dose form. While a reference product remains for the capsule, the market opportunity has changed and this affects how we might commercialize the capsule dosage form. On June 19, 2006, we received written notice from Harris of Harris' intent to terminate the agreement in accordance with Section 9.3 of the agreement and therefore Elite is not currently going forward with the development of this product. As of the date hereof, Elite has received $29,700 for this development work.

On June 21, 2005, Elite entered into a product development and commercialization agreement with IntelliPharmaCeutics Corp. ("IPC"), a privately held, specialty pharmaceutical Canadian company that develops generic controlled-release drug products. It is affiliated with IntelliPharmaCeutics, Ltd. The agreement provides for the co-development and commercialization of a controlled-released generic product. IPC has taken a formulation for the product into a pilot bioequivalence biostudy. Upon commercialization, Elite is to share the profits, if any, realized upon sales. A successful pivotal biostudy and an approved ANDA filing is required to commercialize this product.

On December 12, 2005, Elite and IPC amended their obligations to suspend their obligations under their agreement with respect to the development and commercialization of the controlled-release drug product in Canada. IPC, in turn, entered into an agreement with ratiopharm, inc., a Canadian company, for the development and commercialization of the product in Canada and will pay Elite a certain percentage of any payments received by IPC with respect to the commercial sale of this product by ratiopharm, inc. in Canada.

On June 22, 2005, Elite entered into a Product Development and License Agreement with PLIVA, Inc. ("PLIVA"), now a subsidiary of Barr Pharmaceuticals, Inc. providing, for the development and license of a controlled-released generic product. On June 28, 2007, shortly after the acquisition of Pliva by Barr Pharmaceuticals, Inc., Elite and Pliva terminated the Product Development and License Agreement and entered into a termination agreement according to which it was agreed that Elite owns all intellectual property rights relating to the controlled-released generic product under development and Pliva agreed to pay Elite $100,000 in discharge of outstanding payments under the Product Development and License Agreement.

On January 10, 2006, Elite entered into an agreement with Orit Laboratories LLC ("ORIT"), an affiliate of Tish Technologies LLC, providing that Elite and Orit will co-develop and commercialize an extended-release drug product for treatment of anxiety, and, upon completion of development, may license it for manufacture and sale. Orit has been providing formulation and analytical resources for the development work. Elite's facility has been used for manufacture of development batches. There have been a number of generic approvals on this product and Elite has determined that it no longer is

economically desirable to complete the development and to file this product. We are in discussion with Orit about terminating the agreement.

On November 10, 2006, Elite entered into a product collaboration agreement with The PharmaNetwork, LLC ("TPN") for the development of the generic product equivalent of a synthetic narcotic analgesic drug product. TPN is to perform development services and prepare and file an ANDA in the name of TPN with the FDA. Elite is to provide development support, including the purchase of active pharmaceutical ingredients and materials and supplies to manufacture the batch, provide adequate facilities to TPN for use in its development work and following ANDA approval, Elite will manufacture the drug product developed. Elite is to pay TPN for the development services rendered upon the attainment of certain milestones. The out-of-pocket costs are to be shared by TPN and Elite, with TPN's obligation to be payable from the royalty compensation. We have completed the formulation development work and compilation of the ANDA submission is currently underway.

JOINT VENTURE WITH NOVEL

Under the terms of the Strategic Alliance Agreement (the "ALLIANCE AGREEMENT"), dated as of December 6, 2006, between us, Dr. Veerappan S. Subramanian and VGS Pharma, LLC, a Delaware limited liability company ("VGS"), we and VGS jointly formed Novel Laboratories, Inc., a Delaware corporation ("NOVEL"), a specialty pharmaceutical company for the research, development, manufacturing, licensing and acquisition of specialty generic pharmaceuticals. Under the Alliance Agreement, we acquired 49% and VGS acquired 51% of Novel's Class A Voting Common Stock, for $9,800 and $10,200 respectively. In order to maintain our full 49% interest in Novel, we had agreed to provide additional cash contributions to Novel upon achievement by Novel of certain performance milestones. While the contributions were not mandatory obligations of Elite, under the Stockholders Agreement, dated as of December 6, 2006, between Elite and VGS, if we did not fund an agreed upon contribution after the occurrence of the related performance milestone, VGS would have the right to purchase from us a pre-defined portion of our shares of Class A Voting Common Stock, resulting in a decrease in our ownership interest in Novel.

Subsequent to the entry into the Alliance Agreement, we and VGS agreed that the performance milestones relating to the funding of our remaining

$20,000,000 of cash contributions would be (i) $10,000,000 upon the submission to the FDA of three abbreviated new drug applications (ANDAs) related to three different prospective products developed by Novel and (ii) $10,000,000 upon the submission to the FDA of three ANDAs related to at least three additional different prospective products developed by Novel. In October 2007, we were notified by Novel of the submission to the FDA of its third ANDA and, pursuant to the terms of the Alliance Agreement, we requested and received, in November 2007, written evidence verifying that such ANDA filings related to prospective products developed by Novel.

At the end of 2007, we elected not to fund our remaining contributions to Novel upon the terms set forth in the Alliance Agreement because we had reached agreement with the FDA under a Special Protocol Assessment on the Phase III clinical trial of ELI-216, our abuse deterrent oxycodone product, and determined that our funds would be better used to support the clinical trials for ELI-216. We and VGS negotiated alternative structures that would permit investments by us at valuations which differed from those set forth in the

Alliance Agreement, however VGS and we were unable to agree upon an alternative acceptable to both parties. Accordingly, upon our determination not to fund our remaining contributions to Novel at the valuation set forth in the Alliance Agreement, VGS exercised its rights to purchase from us our shares of Class A Voting Common Stock of Novel proportionate to the amount of remaining contributions which were not funded by us. As a result, our remaining ownership interest in Class A Voting Common Stock of Novel is approximately 10% of the outstanding shares of Class A Voting Common Stock of Novel.

PATENTS

Since our incorporation, we have secured seven United States patents of which two have been assigned for a fee to another pharmaceutical company. Elite's patents are:

U.S. patent 5,871,776
U.S. patent 5,902,632
U.S. patent 6,620,439
U.S. patent 5,837,284 (assigned to Celgene Corporation)
U.S. patent 6,635,284 (assigned to Celgene Corporation)
U.S. patent 6,926,909
U.S. patent 6,984,402

We have pending applications for three United States patents. The pending patent applications relate to two different controlled-release pharmaceutical products on which we are working. Two of these patents are for an opioid agonist and antagonist product that we are developing to be used with oxycodone and other opioids to minimize the abuse potential for the opioids. Another U.S. patent is for formulation of oral sustained-release opioids intended to improve the delivery of the opioids. We intend to apply for patents for other products in the future; however, there can be no assurance that any of the pending applications or other applications which we may file will be granted. We have also filed corresponding foreign applications for key patents.

Prior to the enactment in the United States of new laws adopting certain changes mandated by the General Agreement on Tariffs and Trade (GATT), the exclusive rights afforded by a U.S. Patent were for a period of 17 years measured from the date of grant. Under GAAT, the term of any U.S. Patent granted on an application filed subsequent to June 8, 1995 terminates 20 years from the date on which the patent application was filed in the United States or the first

priority date, whichever occurs first. Future patents granted on an application filed before June 8, 1995, will have a term that terminates 20 years from such date, or 17 years from the date of grant, whichever date is later.

Under the Drug Price Act, a U.S. product patent or use patent may be extended for up to five years under certain circumstances to compensate the patent holder for the time required for FDA regulatory review of the product. The benefits of this Act are available only to the first approved use of the active ingredient in the drug product and may be applied only to one patent per drug product. There can be no assurance that we will be able to take advantage of this law.

Also, different countries have different procedures for obtaining patents, and patents issued by different countries provide different degrees of protection against the use of a patented invention by others. There can be no assurance, therefore, that the issuance to us in one country of a patent covering an invention will be followed by the issuance in other countries of patents covering the same invention, or that any judicial interpretation of the validity, enforceability, or scope of the claims in a patent issued in one country will be similar to the judicial interpretation given to a corresponding patent issued in

another country. Furthermore, even if our patents are determined to be valid, enforceable, and broad in scope, there can be no assurance that competitors will not be able to design around such patents and compete with us using the resulting alternative technology.

We also rely upon unpatented proprietary and trade secret technology that we seek to protect, in part, by confidentiality agreements with our collaborative partners, employees, consultants, outside scientific collaborators, sponsored researchers, and other advisors. There can be no assurance that these agreements provide meaningful protection or that they will not be breached, that we will have adequate remedies for any such breach, or that our trade secrets, proprietary know-how, and technological advances will not otherwise become known to others. In addition, there can be no assurance that, despite precautions taken by us, others have not and will not obtain access to our proprietary technology.

TRADEMARKS

We currently plan to license our products to marketing partners and not to sell under our brand name and so we do not currently intend to register any trademarks related to our products.

GOVERNMENT REGULATION AND APPROVAL

The design, development and marketing of pharmaceutical compounds, on which our success depends, are intensely regulated by governmental regulatory agencies, in particular the FDA. Non-compliance with applicable requirements can result in fines and other judicially imposed sanctions, including product seizures, injunction actions and criminal prosecution based on products or manufacturing practices that violate statutory requirements. In addition, administrative remedies can involve voluntary withdrawal of products, as well as the refusal of the FDA to approve ANDAs and NDAs. The FDA also has the authority to withdraw approval of drugs in accordance with statutory due process procedures.

Before a drug may be marketed, it must be approved by the FDA either by

an NDA or an ANDA, each of which is discussed below.

NDAS AND NDAS UNDER SECTION 505(B) OF THE DRUG PRICE ACT

The FDA approval procedure for an NDA is generally a two-step process. During the Initial Product Development stage, an investigational new drug application ("IND") for each product is filed with the FDA. A 30-day waiting period after the filing of each IND is required by the FDA prior to the commencement of initial clinical testing. If the FDA does not comment on or question the IND within such 30-day period, initial clinical studies may begin. If, however, the FDA has comments or questions, they must be answered to the satisfaction of the FDA before initial clinical testing can begin. In some instances this process could result in substantial delay and expense. These initial clinical studies generally constitute Phase I of the NDA process and are conducted to demonstrate the product tolerance/safety and pharmacokinetic in healthy subjects.

After Phase I testing, extensive efficacy and safety studies in patients must be conducted. After completion of the required clinical testing, an NDA is filed, and its approval, which is required for marketing in the United States, involves an extensive review process by the FDA. The NDA itself is a complicated and detailed application and must include the results of extensive clinical and other testing, the cost of which is substantial. However, the NDA filings contemplated by us, which are already marketed drugs, would be made under Sections 505 (b)(1) or 505 (b)(2) of the Drug Price Act, which do

not require certain studies that would otherwise be necessary; accordingly, the development timetable should be shorter. While the FDA is required to review applications within a certain timeframe, during the review process, the FDA frequently requests that additional information be submitted. The effect of such request and subsequent submission can significantly extend the time for the NDA review process. Until an NDA is actually approved, there can be no assurance that the information requested and submitted will be considered adequate by the FDA to justify approval. The packaging and labeling of our developed products are also subject to FDA regulation. It is impossible to anticipate the amount of time that will be needed to obtain FDA approval to market any product.

Whether or not FDA approval has been obtained, approval of the product by comparable regulatory authorities in any foreign country must be obtained prior to the commencement of marketing of the product in that country. We intend to conduct all marketing in territories other than the United States through other pharmaceutical companies based in those countries. The approval procedure varies from country to country, can involve additional testing, and the time required may differ from that required for FDA approval. Although there are some procedures for unified filings for certain European countries, in general each country has its own procedures and requirements, many of which are time consuming and expensive. Thus, there can be substantial delays in obtaining required approvals from both the FDA and foreign regulatory authorities after the relevant applications are filed. After such approvals are obtained, further delays may be encountered before the products become commercially available.

ANDAS

The FDA approval procedure for an ANDA differs from the procedure for a NDA in that the FDA waives the requirement of conducting complete clinical studies, although it normally requires bioavailability and/or bioequivalence studies. "Bioavailability" indicates the rate and extent of absorption and levels of concentration of a drug product in the blood stream needed to produce

a therapeutic effect. "Bioequivalence" compares the bioavailability of one drug product with another, and when established, indicates that the rate of absorption and levels of concentration of the active drug substance in the body are equivalent for the generic drug and the previously approved drug. An ANDA may be submitted for a drug on the basis that it is the equivalent of a previously approved drug or, in the case of a new dosage form, is suitable for use for the indications specified.

The timing of final FDA approval of an ANDA depends on a variety of factors, including whether the applicant challenges any listed patents for the drug and whether the brand-name manufacturer is entitled to one or more statutory exclusivity periods, during which the FDA may be prohibited from accepting applications for, or approving, generic products. In certain circumstances, a regulatory exclusivity period can extend beyond the life of a patent, and thus block ANDAs from being approved on the patent expiration date.

In May 1992, Congress enacted the Generic Drug Enforcement Act of 1992, which allows the FDA to impose debarment and other penalties on individuals and companies that commit certain illegal acts relating to the generic drug approval process. In some situations, the Generic Drug Enforcement Act requires the FDA to not accept or review ANDAs for a period of time from a company or an individual that has committed certain violations. It also provides for temporary denial of approval of applications during the investigation of certain violations that could lead to debarment and also, in more limited circumstances, provides for the suspension of the marketing of approved drugs by the affected company. Lastly, the Generic Drug Enforcement Act allows for civil penalties and withdrawal of previously

approved applications. Neither we nor any of our employees have ever been subject to debarment. We do not believe that we receive any services from any debarred person.

CONTROLLED SUBSTANCES

We are also subject to federal, state, and local laws of general applicability, such as laws relating to working conditions. We are also licensed by, registered with, and subject to periodic inspection and regulation by the Drug Enforcement Agency ("DEA") and New Jersey state agencies, pursuant to federal and state legislation relating to drugs and narcotics. Certain drugs that we currently develop or may develop in the future may be subject to regulations under the Controlled Substances Act and related statutes. As we manufacture such products, we may become subject to the Prescription Drug Marketing Act, which regulates wholesale distributors of prescription drugs.

GMP

All facilities and manufacturing techniques used for the manufacture of products for clinical use or for sale must be operated in conformity with GMP regulations issued by the FDA. We engage in manufacturing on a commercial basis for distribution of products, and operate our facilities in accordance with GMP regulations. If we hire another company to perform contract manufacturing for us, we must ensure that our contractor's facilities conform to GMP regulations.

COMPLIANCE WITH ENVIRONMENTAL LAWS

We are subject to comprehensive federal, state and local environmental laws and regulations that govern, among other things, air polluting emissions, waste water discharges, solid and hazardous waste disposal, and the remediation

of contamination associated with current or past generation handling and disposal activities, including the past practices of corporations as to which we are the successor legally or in possession. We do not expect that compliance with such environmental laws will have a material effect on our capital expenditures, earnings or competitive position in the foreseeable future. There can be no assurance, however, that future changes in environmental laws or regulations, administrative actions or enforcement actions, or remediation obligations arising under environmental laws will not have a material adverse effect on our capital expenditures, earnings or competitive position.

COMPETITION

We have competition with respect to our two principal areas of operation. We develop and manufacture products using controlled-release drug technology for other pharmaceutical companies, and we develop and market (either on our own or by license to other companies) proprietary controlled-release pharmaceutical products. In both areas, our competition consists of those companies which develop controlled-release drugs and alternative drug delivery systems.

In recent years, an increasing number of pharmaceutical companies have become interested in the development and commercialization of products incorporating advanced or novel drug delivery systems. We expect that competition in the field of drug delivery will significantly increase in the future since smaller specialized research and development companies are beginning to concentrate on this aspect of the business. Some of the major pharmaceutical companies have invested and are continuing to invest significant resources in the development of their own drug delivery systems and technologies and some have invested funds in such specialized drug delivery companies. Many of these companies have greater financial and other resources as well as more experience than we do in commercializing

pharmaceutical products. Certain companies have a track record of success in developing controlled-release drugs. Significant among these are Alpharma, Inc., Sandoz (a Novartis company), Durect Corporation, Mylan Laboratories, Inc., Par Pharmaceuticals, Inc., Teva Pharmaceuticals Industries Ltd., Biovail Corporation, Ethypharm S.A., Eurand, Impax Laboratories, Inc., K-V Pharmaceutical Company and Penwest Pharmaceuticals Company. Each of these companies has developed expertise in certain types of drug delivery systems, although such expertise does not carry over to developing a controlled-release version of all drugs. Such companies may develop new drug formulations and products or may improve existing drug formulations and products more efficiently than we can. In addition, almost all of our competitors have vastly greater resources than we do. While our product development capabilities and, if obtained, patent protection may help us to maintain our market position in the field of advanced drug delivery, there can be no assurance that others will not be able to develop such capabilities or alternative technologies outside the scope of our patents, if any, or that even if patent protection is obtained, such patents will not be successfully challenged in the future.

In addition to competitors that are developing products based on drug delivery technologies, there are also companies that have announced that they are developing opioid abuse deterrent products that might compete directly or indirectly with Elite's products. These include, but are not limited to Alpharma, Inc., Pain Therapeutics (which has an agreement with Durect Corporation), Shire Pharmaceuticals Group plc (which purchased New River Pharmaceuticals Inc.), Endo Pharmaceuticals, Inc. through an agreement with Collegium Pharmaceuticals, Inc., Purdue Pharma LP, and Acura Pharmaceuticals,

Inc.

We also face competition in the generic pharmaceutical market. The principal competitive factors in the generic pharmaceutical market include: (i) introduction of other generic drug manufacturers' products in direct competition with our products under development, (ii) introduction of authorized generic products in direct competition with any of our products under development, particularly if such products are approved and sold during exclusivity periods, (iii) consolidation among distribution outlets through mergers and acquisitions and the formation of buying groups, (iv) ability of generic competitors to quickly enter the market after the expiration of patents or exclusivity periods, diminishing the amount and duration of significant profits, (v) the willingness of generic drug customers, including wholesale and retail customers, to switch among pharmaceutical manufacturers, (vi) pricing pressures and product deletions by competitors, (vii) a company's reputation as a manufacturer and distributor of quality products, (viii) a company's level of service (including maintaining sufficient inventory levels for timely deliveries), (ix) product appearance and labeling and (x) a company's breadth of product offerings.

SOURCES AND AVAILABILITY OF RAW MATERIALS; MANUFACTURING

We manufacture for commercial sale by our partner, ECR, two products, Lodrane 24(R) and Lodrane 24D(R), for which to date we have obtained sufficient amounts of the raw materials for its production. We are not currently in the manufacturing phase for any other products and do not expect that significant amounts of raw materials will be required for their production. We currently obtain the raw materials that we need from over twenty suppliers.

We have acquired pharmaceutical manufacturing equipment for manufacturing our products. We have registered our facilities with the FDA and the DEA.

DEPENDENCE ON ONE OR A FEW MAJOR CUSTOMERS

Each year we have had one or a few customers that have accounted for a large percentage of our limited revenues therefore the termination of a contract with a customer may result in the loss of substantially all of our revenues. We are constantly working to develop new relationships with existing or new customers, but despite these efforts we may not, at the time that any of our current contracts expire, have other contracts in place generating similar or material revenue. We have an agreement with ECR which sells and distributes two products that we manufacture: Lodrane 24(R) and Lodrane 24D(R). We receive revenues to manufacture these products and also receive royalties based on in-market sales of the products. These are our only products that are being sold commercially now and are the primary source of our revenue currently. We receive development fees or milestone payments under some of the co-development agreements with partners, but these fees are currently small compared to the Lodrane 24(R) and Lodrane 24D(R) revenues.

EMPLOYEES

As of June 18, 2008, we had 34 full-time employees and no part-time employees. Full-time employees are engaged in administration, research and development. None of our employees is represented by a labor union and we have never experienced a work stoppage. We believe our relationship with our employees to be good. However, our ability to achieve our financial and operational objectives depends in large part upon our continuing ability to attract, integrate, retain and motivate highly qualified personnel, and upon the

continued service of our senior management and key personnel.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this report, the following risk factors should be considered carefully in evaluating an investment in us and in analyzing our forward-looking statements.

RISKS RELATED TO OUR BUSINESS

WE HAVE A RELATIVELY LIMITED OPERATING HISTORY, WHICH MAKES IT DIFFICULT TO EVALUATE OUR FUTURE PROSPECTS.

Although we have been in operation since 1990, we have a relatively short operating history and limited financial data upon which you may evaluate our business and prospects. In addition, our business model is likely to continue to evolve as we attempt to expand our product offerings and our presence in the generic pharmaceutical market. As a result, our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies that are attempting to move into new markets and continuing to innovate with new and unproven technologies. Some of these risks relate to our potential inability to:

- develop new products;
- obtain regulatory approval of our products;
- manage our growth, control expenditures and align costs with revenues;
- attract, retain and motivate qualified personnel; and
- respond to competitive developments.

If we do not effectively address the risks we face, our business model may become unworkable and we may not achieve or sustain profitability or successfully develop any products.

WE HAVE NOT BEEN PROFITABLE AND EXPECT FUTURE LOSSES.

To date, we have not been profitable, and since our inception in 1990, we have not generated any significant revenues. We may never be profitable or, if we become profitable, we may be unable to sustain profitability. We have sustained losses in each year since our incorporation in 1990. We incurred net losses of $13,893,060, $11,803,512, $6,883,914, $5,906,890 and $6,514,217 for the years ended March 31, 2008, 2007, 2006, 2005 and 2004, respectively. We expect to realize significant losses for the current year of operation and to continue to incur losses until we are able to generate sufficient revenues to support our operations and offset operating costs.

THERE IS DOUBT AS TO OUR ABILITY TO CONTINUE AS A GOING CONCERN.

Our condensed consolidated unaudited financial statements were prepared on the assumption that we will continue as a going concern. We estimate that our cash reserves will be sufficient to permit us to continue at our anticipated level of operations until September 30, 2008. During 2008, we will require additional funding to continue our research and development programs, including clinical testing of our product candidates, for operating expenses and to pursue regulatory approvals for our product candidates. We intend to use our cash reserves, as well as other funds in the event that they shall be available on commercially reasonable terms, to finance these activities and other activities described herein, although we can provide no assurance that these additional funds will be available in the amounts or at the times we may require. If

sufficient capital is not available, we would likely be required to scale back or terminate our research and development efforts. See "RISK FACTORS -- IF WE ARE UNABLE TO OBTAIN

ADDITIONAL FINANCING NEEDED FOR THE EXPENDITURES FOR THE DEVELOPMENT AND COMMERCIALIZATION OF OUR DRUG PRODUCTS, IT WOULD IMPAIR OUR ABILITY TO CONTINUE TO MEET OUR BUSINESS OBJECTIVES".

IF WE ARE UNABLE TO OBTAIN ADDITIONAL FINANCING NEEDED FOR THE EXPENDITURES FOR THE DEVELOPMENT AND COMMERCIALIZATION OF OUR DRUG PRODUCTS, IT WOULD IMPAIR OUR ABILITY TO CONTINUE TO MEET OUR BUSINESS OBJECTIVES.

We continue to require additional financing to ensure that we will be able to meet our expenditures to develop and commercialize our products. As of March 31, 2008, we had cash and cash equivalents of $3.7 million. We believe that our existing cash and cash equivalents will be sufficient to fund our anticipated operating expenses and capital requirements until September 30, 2008. We will require additional funding to continue our research and development programs, including clinical testing of our product candidates, for operating expenses and to pursue regulatory approvals for our product candidates. We are considering a number of different financing alternatives and we intend to seek additional capital in 2008 through private financing or collaborative agreements. However, no assurance can be given that we will consummate a financing or that any material cash will be generated to us therefrom. Other possible sources of the required financing are income from product sales or sales of market rights, income from co-development or partnering arrangements and the cash exercise of warrants and options that are currently outstanding. No representation can be made that we will be able to obtain such revenue or additional financing or if obtained it will be on favorable terms, or at all. No assurance can be given that any offering if undertaken will be successfully concluded or that if concluded the proceeds will be material. If adequate funds are not available to us as we need them, we will be required to curtail significantly or delay or eliminate one or more product development programs which would impair our ability to meet our business objectives.

IF NOVEL LABORATORIES ISSUES ADDITIONAL EQUITY IN THE FUTURE OUR EQUITY INTEREST IN NOVEL MAY BE DILUTED, RESULTING IN A DECREASE IN OUR SHARE OF REVENUE AND CASH FLOW GENERATED BY NOVEL.

As a result of our determination not to fund our remaining contributions to Novel at the valuation set forth in the Alliance Agreement and the resulting purchase from us of a portion of our shares of Class A Voting Common Stock of Novel by VGS Pharma, LLC, our remaining ownership interest in equity of Novel was reduced to approximately 10% of the outstanding shares of Novel. Novel may seek to raise additional operating capital in the future and may do so by the issuance of equity. If Novel issues additional equity our future equity interest in Novel will decrease and we will be entitled to a decreased portion of any revenue and cash flow which Novel may generate in the future.

SUBSTANTIALLY ALL OF OUR PRODUCT CANDIDATES ARE AT AN EARLY STAGE OF DEVELOPMENT AND ONLY A PORTION OF THESE ARE IN CLINICAL DEVELOPMENT.

Other than ELI-154 which is in Phase III clinical development and ELI-216 which is in Phase III clinical development, our three other product candidates are still at an early stage of development. We do not have any

products that are commercially available other than Lodrane 24(R) and Lodrane 24D(R). We will need to perform additional development work for all of our product candidates in our pipeline before we can seek the regulatory approvals necessary to begin commercial sales.

IF WE ARE UNABLE TO SATISFY REGULATORY REQUIREMENTS, WE MAY NOT BE ABLE TO COMMERCIALIZE OUR PRODUCT CANDIDATES.

We need FDA approval prior to marketing our product candidates in the United States of America. If we fail to obtain FDA approval to market our product candidates, we will be unable to sell our product candidates in the United States of America and we will not generate any revenue from the sale of such products.

This regulatory review and approval process, which includes evaluation of preclinical studies and clinical trials of our product candidates is lengthy, expensive and uncertain. To receive approval, we must, among other things, demonstrate with substantial evidence from well-controlled clinical trials that our product candidates are both safe and effective for each indication where approval is sought. Satisfaction of these requirements typically takes several years and the time needed to satisfy them may vary substantially, based on the type, complexity and novelty of the pharmaceutical product. We cannot predict if or when we might submit for regulatory approval any of our product candidates currently under development. Any approvals we may obtain may not cover all of the clinical indications for which we are seeking approval. Also, an approval might contain significant limitations in the form of narrow indications, warnings, precautions, or contra-indications with respect to conditions of use.

The FDA has substantial discretion in the approval process and may either refuse to file our application for substantive review or may form the opinion after review of our data that our application is insufficient to allow approval of our product candidates. If the FDA does not file or approve our application, it may require that we conduct additional clinical, preclinical or manufacturing validation studies and submit that data before it will reconsider our application. Depending on the extent of these or any other studies, approval of any applications that we submit may be delayed by several years, or may require us to expend more resources than we have available. It is also possible that additional studies, if performed and completed, may not be considered sufficient by the FDA to make our applications approvable. If any of these outcomes occur, we may be forced to abandon our applications for approval, which might cause us to cease operations.

We will also be subject to a wide variety of foreign regulations governing the development, manufacture and marketing of our products. Whether or not FDA approval has been obtained, approval of a product by the comparable regulatory authorities of foreign countries must still be obtained prior to manufacturing or marketing the product in those countries. The approval process varies from country to country and the time needed to secure approval may be longer or shorter than that required for FDA approval. We cannot assure you that clinical trials conducted in one country will be accepted by other countries or that approval in one country will result in approval in any other country.

BEFORE WE CAN OBTAIN REGULATORY APPROVAL, WE NEED TO SUCCESSFULLY COMPLETE CLINICAL TRIALS, OUTCOMES OF WHICH ARE UNCERTAIN.

In order to obtain FDA approval to market a new drug product, we must demonstrate proof of safety and effectiveness in humans. To meet these requirements, we must conduct extensive preclinical testing and "adequate and

well-controlled" clinical trials. Conducting clinical trials is a lengthy, time consuming, and expensive process. Completion of necessary clinical trials may take several years or more. Delays associated with products for which we are directly conducting preclinical or clinical trials may cause us to incur additional operating expenses. The commencement and rate of completion of clinical trials may be delayed by many factors, including, for example:

- ineffectiveness of our product candidate or perceptions by physicians that the product candidate is not safe or effective for a particular indication;
- inability to manufacture sufficient quantities of the product candidate for use in clinical trials;

- delay or failure in obtaining approval of our clinical trial protocols from the FDA or institutional review boards;
- slower than expected rate of patient recruitment and enrollment;
- inability to adequately follow and monitor patients after treatment;
- difficulty in managing multiple clinical sites;
- unforeseen safety issues;
- government or regulatory delays; and
- clinical trial costs that are greater than we currently anticipate.

Even if we achieve positive interim results in clinical trials, these results do not necessarily predict final results, and positive results in early trials may not be indicative of success in later trials. A number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials, even after promising results in earlier trials. Negative or inconclusive results or adverse medical events during a clinical trial could cause us to repeat or terminate a clinical trial or require us to conduct additional trials. We do not know whether our existing or any future clinical trials will demonstrate safety and efficacy sufficiently to result in marketable products. Our clinical trials may be suspended at any time for a variety of reasons, including if the FDA or we believe the patients participating in our trials are exposed to unacceptable health risks or if the FDA finds deficiencies in the conduct of these trials.

Failures or perceived failures in our clinical trials will directly delay our product development and regulatory approval process, damage our business prospects, make it difficult for us to establish collaboration and partnership relationships, and negatively affect our reputation and competitive position in the pharmaceutical community.

Because of these risks, our research and development efforts may not result in any commercially viable products. Any delay in, or termination of, our preclinical or clinical trials will delay the filing of our drug applications with the FDA and, ultimately, our ability to commercialize our product candidates and generate product revenues. If a significant portion of these development efforts are not successfully completed, required regulatory approvals are not obtained or any approved products are not commercially successfully, our business, financial condition, and results of operations may be materially harmed.

IF OUR COLLABORATION OR LICENSING ARRANGEMENTS ARE UNSUCCESSFUL, OUR REVENUES AND PRODUCT DEVELOPMENT MAY BE LIMITED.

We have entered into several collaboration and licensing arrangements for the development of generic products. However, there can be no assurance that any of these agreements will result in FDA approvals, or that we will be able to

market any such finished products at a profit. Collaboration and licensing arrangements pose the following risks:

- collaborations and licensing arrangements may be terminated, in which case we will experience increased operating expenses and capital requirements if we elect to pursue further development of the product candidate;
- collaborators and licensees may delay clinical trials and prolong clinical development, under-fund a clinical trial program, stop a clinical trial or abandon a product candidate;
- expected revenue might not be generated because milestones may not be achieved and product candidates may not be developed;
- collaborators and licensees could independently develop, or develop with third parties,

products that could compete with our future products;
- the terms of our contracts with current or future collaborators and licensees may not be favorable to us in the future;
- a collaborator or licensee with marketing and distribution rights to one or more of our products may not commit enough resources to the marketing and distribution of our products, limiting our potential revenues from the commercialization of a product;
- disputes may arise delaying or terminating the research, development or commercialization of our product candidates, or result in significant and costly litigation or arbitration; and
- one or more third party developers could obtain approval for a similar product prior to the collaborator or licensee resulting in unforeseen price competition in connection with the development product.

IF WE ARE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS AND AVOID CLAIMS THAT WE INFRINGED ON THE INTELLECTUAL PROPERTY RIGHTS OF OTHERS, OUR ABILITY TO CONDUCT BUSINESS MAY BE IMPAIRED.

Our success depends on our ability to protect our current and future products and to defend our intellectual property rights. If we fail to protect our intellectual property adequately, competitors may manufacture and market products similar to ours.

We currently hold five patents, have two patents pending and we intend to file further patent applications in the future. With respect to our pending patents, we cannot be certain that these applications will result in the issuance of patents. If patents are issued, third parties may sue us to challenge such patent protection, and although we know of no reason why they should prevail, it is possible that they could. It is likewise possible that our patent rights may not prevent or limit our present and future competitors from developing, using or commercializing products that are similar or functionally equivalent to our products.

In addition, we may be required to obtain licenses to patents, or other proprietary rights of third parties, in connection with the development and use of our products and technologies as they relate to other persons' technologies. At such time as we discover a need to obtain any such license, we will need to establish whether we will be able to obtain such a license on favorable terms. The failure to obtain the necessary licenses or other rights could preclude the sale, manufacture or distribution of our products.

We rely particularly on trade secrets, unpatented proprietary expertise and continuing innovation that we seek to protect, in part, by entering into

confidentiality agreements with licensees, suppliers, employees and consultants. We cannot provide assurance that these agreements will not be breached or circumvented. We also cannot be certain that there will be adequate remedies in the event of a breach. Disputes may arise concerning the ownership of intellectual property or the applicability of confidentiality agreements. We cannot be sure that our trade secrets and proprietary technology will not otherwise become known or be independently developed by our competitors or, if patents are not issued with respect to products arising from research, that we will be able to maintain the confidentiality of information relating to these products. In addition, efforts to ensure our intellectual property rights can be costly, time-consuming and/or ultimately unsuccessful.

LITIGATION IS COMMON IN OUR INDUSTRY, PARTICULARLY THE GENERIC PHARMACEUTICAL INDUSTRY, AND CAN BE PROTRACTED AND EXPENSIVE AND COULD DELAY AND/OR PREVENT ENTRY OF OUR PRODUCTS INTO THE MARKET, WHICH, IN TURN, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS.

Litigation concerning patents and proprietary rights can be protracted and expensive. Companies that produce brand pharmaceutical products routinely bring litigation against applicants that seek FDA approval to manufacture and market generic forms of their branded products. These companies allege patent infringement or other violations of intellectual property rights as the basis for filing suit against an applicant. Likewise, other patent holders may bring patent infringement suits against us alleging that our products, product candidates and technologies infringe upon intellectual property rights. Litigation often involves significant expense and can delay or prevent introduction or sale of our products.

There may also be situations where we use our business judgment and decide to market and sell products, notwithstanding the fact that allegations of patent infringement(s) have not been finally resolved by the courts. The risk involved in doing so can be substantial because the remedies available to the owner of a patent for infringement include, among other things, damages measured by the profits lost by the patent owner and not by the profits earned by the infringer. In the case of a willful infringement, the definition of which is subjective, such damages may be trebled. Moreover, because of the discount pricing typically involved with bioequivalent products, patented brand products generally realize a substantially higher profit margin than bioequivalent products. An adverse decision in a case such as this or in other similar litigation could have a material adverse effect on our business, financial position and results of operations and could cause the market value of our common stock, par value $0.01 per share (the "COMMON STOCK") to decline.

THE PHARMACEUTICAL INDUSTRY IS HIGHLY COMPETITIVE AND SUBJECT TO RAPID AND SIGNIFICANT TECHNOLOGICAL CHANGE, WHICH COULD IMPAIR OUR ABILITY TO IMPLEMENT OUR BUSINESS MODEL.

The pharmaceutical industry is highly competitive, and we may be unable to compete effectively. In addition, it is undergoing rapid and significant technological change, and we expect competition to intensify as technical advances in each field are made and become more widely known. An increasing number of pharmaceutical companies have been or are becoming interested in the development and commercialization of products incorporating advanced or novel drug delivery systems. We expect that competition in the field of drug delivery will increase in the future as other specialized research and development companies begin to concentrate on this aspect of the business. Some of the major pharmaceutical companies have invested and are continuing to invest significant resources in the development of their own drug delivery systems and technologies

and some have invested funds in such specialized drug delivery companies. Many of our competitors have longer operating histories and greater financial, research and development, marketing and other resources than we do. Such companies may develop new formulations and products, or may improve existing ones, more efficiently than we can. Our success, if any, will depend in part on our ability to keep pace with the changing technology in the fields in which we operate.

As we expand our presence in the generic pharmaceuticals market our product candidates may face intense competition from brand-name companies that have taken aggressive steps to thwart competition from generic companies. In particular, brand-name companies continue to sell or license their products directly or through licensing arrangements or strategic alliances with generic pharmaceutical companies (so-called "authorized generics"). No significant regulatory approvals are required for a brand-name company to sell directly or through a third party to the generic market, and brand-name companies do not face any other significant barriers to entry into such market. In addition, such companies continually seek to delay generic introductions and to decrease the impact of generic competition, using tactics which include:

- obtaining new patents on drugs whose original patent protection is about to expire;
- filing patent applications that are more complex and costly to challenge;
- filing suits for patent infringement that automatically delay approval of the FDA;
- filing citizens' petitions with the FDA contesting approval of the generic versions of products due to alleged health and safety issues;
- developing controlled-release or other "next-generation" products, which often reduce demand for the generic version of the existing product for which we may be seeking approval;
- changing product claims and product labeling;
- developing and marketing as over-the-counter products those branded products which are about to face generic competition; and
- making arrangements with managed care companies and insurers to reduce the economic incentives to purchase generic pharmaceuticals.

These strategies may increase the costs and risks associated with our efforts to introduce our generic products under development and may delay or prevent such introduction altogether.

IF OUR PRODUCT CANDIDATES DO NOT ACHIEVE MARKET ACCEPTANCE AMONG PHYSICIANS, PATIENTS, HEALTH CARE PAYORS AND THE MEDICAL COMMUNITY, THEY WILL NOT BE COMMERCIALLY SUCCESSFUL AND OUR BUSINESS WILL BE ADVERSELY AFFECTED.

The degree of market acceptance of any of our approved product candidates among physicians, patients, health care payors and the medical community will depend on a number of factors, including:

- acceptable evidence of safety and efficacy;
- relative convenience and ease of administration;
- the prevalence and severity of any adverse side effects;
- availability of alternative treatments;
- pricing and cost effectiveness;
- effectiveness of sales and marketing strategies; and
- ability to obtain sufficient third-party coverage or reimbursement.

If we are unable to achieve market acceptance for our product

candidates, then such product candidates will not be commercially successful and our business will be adversely affected.

WE ARE DEPENDENT ON A SMALL NUMBER OF SUPPLIERS FOR OUR RAW MATERIALS AND ANY DELAY OR UNAVAILABILITY OF RAW MATERIALS CAN MATERIALLY ADVERSELY AFFECT OUR ABILITY TO PRODUCE PRODUCTS.

The FDA requires identification of raw material suppliers in applications for approval of drug products. If raw materials were unavailable from a specified supplier, FDA approval of a new supplier could delay the manufacture of the drug involved. In addition, some materials used in our products are currently available from only one supplier or a limited number of suppliers.

Further, a significant portion of our raw materials may be available only from foreign sources. Foreign sources can be subject to the special risks of doing business abroad, including:

- greater possibility for disruption due to transportation or communication problems;
- the relative instability of some foreign governments and economies;
- interim price volatility based on labor unrest, materials or equipment shortages, export duties,

- restrictions on the transfer of funds, or fluctuations in currency exchange rates; and
- uncertainty regarding recourse to a dependable legal system for the enforcement of contracts and other rights.

In addition, recent changes in patent laws in certain foreign jurisdictions (primarily in Europe) may make it increasingly difficult to obtain raw materials for research and development prior to expiration of applicable United States or foreign patents. Any delay or inability to obtain raw materials on a timely basis, or any significant price increases that cannot be passed on to customers, can materially adversely affect our ability to produce products. This can materially adversely affect our business and operations.

EVEN AFTER REGULATORY APPROVAL, WE WILL BE SUBJECT TO ONGOING SIGNIFICANT REGULATORY OBLIGATIONS AND OVERSIGHT.

Even if regulatory approval is obtained for a particular product candidate, the FDA and foreign regulatory authorities may, nevertheless, impose significant restrictions on the indicated uses or marketing of such products, or impose ongoing requirements for post-approval studies. Following any regulatory approval of our product candidates, we will be subject to continuing regulatory obligations, such as safety reporting requirements, and additional post-marketing obligations, including regulatory oversight of the promotion and marketing of our products. If we become aware of previously unknown problems with any of our product candidates here or overseas or our contract manufacturers' facilities, a regulatory agency may impose restrictions on our products, our contract manufacturers or on us, including requiring us to reformulate our products, conduct additional clinical trials, make changes in the labeling of our products, implement changes to or obtain re-approvals of our contract manufacturers' facilities or withdraw the product from the market. In addition, we may experience a significant drop in the sales of the affected products, our reputation in the marketplace may suffer and we may become the target of lawsuits, including class action suits. Moreover, if we fail to comply with applicable regulatory requirements, we may be subject to fines, suspension

or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution. Any of these events could harm or prevent sales of the affected products or could substantially increase the costs and expenses of commercializing and marketing these products.

IF KEY PERSONNEL WERE TO LEAVE US OR IF WE ARE UNSUCCESSFUL IN ATTRACTING QUALIFIED PERSONNEL, OUR ABILITY TO DEVELOP PRODUCTS COULD BE MATERIALLY HARMED.

Our success depends in large part on our ability to attract and retain highly qualified scientific, technical and business personnel experienced in the development, manufacture and marketing of oral, controlled-release drug delivery systems and generic products. Our business and financial results could be materially harmed by the inability to attract or retain qualified personnel.

IF WE WERE SUED ON A PRODUCT LIABILITY CLAIM, AN AWARD COULD EXCEED OUR INSURANCE COVERAGE AND COST US SIGNIFICANTLY.

The design, development and manufacture of our products involve an inherent risk of product liability claims. We have procured product liability insurance; however, a successful claim against us in excess of the policy limits could be very expensive to us, damaging our financial position. The amount of our insurance coverage, which has been limited due to our limited financial resources, may be materially below the coverage maintained by many of the other companies engaged in similar activities. To the best of our knowledge, no product liability claim has been made against us as of

March 31, 2008.

RISKS RELATED TO OUR COMMON STOCK

FUTURE SALES OF OUR COMMON STOCK COULD LOWER THE MARKET PRICE OF OUR COMMON STOCK.

Sales of substantial amounts of our shares in the public market could harm the market price of our Common Stock, even if our business is doing well. A significant number of shares of our Common Stock are eligible for sale in the public market under SEC Rule 144 subject in some cases to volume and other limitations. In addition, we filed a registration statement for the resale of 6,465,504 shares of Common Stock issuable upon conversion of outstanding shares of our Series C 8% Convertible Preferred Stock, par value $0.01 per share (the "SERIES C PREFERRED STOCK") issued in the private placement that closed on April 24, 2007, 4,187,643 shares of Common Stock issuable in satisfaction of certain Series C Preferred Stock dividend obligations and 2,133,606 shares of Common Stock issuable upon exercise of warrants issued in the private placement; and a registration statement for the resale of 957,396 shares of Common Stock and 478,698 shares of Common Stock issuable upon the exercise of warrants issued to VGS Pharma, an affiliate of Veerappan Subramanian, one of our directors and former acting Chief Scientific Officer and 1,750,000 shares of Common Stock issuable upon the exercise of options granted to Dr. Subramanian of which 750,000 options have since expired; and a registration statement for the resale of 1,313,747 shares of Common Stock issuable upon conversion of outstanding shares of our Series C Preferred Stock issued in a private placement that closed on July 17, 2007 and in satisfaction of certain Series C Preferred Stock dividend obligations and 242,068 shares of Common Stock issuable upon exercise of warrants issued in the private placement.

Due to the foregoing factors sales of a substantial number of shares of our Common Stock in the public market could occur at any time. These sales, or

the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our Common Stock.

OUR STOCK PRICE HAS BEEN VOLATILE AND MAY FLUCTUATE IN THE FUTURE.

There has been significant volatility in the market prices for publicly traded shares of pharmaceutical companies, including ours. For the twelve months ended March 31, 2008, the closing sale price on the American Stock Exchange ("AMEX") of our Common Stock fluctuated from a high of $2.75 per share to a low of $0.78 per share. The per share price of our Common Stock may not remain at or exceed current levels. The market price for our Common Stock, and for the stock of pharmaceutical companies generally, has been highly volatile. The market price of our Common Stock may be affected by:

- Results of our clinical trials;
- Approval or disapproval of abbreviated new drug applications or new drug applications;
- Announcements of innovations, new products or new patents by us or by our competitors;
- Governmental regulation;
- Patent or proprietary rights developments;
- Proxy contests or litigation;
- News regarding the efficacy of, safety of or demand for drugs or drug technologies;
- Economic and market conditions, generally and related to the pharmaceutical industry;
- Healthcare legislation;
- Changes in third-party reimbursement policies for drugs; and
- Fluctuations in our operating results.

THE FAILURE TO MAINTAIN THE AMERICAN STOCK EXCHANGE LISTING OF THE COMMON STOCK WOULD HAVE A MATERIAL ADVERSE AFFECT ON THE MARKET FOR OUR COMMON STOCK AND OUR MARKET PRICE.

On January 4, 2006, we received a letter from the AMEX notifying us that, based on our unaudited financial statements as of September 30, 2005, we were not in compliance with the continued listing standards set forth in the AMEX Company Guide in that under one listing standard our shareholders' equity is less than $4,000,000 and we had losses from continuing operations and/or net losses in three of our four most recent fiscal years and under another listing standard our shareholders' equity is less than $6,000,000 and we had losses from continuing operations and/or net losses in our five most recent fiscal years. At the request of AMEX, we submitted a plan on February 3, 2006 advising AMEX of action, we had taken and will take, to bring ourselves in compliance with the continued listing standards within a maximum of 18 months from January 4, 2006. On March 15, 2006, we completed a private placement of our Series B 8% Convertible Preferred Stock, par value $0.01 per share (the "SERIES B PREFERRED STOCK") and warrants to purchase Common Stock. We received $10,000,000 in gross proceeds from the private placement. On March 21, 2006, we submitted an update to the plan we had previously submitted on February 6, 2006. Upon notice of the March 2006 private placement and the acceptance of the updated plan, AMEX allowed us to maintain our AMEX listing, subject to periodic review of the our progress by the AMEX staff. If we are not in compliance with the continued listing standards, AMEX may then initiate delisting proceedings. The failure to maintain listing of our Common Stock on AMEX will have an adverse effect on the market and the market price for our Common Stock.

IF WE RAISE ADDITIONAL FUNDING THROUGH SALES OF OUR SECURITIES, OUR EXISTING

STOCKHOLDERS WILL LIKELY EXPERIENCE SUBSTANTIAL DILUTION.

If any future financing involves the further sale of our securities, our then-existing stockholders' equity could be substantially diluted. On the other hand, if we incurred debt, we would be subject to risks associated with indebtedness, including the risk that interest rates might fluctuate and cash flow would be insufficient to pay principal and interest on such indebtedness.

THE ISSUANCE OF ADDITIONAL SHARES OF OUR COMMON STOCK OR OUR PREFERRED STOCK COULD MAKE A CHANGE OF CONTROL MORE DIFFICULT TO ACHIEVE.

The issuance of additional shares of our Common Stock or the issuance of shares of an additional series of preferred stock could be used to make a change of control of us more difficult and expensive. Under certain circumstances, such shares could be used to create impediments to or frustrate persons seeking to cause a takeover or to gain control of us. Such shares could be sold to purchasers who might side with the Board of Directors in opposing a takeover bid that the Board of Directors determines not to be in the best interests of our stockholders. It might also have the effect of discouraging an attempt by another person or entity through the acquisition of a substantial number of shares of our Common Stock to acquire control of us with a view to consummating a merger, sale of all or part of our assets, or a similar transaction, since the issuance of new shares could be used to dilute the stock ownership of such person or entity.

IF PENNY STOCK REGULATIONS BECOME APPLICABLE TO OUR COMMON STOCK THEY WILL IMPOSE RESTRICTIONS ON THE MARKETABILITY OF OUR COMMON STOCK AND THE ABILITY OF OUR STOCKHOLDERS TO SELL SHARES OF OUR STOCK COULD BE IMPAIRED.

The SEC has adopted regulations that generally define a "penny stock" to be an equity security that has a market price of less than $5.00 per share or an exercise price of less than $5.00 per share subject to certain exceptions. Exceptions include equity securities issued by an issuer that has (i) net tangible assets of at least $2,000,000, if such issuer has been in continuous operation for more than three years, or (ii) net tangible assets of at least $5,000,000, if such issuer has been in continuous operation for less than three years, or (iii) average revenue of at least $6,000,000 for the preceding three years. Unless an exception is available, the regulations require that prior to any transaction involving a penny stock, a risk of disclosure schedule must be delivered to the buyer explaining the penny stock market and its risks. Our Common Stock is currently trading at under $5.00 per share. Although we currently fall under one of the exceptions, if at a later time we fail to meet one of the exceptions, our Common Stock will be considered a penny stock. As such the market liquidity for our Common Stock will be limited to the ability of broker-dealers to sell it in compliance with the above-mentioned disclosure requirements.

You should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

- Control of the market for the security by one or a few broker-dealers;
- "Boiler room" practices involving high-pressure sales tactics;
- Manipulation of prices through prearranged matching of purchases and sales;
- The release of misleading information;
- Excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and

- Dumping of securities by broker-dealers after prices have been manipulated to a desired level, which hurts the price of the stock and causes investors to suffer loss.

We are aware of the abuses that have occurred in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, we will strive within the confines of practical limitations to prevent such abuses with respect to our Common Stock.

SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW MAY DETER A THIRD PARTY FROM ACQUIRING US.

Section 203 of the Delaware General Corporation Law prohibits a merger with a 15% shareholder within three years of the date such shareholder acquired 15%, unless the merger meets one of several exceptions. The exceptions include, for example, approval by the holders of two-thirds of the outstanding shares (not counting the 15% shareholder), or approval by the Board of Directors prior to the 15% shareholder acquiring its 15% ownership. This provision makes it difficult for a potential acquirer to force a merger with or takeover of us, and could thus limit the price that certain investors might be willing to pay in the future for shares of our Common Stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

Our facility, which we own, is located at 165 Ludlow Avenue, Northvale, New Jersey, and contains approximately 20,000 square feet of floor space. This real property and the improvements

thereon are encumbered by a mortgage in favor of the New Jersey Economic Development Authority ("NJEDA") as security for a loan through tax-exempt bonds from the NJEDA to Elite. The mortgage contains certain customary provisions including, without limitation, the right of NJEDA to foreclose upon a default by Elite.

On July 15, 2005, we entered into a lease for two years commencing on July 1, 2005 for a portion of a one-story warehouse for the storage of finished and raw material of pharmaceutical products and equipment. We have exercised an option to rent the property through July 1, 2008.

We are currently using our facilities as a laboratory, manufacturing, storage and office space. Properties used in our operations are considered suitable for the purposes for which they are used and are believed to be adequate to meet our needs for the reasonably foreseeable future.

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business we may be subject to litigation from time to time. There is no past, pending or, to our knowledge, threatened litigation or administrative action (including litigation or action involving our officers, directors or other key personnel) which in our opinion has or is expected to have, a material adverse effect upon our business, prospects financial condition or operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the three months ended March 31, 2008.

Stockholders at the Company's Annual Meeting of Stockholders held on June 26, 2008 took the following actions:

1. Elected its four Directors.

	No. of Votes For	No. of Votes Against
Bernard Berk	16,460,240	3,161,806
Barry Dash	17,692,942	1,931,104
Robert Levensen	17,692,942	1,931,104
Melvin Van Woert	16,937,460	2,684,586

2. Approved the proposal to approve and ratify the amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 65,000,000 to 150,000,000 by a vote of a majority of the shares of Common Stock outstanding: 16,774,807 shares for, 2,843,614 shares against and 28,854 shares abstaining.

3. Approved the proposal to approve and ratify the amendment to the Company's Certificate of Incorporation to provide that holders of Common Stock are not entitled to vote on any amendment to the Company's Certificate of Incorporation (including any Preferred Stock certificate of designation) that relates solely to the terms of one or more outstanding series of the Company's Preferred Stock if the holders of such affected series are entitled to vote on such amendment by a vote of a majority of the shares of Common Stock outstanding: 13,645,843 shares for, 5,946,664 shares against and 29,537 shares abstaining.

4. Did not approve the proposal to ratify certain amendments made to the Company's Certificate of Incorporation which relate solely to the Series B Preferred Stock which were previously approved by a majority of the holders of the Series B Preferred Stock by a vote of less than a majority of the Common Stock outstanding: 4,393,575 shares for, 1,492,691 shares against and 61,450 shares abstaining.

5. Approved the proposal to approve and ratify the amendment to the Company's Stock Option Plan to increase the number of shares of Common Stock reserved for issuance under the Stock Option Plan from 7,000,000 shares to 10,000,000 shares by a vote of a majority of the shares voting in person or proxy: 4,057,474 shares for, 209,460 shares against and 219,313 shares abstaining.

6. Approved the engagement of Miller, Ellin & Company LLP as the Company's independent auditors for the year ended March 31, 2008 by a vote of a majority of the shares voting in person or by proxy: 19,193,274 shares for, 209,460 shares against and 219,313 shares abstaining.

PART II

ITEM 5. MARKET FOR COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our Common Stock is quoted on the American Stock Exchange under the symbol "ELI". The following table shows, for the periods indicated, the high and

low sales prices per share of our Common Stock as reported by the American Stock Exchange.

COMMON STOCK

QUARTER ENDED	HIGH	LOW
FISCAL YEAR ENDING MARCH 31, 2008:		
March 31, 2008	$1.80	$0.72
December 31, 2007	$2.75	$1.45
September 30, 2007	$2.77	$1.95
June 30, 2007	$2.70	$2.08
FISCAL YEAR ENDING MARCH 31, 2007:		
March 31, 2007	$2.40	$1.94
December 31, 2006	$2.49	$2.02
September 30, 2006	$2.46	$2.03
June 30, 2006	$2.54	$2.02

On June 18, 2008, the last reported sale price of our Common Stock, as reported by the American Stock Exchange, was $0.50 per share.

As of June 18, 2008, there were approximately 115 holders of record and, we believe, approximately 2,482 are beneficial owners of our Common Stock. We are informed and believe that as of June 18, 2008, Cede & Co. held 20,756,593 shares of our Common Stock as nominee for Depository Trust Company, 55 Water Street, New York, New York 10004. It is our understanding that Cede & Co. and Depository Trust Company both disclaim any beneficial ownership therein and that such shares are held for the account of numerous other persons.

We have never paid cash dividends on our Common Stock. During the fiscal year ended March 31, 2008, we have paid dividends in the aggregate principal amount of $2,104,797 on our Series B Preferred Stock and Series C Preferred Stock. Such amount reflects $474,087 paid in cash and 1,116,173 shares of Common Stock. We currently anticipate that we will retain all available funds for use in the operation and expansion of our business.

Please see our Quarterly Reports on Form 10-Q for the three month periods ending June 30, 2007, September 30, 2007 and December 31, 2007 and our Current Reports on Form 8-K dated April 25, 2007, July 17, 2007 and January 3, 2008, for information concerning our issuances of unregistered securities during the 12 months ended March 31, 2008.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding Elite's equity compensation plans as of March 31, 2008.

	Number of securities to be issued upon exercise of	Weighted-average exercise price per	secur avail is equit

Plan Category	outstanding options, warrants and rights	share of outstanding options, warrants and rights	pla secur in
	(a)	(b)	
Equity compensation plans approved by security holders	4,468,300(1)	$2.18	
Equity compensation plans not approved by security holders	1,075,000(2)	$2.06	
Total:	5,543,300	$2.16	

(1) Stock options issued under the 2004 Stock Option Plan

(2) Represents 1,000,000 non-qualified options issued to Veerappan Subramanian and 75,000 non-qualified options to The Investor Relations Group.

2004 STOCK OPTION PLAN

Our 2004 Stock Option Plan (the "STOCK OPTION PLAN") permits us to grant both incentive stock options ("INCENTIVE STOCK OPTIONS" or "ISOS") within the meaning of Section 422 of the Internal Revenue Code (the "CODE"), and other options which do not qualify as Incentive Stock Options (the "NON-QUALIFIED OPTIONS") to employees, officers, Directors of and consultants to Elite.

Unless earlier terminated by the Board of Directors, the Stock Option Plan (but not outstanding options issued thereunder) terminates on March 1, 2014, after which no further awards may be granted under the Stock Option Plan. The Stock Option Plan is administered by the full Board of Directors or, at the Board of Directors' discretion, by a committee of the Board of Directors consisting of at least two persons who are "disinterested persons" as defined under Rule 16b-2(c)(ii) under the Securities Exchange Act of 1934, as amended (the "Committee").

Recipients of options under the Stock Option Plan ("OPTIONEES") are selected by the Board of Directors or the Committee. The Board of Directors or Committee determines the terms of each option grant including (1) the purchase price of shares subject to options, (2) the dates on which options become exercisable and (3) the expiration date of each option (which may not exceed ten years from the date of grant). The minimum per share purchase price of options granted under the Stock Option Plan for Incentive Stock Options is the fair market value (as defined in the Stock Option Plan) or for Nonqualified Options is 85% of fair market value of one share of the Common Stock on the date the option is granted.

Optionees have no voting, dividend or other rights as stockholders with respect to shares of Common Stock covered by options prior to becoming the holders of record of such shares. The purchase price upon the exercise of options may be paid in cash, by certified bank or cashier's check, by tendering stock held by the Optionee, as well as by cashless exercise either through the surrender of other shares subject to the option or through a broker. The total number of shares of Common Stock available under the Stock Option Plan, and the

number of shares and per share exercise price under outstanding options will be appropriately adjusted in the event of any stock dividend, reorganization, merger or recapitalization or similar corporate event. Subject to limitations set forth in the Stock Option Plan, the terms of option agreements will be determined by the Board of Directors or Committee, and need not be uniform among Optionees.

The Board of Directors may at any time terminate the Stock Option Plan or from time to time make such modifications or amendments to the Stock Option Plan as it may deem advisable and the Board of Directors or Committee may adjust, reduce, cancel and regrant an unexercised option if the fair market value declines below the exercise price except as may be required by any national stock exchange or national market association on which the Common Stock is then listed. In no event may the Board of Directors, without the approval of stockholders, amend the Stock Option Plan to increase the maximum number of shares of Common Stock for which options may be granted under the Stock Option Plan or change the class of persons eligible to receive options under the Stock Option Plan.

FEDERAL INCOME TAX CONSEQUENCES. The following is a brief discussion of the Federal income tax consequences of transactions under the Stock Option Plan. This discussion is not intended to be exhaustive and does not describe state or local tax consequences.

INCENTIVE OPTIONS

No taxable income is realized by the Optionee upon the grant or exercise of an Incentive Option, except as noted below with respect to the alternative minimum tax. If Common Stock is issued to an Optionee pursuant to the exercise of an Incentive Option, and if no disqualifying disposition of such shares is made by such Optionee within two years after the date of grant or within one year after the

transfer of such shares to such Optionee, then (1) upon sale of such shares, any amount realized in excess of the option price will be taxed to such Optionee as a long-term capital gain and any loss sustained will be a long-term capital loss, and (2) no deduction will be allowed to the Optionee's employer for Federal income tax purposes.

Except as noted below for corporate "insiders," if the Common Stock acquired upon the exercise of an Incentive Stock Option is disposed of prior to the expiration of either holding period described above, generally (1) the Optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at exercise (or, if less, the amount realized on the disposition of such shares) over the option price paid for such shares and (2) the Optionee's employer will be entitled to deduct such amount for Federal income tax purposes if the amount represents an ordinary and necessary business expense. Any further gain (or loss) realized by the Optionee will be taxed as short-term or long-term capital gain (or loss), as the case may be, and will not result in any deduction by the employer.

Subject to certain exceptions for disability or death, if an Incentive Stock Option is exercised more than three months following termination of employment, the exercise of the Option will generally be taxed as the exercise of a Non-Qualified Option.

For purposes of determining whether an Optionee is subject to any

alternative minimum tax liability, an Optionee who exercises an Incentive Stock Option generally would be required to increase his or her alternative minimum taxable income, and compute the tax basis in the stock so acquired, in the same manner as if the Optionee had exercised a Non-Qualified Option. Each Optionee is potentially subject to the alternative minimum tax. In substance, a taxpayer is required to pay the higher of his/her alternative minimum tax liability or his/her "regular" income tax liability. As a result, a taxpayer has to determine his potential liability under the alternative minimum tax.

NON-QUALIFIED OPTIONS

With respect to Non-Qualified Options: (1) no income is realized by the Optionee at the time the Option is granted; (2) generally, at exercise, ordinary income is realized by the Optionee in an amount equal to the difference between the option price paid for the shares and the fair market value of the shares, if unrestricted, on the date of exercise, and the Optionee's employer is generally entitled to a tax deduction in the same amount subject to applicable tax withholding requirements; and (3) at sale, appreciation (or depreciation) after the date of exercise is treated as either short-term or long-term capital gain (or loss) depending on how long the shares have been held.

Pursuant to Section 409A of the Internal Revenue Code (the "CODE"), Non-Qualified Options must be issued at fair market value at the time of the grant in order to achieve the federal tax consequences described above and to avoid substantial penalties.

COMPLIANCE WITH SECTION 409A OF THE CODE

To the extent that the Board of Directors or Committee determines that any option granted under the Stock Option Plan is subject to Section 409A of the Code, the award agreement evidencing such option shall incorporate the terms and conditions required by Section 409A. To the extent applicable, the Stock Option Plan and award agreements shall be interpreted in accordance with Section 409A. Notwithstanding any provision of the Stock Option Plan to the contrary, in the event that, following the effective date of this amendment to the Stock Option Plan, the Board of Directors or Committee

determines that any option may be subject to Section 409A of the Code, the Board of Directors or Committee may adopt such amendments to the Stock Option Plan and the applicable award agreement or adopt such other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions that the Board of Directors or Committee determines are necessary or appropriate to (a) exempt the option from Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the option or (b) comply with the requirements of Section 409A of the Code.

SPECIAL RULES APPLICABLE TO CORPORATE INSIDERS

As a result of the rules under Section 16(b) of the Exchange Act, "insiders" (as defined in the Securities Exchange Act of 1934), depending upon the particular exemption from the provisions of Section 16(b) utilized, may not receive the same tax treatment as set forth above with respect to the grant and/or exercise of options. Generally, insiders will not be subject to taxation until the expiration of any period during which they are subject to the liability provisions of Section 16(b) with respect to any particular option. Insiders should check with their own tax advisers to ascertain the appropriate tax treatment for any particular option.

COMPARATIVE STOCKHOLDER RETURN

The graph that follows compares the yearly percentage change in Elite's cumulative total stockholder return on its Common Stock for the five year period ended March 31, 2008 with the cumulative total stockholder return of (1) all United States companies traded on the American Stock Exchange (where Elite's Common Stock is now traded) and (2) all companies traded on the American Stock Exchange which carry the Standard Industrial Classification (SIC) code 283 (Pharmaceuticals). The table was prepared by the Research Data Group, Inc.

Elite's Common Stock was traded on the NASDAQ over-the-counter bulletin board from July 23, 1998 until February 24, 2000. Elite's Common Stock began trading on the American Stock Exchange on February 24, 2000. Elite's fiscal year ends on March 31.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Elite Pharmaceuticals Inc, The AMEX Composite Index
And Amex Stocks (SIC 2830-2839 US Companies)

[DATA BELOW REPRESENTS A LINE GRAPH IN PRINTED PIECE]

	ELITE PHARMACEUTICALS INC	AMEX COMPOSITE	AMEX STOCKS (SIC 2830-2839 US COMPANIES)
3/03	100.00	100.00	100.00
4/03	98.69	102.41	112.88
5/03	137.25	112.28	132.93
6/03	186.27	116.45	157.11
7/03	160.13	114.15	159.02
8/03	182.35	117.99	162.88
9/03	189.54	122.38	172.66
10/03	209.80	130.63	188.07
11/03	209.15	134.87	194.84
12/03	196.08	143.10	209.13
1/04	241.83	146.38	213.78
2/04	163.40	153.00	211.93
3/04	194.12	154.59	213.21
4/04	212.42	146.95	198.59
5/04	196.08	145.51	190.77
6/04	150.98	150.55	190.49
7/04	143.79	148.89	153.66
8/04	85.62	149.57	142.78
9/04	78.43	154.14	151.15
10/04	114.38	159.18	158.23
11/04	212.42	171.27	175.06
12/04	239.87	175.85	187.83
1/05	271.24	175.10	172.45
2/05	313.07	185.97	164.87
3/05	287.58	181.53	151.12
4/05	232.03	178.70	148.43
5/05	196.08	181.88	154.59
6/05	201.31	192.51	152.30
7/05	189.54	197.64	156.91
8/05	179.74	206.60	143.43
9/05	194.77	217.10	133.66
10/05	160.13	202.71	129.66
11/05	118.30	207.56	136.48
12/05	120.26	216.73	134.48
1/06	132.68	229.93	162.36
2/06	152.29	227.67	171.00

3/06	162.75	240.62	176.01
4/06	149.02	247.53	178.18
5/06	143.79	237.77	167.33
6/06	150.33	237.15	160.31
7/06	143.79	239.39	154.96
8/06	156.86	248.53	166.57
9/06	156.21	238.63	162.92
10/06	133.33	245.10	169.23
11/06	139.22	259.72	176.88
12/06	142.48	258.04	181.77
1/07	130.72	263.15	189.32
2/07	131.37	262.94	179.35
3/07	153.59	271.66	181.62
4/07	144.44	275.04	176.80
5/07	150.33	294.64	191.49
6/07	167.32	293.49	190.72
7/07	153.59	282.71	179.56
8/07	156.86	278.18	174.71
9/07	150.33	299.45	190.97
10/07	179.74	312.46	203.12
11/07	137.25	293.16	192.66
12/07	135.95	299.65	181.77
1/08	59.48	277.04	154.24
2/08	101.31	290.81	123.74
3/08	60.13	281.78	120.79

ITEM 6. SELECTED FINANCIAL DATA

The following consolidated selected financial data, at the end of and for the last five fiscal years, should be read in conjunction with our Consolidated Financial Statements and related Notes thereto appearing elsewhere in this Annual Report on Form 10-K. The consolidated selected financial data are derived from our audited Consolidated Financial Statements. The audit report of Miller, Ellin & Company, LLP, our independent auditors, for the three years ended March 31, 2008, 2007 and 2006 is included herein. The selected financial data provided below is not necessarily indicative of our future results of operations or financial performance.

	2008	2007	2006	2005	
Net revenues	$ 1,413,119	$ 1,143,841	$ 550,697	$ 301,480	$
Net (loss)	$ (13,893,060)	$ (11,803,512)	$ (6,883,914)	$ (5,906,890)	$
Net (loss) per common share	$ (0.73)	$ (0.64)	$ (0.49)	$ (0.47)	$
Total assets	$ 15,310,270	$ 9,208,006	$ 15,702,241	$ 9,245,292	$
Long-term obligations	$ 3,637,388	$ 3,795,000	$ 3,980,000	$ 2,367,128	$
Weighted average number of common shares outstanding	21,801,042	19,815,780	18,463,514	12,869,924	

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

GENERAL

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

OVERVIEW

We are a specialty pharmaceutical company principally engaged in the development and manufacture of oral, controlled-release products. We develop 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 develop delayed, sustained or targeted release pellets, capsules, tablets, granules and powders.

We have two products, Lodrane 24(R) and Lodrane 24D(R), currently being sold commercially, and a pipeline of five drug candidates under development in the therapeutic areas that include pain management, allergy and infection. Of the products under development, ELI-216, an abuse deterrent oxycodone product, and ELI-154, a once daily oxycodone product, are in clinical trials and we have completed pilot studies on two of our generic product candidates. The addressable market for the pipeline of products exceeds $6 billion. Our facility in Northvale, New Jersey also is a Good Manufacturing Practice ("GMP") and DEA registered facility for research, development and manufacturing.

In January 2006, the FDA accepted our IND for ELI-154, our once-a-day oxycodone painkiller. We completed a second pharmacokinetic study to evaluate ELI-154's sustained release formation in 2006. In December 2007, we submitted to the FDA a Special Protocol Assessment ("SPA") for the Phase III protocol for ELI-154. We are currently scaling up the product and expect to wait until we reach agreement with the FDA on this SPA before beginning the Phase III. Currently there is no once-daily oxycodone available. We estimate that the U.S. market for sustained release, twice-daily oxycodone was about $1.6 billion as of September, 2006.

In May 2005, the FDA accepted our IND for ELI-216, our once-a-day, abuse resistant oxycodone painkiller. After the acceptance of the IND, we completed two pharmacokinetic studies and a euphoria study in recreational drug users to assess the abuse deterrent properties of ELI-216. In November 2007, we reached agreement with the FDA on a Special Protocol Assessment for the Phase III protocol for ELI-216. We are currently scaling up the product and preparing for additional studies including a multi-dose study in opioid dependent patients, a food effect study and the Phase III study for ELI-216, Currently there is no abuse deterrent oxycodone product available.

At the end of 2006, we entered into a joint venture 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.

At the end of 2007, we elected not to fund our remaining contributions to Novel upon the terms set forth in the Alliance Agreement because we had reached agreement with the FDA under a SPA on the Phase III clinical trial of ELI-216, our abuse deterrent oxycodone product and determined that our funds would be better used to support the clinical trials for ELI-216. Upon our

determination not to fund our remaining contributions to Novel at the valuation set forth in the Alliance Agreement, VGS exercised its rights to purchase from us our shares of Class A Voting Common Stock of Novel proportionate to the amount of remaining contributions which were not funded by us. As a result, our remaining ownership interest in Class A Voting Common Stock of Novel is approximately 10% of the outstanding shares of Class A Voting Common Stock of Novel.

Until VGS purchased our shares of Class A Voting Common Stock of Novel, Novel was consolidated into our financial statements as a "variable interest entity" because of the extent of its dependence on the Company. Since then, Novel is no longer considered a "variable interest entity" of the Company and therefore is not consolidated into our financial statements. Accordingly, the information in our Quarterly Report on Form 10-Q consolidates the results of operations of Novel for the six months ended September 30, 2007. As of October 1, 2007, Elite deconsolidated its financial statements from that of Novel. Our investment in Novel was decreased from $7,009,800 to $3,329,322 to recognize the cumulative losses of $3,672,638 from Novel from inception through September 30, 2007 and the return of 80% of our initial investment of $9,800.

STRATEGY

We are focusing our efforts on the following areas: (i) development of our pain management products, (ii) manufacture of Lodrane 24(R) and Lodrane 24D(R) products; (iii) development of the other products in our pipeline; (iv) commercial exploitation of our products either by license and the collection of royalties, or through the manufacture of our formulations, and (v) development of new products and the expansion of our licensing agreements with other pharmaceutical companies, including co-development projects, joint ventures and other collaborations, including Novel.

We are focusing on the development of various types of drug products, including branded drug products (which require NDAs) under Section 505(b)(1) or 505(b)(2) of the Drug Price

Competition and Patent Term Restoration Act of 1984 as well as generic drug products (which require ANDAs).

We intend to continue to collaborate in the development of additional products with our current partners. We also plan to seek additional collaborations to develop more drug products.

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

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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

EFFECTIVE FOR FISCAL YEAR BEGINNING AFTER DECEMBER 15, 2008

STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (SFAS):

SFAS 157, "FAIR VALUE MEASUREMENTS" - defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, where the Board previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practice. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier application is encouraged, provided that the reporting entity has not yet

issued financial statements for that fiscal year, including financial statements for an interim period within that fiscal year.

SFAS 159, "THE FAIR VALUE OPTION FOR FINANCIAL ASSETS AND FINANCIAL LIABILITIES-INCLUDING AN AMENDMENT OF FASB STATEMENT NO. 115" - permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15,2007, provided the entity also elects to apply the provisions of FASB Statement No. 157, "FAIR VALUE MEASUREMENTS".

EFFECTIVE FOR FISCAL YEARS AND INTERIM PERIODS BEGINNING AFTER NOVEMBER 15,

2008. EARLY APPLICATION IS ENCOURAGED.

FASB Statement No. 161, "DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - AN AMENDMENT OF FASB STATEMENT 133" - enhances required disclosures regarding derivatives and hedging activities, including enhanced disclosures regarding how: (a) an entity uses derivative instruments; (b) derivative instruments and related hedged items are accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities; and (c) derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Specifically, Statement 16 1 requires:

- Disclosure of the objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation;
- Disclosure of the fair values of derivative instruments and their gains and losses in a tabular format;
- Disclosure of information about credit-risk-related contingent features; and
- Cross-reference from the derivative footnote to other footnotes in which derivative related information is disclosed.

SFAS 141 (R), "BUSINESS COMBINATIONS"- retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control.

- replaces Statement 141's cost-allocation process and requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date,

- requires the acquirer in a business combination achieved in stages (sometimes referred to as a step acquisition) to recognize the identifiable assets and liabilities, as well as the noncontrolling interest in the acquiree, at the full amounts of their fair values,
- requires that an acquirer evaluate new information and measure a liability at the higher of its acquisition-date fair value or the amount that would be recognized if applying Statement 5, then measuring an asset at the lower of its acquisition-date fair value or the best estimate of its future settlement amount,
- requires the acquirer to recognize contingent consideration at the acquisition date, measured at its fair value at that date,

EFFECTIVE FOR FISCAL YEARS BEGINNING AFTER NOVEMBER 15, 2007

SFAS 160, "NONCONTROLLING INTERESTS IN CONSOLIDATED FINANCIAL STATEMENTS" - changes the way the consolidated income statement is presented. It requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated statement of income, of the

amounts of consolidated net income attributable to the parent and to the noncontrolling interest. Previously, net income attributable to the noncontrolling interest generally was reported as an expense or other deduction in arriving at consolidated net income. It also was often presented in combination with other financial statement amounts. Effective for fiscal years beginning after December 15, 2008.

FASB STAFF POSITIONS (FSP):

FSP APB 14-1, "ACCOUNTING FOR CONVERTIBLE DEBT INSTRUMENTS THAT MAY BE SETTLED IN CASH UPON CONVERSION (INCLUDING PARTIAL CASH SETTLEMENT)" - clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. Additionally, this FSP specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. This FSP is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

FSP FAS 140-3, "ACCOUNTING FOR TRANSFERS OF FINANCIAL ASSETS AND REPURCHASE FINANCING TRANSACTIONS" - amends FASB Statement 140 to state that a transferor and transferee shall not separately account for a transfer of a financial asset and a related repurchase financing unless (a) the two transactions have a valid and distinct business or economic purpose for being entered into separately and (b) the repurchase financing does not result in the initial transferor regaining control over the financial asset. This FSP is effective for financial statements issued for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. Earlier application is not permitted.

FSP FAS 142-3, "DETERMINATION OF THE USEFUL LIFE OF INTANGIBLE ASSETS"- amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Paragraph 1 l(d) of Statement 142 precluded an entity from using its own assumptions about renewal or extension of an arrangement where there is likely to be substantial cost or material modifications. This FSP amends paragraph 1 l(d) of Statement 142 so that an entity will use its own assumptions about renewal or extension of an arrangement, adjusted for the entity-specific factors in paragraph 11 of

Statement 142, even when there is likely to be substantial cost or material modifications. Therefore, in determining the useful life of the asset for amortization purposes, an entity shall consider the period of expected cash flows used to measure the fair value of the recognized intangible asset, adjusted for the entity-specific factors including, but are not limited to, the entity's expected use of the asset and the entity's historical experience in renewing or extending similar arrangements. This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited.

FSP FAS 157-1, APPLICATION OF FASB STATEMENT NO. 157 TO FASB STATEMENT NO. 13 AND OTHER ACCOUNTING PRONOUNCEMENTS THAT ADDRESS FAIR VALUE MEASUREMENTS FOR PURPOSES OF LEASE CLASSIFICATION OR MEASUREMENT UNDER STATEMENT 13" - amends FASB Statement No. 157, Fair Value Measurements, to exclude FASB Statement No. 13, Accounting for Leases, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. However, this scope exception does not apply to assets acquired

and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, Business Combinations, or No. 141 (revised 2007), Business Combinations, regardless of whether those assets and liabilities are related to leases.

FSP FAS 157-2, "EFFECTIVE DATE OF FASB STATEMENT NO. 157" - delays the effective date of FASB Statement No. 157, Fair Value Measurements, for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The delay is intended to allow the Board and constituents additional time to consider the effect of various implementation issues that have arisen, or that may arise, from the application of Statement 157. This FSP defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP.

FSP SOP 07-1-1, - indefinitely delays the effective date of AICPA Statement of Position 07-1, "CLARIFICATION of THE SCOPE OF THE AUDIT AND ACCOUNTING GUIDE INVESTMENT COMPANIES AND ACCOUNTING BY PARENT COMPANIES AND EQUITY METHOD INVESTORS FOR INVESTMENTS IN INVESTMENT COMPANIES."

EITF CONSENSUSES (EITF):

EITF Issue No. 07-1, "ACCOUNTING FOR COLLABORATIVE ARRANGEMENTS" - when entities enter into arrangements to participate in a joint operating activity a collaborative arrangement may provide that one participant has sole or primary responsibility for certain activities or that two or more participants have shared responsibility for certain activities. Participants should evaluate whether an arrangement is a collaborative arrangement at the inception of the arrangement based on the facts and circumstances present at that time. Revenue generated and costs incurred by participants from transactions with parties should be reported gross or net on the appropriate line item in each participant's respective financial statements depending on the nature of the participation. Disclosures should include information about the nature and purpose of its collaborative arrangements, the entity's rights and obligations under the collaborative arrangements, the accounting policy for collaborative arrangements, and the income statement classification and amounts attributable to transactions arising from the collaborative arrangement. Effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years.

YEAR ENDED MARCH 31, 2008 VS. YEAR ENDED MARCH 31, 2007

Our revenues for the year ended March 31, 2008 were $1,413,119, an increase of $269,278 or approximately 24%, over revenues for the prior year, and consisted of $1,173,890 in manufacturing fees and $239,229 in royalty fees. Revenues for the year ended March 31, 2007 consisted of $1,038,916 in manufacturing fees and $104,925 in royalty fees. The increase in manufacturing fees and royalties was primarily due to the launch of our second product, Lodrane 24D(R) in the later part of the year ended March 31, 2007.

Research and development costs for the year ended March 31, 2008 were $5,795,779, a negligible increase of $17,914 from $5,777,865 of such costs for the prior year, primarily due to costs associated with increased spending on raw materials which are primarily for scale up of the pain products. We expect our research and development costs to continue to increase in future periods primarily due to clinical costs for Phase III and other clinical trials for

ELI-216 and ELI-154.

General and administrative expenses ("G&A") for the year ended March 31, 2008 were $2,434,803, an increase of $238,649, or approximately 11% from $2,196,154 of G&A for the prior year. The increase was attributable to increases in salaries and fringe benefits as a result of the hiring of managerial level employees and consulting fees associated with seeking potential strategic transactions.

Depreciation and amortization for the year ended March 31, 2008 increased by $116,079 from $408,814 for the prior year to $524,893. The increase in 2008 was due to acquired new machinery and equipment and continued upgrading of the corporate and warehouse facilities.

Other income (expenses) for the year ended March 31, 2008 were $(2,543,473), a decrease of $546,765, or approximately 18%, from $(3,090,238) for the prior year due to (i) a decrease of $871,600 in charges related to the issuances of stock options and warrants and (ii) an increase in interest income of $69,671, due to higher compensating balances as a result of the private placement offset by (x) a decrease of $377,259 in sale of New Jersey tax losses, and (y) an increase of $17,247 in interest expense resulting from a loan initially used to fund Novel and a loan to finance the purchase of a new truck.

Our prior year financial statements were restated as a result of the Company's decision not to continue to fund Novel and therefore not include Novel's expenses as part of the Company's operating activities for the year ending March 31, 2008 and 2007. Consequently, losses from discontinued operations of $2,979,600 and $642,032 respectively are reflected in the 2008 and 2007 financial statements.

As a result of the foregoing, our net loss for the year ended March 31, 2008 was $13,893,060 compared to $11,803,512 for the year ended March 31, 2007.

YEAR ENDED MARCH 31, 2007 VS. YEAR ENDED MARCH 31, 2006

Our revenues for the year ended March 31, 2007 were $1,143,841, an increase of $593,144, or approximately 108%, over revenues for the comparable prior year, and consisted of $1,038,916 in manufacturing fees and $104,925 in royalty fees. Revenues for the year ended March 31, 2006 consisted $494,231 in manufacturing fees and $56,466 in royalty fees. The increase in manufacturing fees and royalties was primarily due to the launch of our second product, Lodrane 24D(R).

Research and development costs for the year ended March 31, 2007 were $5,777,865, an increase of $1,433,975, or approximately 33% from $4,343,890 of such costs for the prior year,

primarily the result of increased wages, raw materials, laboratory and manufacturing supplies and consulting fees. As of March 31, 2007 Elite had 41 employees, an increase of 58% from 26 employees one year ago. The increase in employees was primarily for the scale up work for the pain products and included manufacturing, analytical and quality assurance people. Elite had also increased its spending on raw materials, primarily API, by 100% from $300,000 to $600,000. The raw materials were also primarily for scale up of the pain products. Spending on biostudies increased to $1,000,000 from $100,000 a year ago due to spending on the Phase II study for ELI-216. We expect our research and development costs to continue to increase in future periods primarily due to clinical costs for Phase III and other clinical trials for ELI-216 and ELI-154.

G&A for the year ended March 31, 2007 were $2,196,154, an increase of $469,528, or approximately 27% from $1,726,626 of G&A for the prior year. The increase was attributable to increases in salaries and fringe benefits as a result of increases in staff and consulting fees associated with seeking potential strategic transitions.

We are in the initial stages of breaking down the specific costs associated with the research and development of each product on which we devoted resources through the use of detailed time sheets and general ledger account classifications. In the past, we have not historically allocated these expenses to any particular product. We cannot estimate the additional costs and expenses that may be incurred in order to potentially complete the development of any product, nor can we estimate the amount of time that might be involved in such development because of the uncertainties associated with the development of controlled-release drug delivery products as described in this report.

Depreciation and amortization decreased by $77,873 from $486,687 for the prior year to $408,814. The decrease was the result of our taking in 2006 the full write-off of financing costs associated with the redemption of tax exempt NJEDA Bonds, partially offset by an increase in depreciation in 2007 due to the acquisition of new machinery and equipment and upgrading of the corporate and warehouse facilities.

Other income (expenses) for the year ended March 31, 2007 were $(3,090,238), an increase of $2,213,830, or approximately 253%, of $(876,408) for the prior year due to an increase of $2,576,143 in charges related to the issuances of stock options and warrants, offset by (i) an increase of $158,138 in sale of New Jersey tax losses, (ii) additional interest income of $195,741, due to higher compensating balances as a result of the private placement, and (iii) a decrease of $8,433 in interest expense resulting from a decrease in NJEDA Bonds outstanding.

Expenses associated with Novel were reclassed as a result of the Company's decision not to fund this venture. As a result, a loss from discontinued operations increased to $642,032 for the year ended March 31, 2007.

As a result of the foregoing, our net loss for the year ended March 31, 2007 was $11,803,512 compared to $6,883,914 for the year ended March 31, 2006.

MATERIAL CHANGES IN FINANCIAL CONDITION

Our working capital (total current assets less total current liabilities), increased to $5,029,930 as of March 31, 2008 from $244,288 as of March 31, 2007, primarily due to net proceeds received as a result of our private placement of Series C 8% Convertible Preferred Stock, offset by net loss from operations, exclusive of non-cash charges.

We experienced negative cash flows from operations of $(9,834,277) for the year ended March 31, 2008, primarily due to our net loss from operations of $13,893,060, an increase in accrued interest receivable, prepaid expenses and security deposits of $1,193,331, and reductions of $867,016 in accounts payable, accrued expenses and other liabilities offset by reductions in accounts receivable of $67,353 and by non-cash charges of $3,021,171 which included $2,607,470 in connection with the issuance of stock options and warrants and $413,701 in depreciation and amortization expenses.

On November 15, 2004 and on December 18, 2006, Elite's partner, ECR,

launched Lodrane 24(R) and Lodrane 24D(R), respectively. Under its agreement with ECR, Elite is currently manufacturing commercial batches of Lodrane 24(R) and Lodrane 24D(R) in exchange for manufacturing margins and royalties on product revenues. Manufacturing revenues and royalty income earned for the year ended March 31, 2008 was $1,173,890 and $239,229, 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 earned on the Lodrane products.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2008, we had approximately six months of cash available based on our current operations. We are considering a number of different financing alternatives and we intend to seek additional capital in 2008 through private financing or collaborative agreements. However, no assurance can be given that we will consummate a financing or that any material cash will be generated to us therefrom. If adequate funds are not available to us as we need them, we will be required to curtail significantly or delay or eliminate one or more product development programs. These matters raise substantial doubt over our ability to continue as a going concern. The accompanying financial statements do not provide for any adjustments should this occur.

For the year ended March 31, 2008, we expended $9,834,277 in operating activities which we funded through the $20,000,000 in gross proceeds raised through our private placement of Series C Preferred Stock. Our working capital at March 31, 2008 was $5.0 million compared with working capital of $.2 million at March 31, 2007. Cash and cash equivalents at March 31, 2008 were $3.7 million, an increase of $2.9 million from the $.8 million at March 31, 2007.

We spent approximately $506,000 on improvements and machinery and equipment during the year ended March 31, 2008.

On April 24, 2007, we sold in a private placement through Oppenheimer & Company, Inc., the placement agent (the "PLACEMENT AGENT"), 15,000 shares of our Series C Preferred Stock, at a price of $1,000 per share, each share convertible (at $2.32 per share) into 431.0345 shares of Common Stock, or an aggregate of 6,465,517 shares of Common Stock. The investors also acquired warrants to purchase shares of Common Stock, exercisable on or prior to April 24, 2012. The warrants represent the right to purchase an aggregate of 1,939,655 shares of Common Stock at an exercise price of $3.00 per share. The gross proceeds of the sale were $15,000,000 before payment of $1,050,000 in commissions to the Placement Agent and selected dealers. We also paid certain legal fees and expenses of counsel to the Placement Agent. We issued to the Placement Agent and its designees five year warrants to purchase 193,965 shares of Common Stock with similar terms to the warrants issued to the Investors with an exercise price of $3.00 per share.

On July 17, 2007 we sold, in a private placement, the remaining 5,000 authorized shares of its Series C Preferred Stock at a price of $1,000 per share, each share convertible (at $2.32 per share) into 431.0345 shares of Common Stock, or an aggregate 2,155,172 shares of Common Stock. The investors also acquired warrants to purchase shares of Common Stock, exercisable on or prior to July 17, 2012. The warrants represent the right to purchase 646,554 shares of Common Stock, at an exercise price of $3.00 per share. The gross proceeds of the sale were $5,000,000 before payment of 350,000 in commissions to Placement Agent and selected dealers and $18,000 in expenses incurred by Placement Agent and selected dealers. We issued to the Placement Agent and its

designees five year warrants to purchase 64,655 shares of Common Stock with similar terms to the warrants issued to the Investors with exercise price of $3.00 per share. The approximate $18,531,500 of net proceeds generated from these private placements will contribute materially to our efforts to advance our part of pain products through the clinic as well as accelerate the development of our other controlled-release products, which utilize our proprietary oral drug delivery systems and abuse resistant technology.

From time to time we will consider potential strategic transactions including acquisitions, strategic alliances, joint ventures and licensing arrangements with other pharmaceutical companies. We retained an investment-banking firm to assist with our efforts. There can be no assurance that any such transaction will be available or consummated in the future.

As of March 31, 2008 our principal source of liquidity was approximately $3,703,000 of cash and cash equivalents. Additionally, we may have access to funds through the exercise of outstanding stock options and warrants in addition to funds that may be generated from the potential sale of New Jersey tax losses. There can be no assurance that the sale of tax losses or by the exercise of outstanding warrants or options will generate or provide sufficient cash.

The Company had outstanding, as of March 31, 2008, bonds in the aggregate principal amount of $3,795,000, consisting of $3,415,000 of 6.5% tax exempt Bonds with an outside maturity of September 1, 2030 and $380,000 of 9.0% Bonds with an outside maturity of September 1, 2012. The bonds are secured by a first lien on the Company's facility in Northvale, New Jersey. Pursuant to the terms of the bonds, several restricted cash accounts have been established for the payment of bond principal and interest. Bond proceeds were utilized for the redemption of previously issued tax exempt bonds issued by the Authority in September 1999 and to refinance equipment financing, as well as provide approximately $1,000,000 of capital for the purchase of additional equipment for the manufacture and development at the Company's facility of pharmaceutical products and 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, 2007. Pursuant to the terms of the related bond indenture agreement, the Company is required to observe certain covenants, including covenants relating to the incurrence of additional indebtedness, the granting of liens and the maintenance of certain financial covenants. As of March 31, 2008, the Company was in compliance with the bond covenants.

The following table depicts our obligations and commitments to make future payments under existing contracts or contingent commitments.

		PAYMENTS DUE BY PERIOD		
Contractual Obligations	TOTAL	Less than 1 YEAR	1-3 YEARS	4-5 YEARS
NJEDA Bonds payable	$3,795,000	$ 200,000	$ 680,000	$ 445,000
Note Payable-Niagara Bank	$ 52,252	$ 9,864	$ 22,587	$ 19,801

OFF-BALANCE SHEET ARRANGEMENTS

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not invest in or own any market risk sensitive instruments entered into for trading purposes or for purposes other than trading. All loans to us have been made at fixed interest rates and accordingly, the market risk to us prior to maturity is minimal.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Attached hereto and filed as a part of this Annual Report on Form 10-K are our Consolidated Financial Statements, beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9AT. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, based on an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT")), our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective for ensuring that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the SEC's rules and forms. We also concluded that information required to be disclosed in such reports is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. There was no change in our internal controls over financial reporting that occurred during the most recent fiscal quarter that materially affected or is reasonably likely to materially affect our internal controls over financial reporting. Our management has not yet completed, and is not yet required to have completed, its assessment of internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

DIRECTORS AND EXECUTIVE OFFICERS

Our current directors, executive officers and key employees, and such persons' biographical information are set forth below:

NAME	AGE	TITLE

Bernard Berk	59	Director, Chairman, Chief Executive Officer and
Barry Dash, Ph. D	76	Director
Melvin M. Van Woert, M.D.	77	Director
Veerappan Subramanian, Ph. D.	58	Former Director*
Robert J. Levenson	67	Director
Mark I. Gittelman	48	Chief Financial Officer, Secretary and Treasure
Stuart Apfel	48	Chief Scientific Officer and Chief Medical Offi
Chris Dick	53	Executive Vice President of Corporate Developme
Charan Behl	56	Head of Technical Affairs

* Dr. Veerappan Subramanian ceased being a Director on June 26, 2008.

The principal occupations and employment of each such person during the past five years is set forth below. In each instance in which dates are not provided in connection with a nominee's business experience, such nominee has held the position indicated for at least the past five years.

MR. BERNARD BERK, President and Chief Executive Officer since June 2003, Director since February 2004 and Member of the Nominating Committee from June 2004 to June 2008. From 1996 to 2003, Mr. Berk was the President and Chief Executive Officer of Michael Andrews Corporation, a pharmaceutical management consultant firm. Mr. Berk was, from 1994 until 1996, President and Chief Executive Officer of Nale Pharmaceutical Corporation. From 1989 until 1994, he was Senior Vice President of Sales, Marketing and Business Development of Par Pharmaceuticals, Inc. Mr. Berk holds a B.S. from New York University.

DR. BARRY DASH, Director since April 2005, Member of the Audit Committee since April 2005, Member of the Nominating Committee since April 2005 and Member of the Compensation Committee since June 2007. Dr. Dash has been, since 1995, President and Managing Member of Dash Associates, L.L.C., an independent consultant to the pharmaceutical and health industries. From 1983 to 1996 he was employed by American Home Products Corporation (now known as Wyeth) its Whitehall-Robins Healthcare Division, initially as Vice President of Scientific Affairs, then Senior Vice President of Scientific Affairs and then Senior Vice President of Advanced Technologies during which time he personally supervised six separate departments: Medical and Clinical Affairs, Regulatory Affairs, Technical Affairs, Research and Development, Analytical R&D and Quality Management/Q.C. Dr. Dash had been employed by the Whitehall Robins Healthcare Division from 1960 to 1976, during which time he served as Director of Product Development Research, Assistant Vice President of Product Development and Vice President of Scientific Affairs. Dr. Dash had been employed by J.B. Williams Company (Nabisco Brands, Inc.) from 1978 to 1982. From 1976 to 1978 he was Vice President and Director of Laboratories of the Consumer Products Division of American Can Company. He currently serves on the board of directors of GeoPharma, Inc. (NASDQ: GORX). Dr. Dash holds a Ph.D. from the University of Florida and M.S. and B.S. degrees from Columbia University where he was Assistant Professor at the College of Pharmaceutical Sciences from 1956 to 1960. He is a member of the American Pharmaceutical Association, the American Association for the Advancement of Science and the Society of Cosmetic Chemist,

American Association of Pharmaceutical Scientists, Drug Information Association, American Foundation for Pharmaceutical Education, and Diplomate American Board of Forensic Examiners. He is the author of scientific publications and patents in the pharmaceutical field.

ROBERT J. LEVENSON, Director since 2007, Member of the Audit Committee since June 2007, Member of the Compensation Committee since June, 2007 and Member of the Nominating Committee since June 2008. Since 2000, Mr. Levenson has been a Managing Member of the Lenox Capital Group, L.L.C. Mr. Levenson was previously an Executive Vice President of First Data Corporation from 1993 to 2000 and a member of its Board of Directors from 1992 to 2003. He was Senior Executive Vice President, Chief Operating Officer, Member of the Office of the President and Director of Medco Containment Services, Inc., a provider of managed care prescription benefits, from October 1990 to December 1992. From 1985 until October 1990, Mr. Levenson was a Group President and Director of Automatic Data Processing, Inc. (ADP-NYSE). Mr. Levenson was a Director of Emisphere Technologies, Inc., a biopharmaceutical company, from 1998 to 2005, and has been a director of several other companies, public and private.

DR. MELVIN VAN WOERT, Director since April 2005, Member of the Audit Committee since April 2005, Member of the Nominating Committee since April 2005 and Member of the Compensation Committee since June 2007. Dr. Van Woert has been since 1974 a member of the staff of Mount Sinai Medical

Center and, since 1978 has also been a Professor in the Department of Neurology and Pharmacology at Mount Sinai School of Medicine. Dr. Van Woert had been a consultant for Neuropharmacological Drug Products to the FDA from 1974 to 1980; Associate Editor for Journal of the Neurological Sciences; Member of the Editorial Board of the Journal of Clinical Neurpharmacology; and Medical Director of National Organization for Rare Disorders for which he received in 1993 the Humanitarian Award. Dr. Van Woert's other awards include the U.S. Public Health Service Award for Exceptional Achievement in Orphan Products Development and the National Myoclonus Foundation Award. He has authored and co-authored more than 150 articles appearing in pharmacological, medical and other professional journals or publications.

DR. VEERAPPAN SUBRAMANIAN, Director from December 2006 to June 2008 and was acting Chief Scientific Officer from February 2007 to April 2008. Since December 2006, Dr. Subramanian serves as Chief Executive Officer and Chairman of the Board of Novel Laboratories, Inc. Dr. Subramanian has been a pharmaceutical executive since 1981 and a pharmaceutical entrepreneur since 1997, when he formed Kali Laboratories, Inc. ("KALI LABS"). Kali Labs was acquired by Par Pharmaceuticals, Inc. ("PAR PHARMACEUTICALS") in 2004 and Dr. Subramanian continued to work as an executive vice president at Par Pharmaceuticals after the acquisition. Dr. Subramanian ended his relationship with Par Pharmaceuticals in January 2006. Prior to organizing Kali Labs, Dr. Subramanian served for 6 years as vice president of scientific affairs for Zenith Laboratories, Inc. Prior to working with Zenith Laboratories, Inc. he was (i) the Director of New Product Development and Technical Services for Kali Pharma, Inc., (ii) a Senior Scientist, Commercial Products with Vicks Research Center, (iii) a Research Pharmacist, Dermatological with Johnson & Johnson and (iv) a Research Pharmacist in Product Development with E.R. Squibb & Sons. Between 2001 and 2005, Dr. Subramanian served on the board of Generic Pharmaceutical Industry Association. Dr. Subramanian has a Ph.D. in Pharmacy (1981) from Rutgers University, a M.S. in Phamaceutics (1973) from Birla Institute of Technology & Science, and a B.S. in Pharmacy (1971) from Madurai Medical College.

DR. STUART APFEL, Chief Medical Officer since January 2008 and Chief

Scientific Officer since April 2008. Dr. Apfel is also the founder and current president of Parallax Clinical Research, a New York-based consulting firm that provides strategic and practical assistance with clinical trial protocol design, planning, initiating and management to biotechnology and small pharmaceutical companies with making the transition from the bench to a clinical development program, and in this capacity he had served as a consultant to Elite from January 2007 through December 2007. From 2004 to 2006, Dr. Apfel was employed at DOV Pharmaceuticals, Inc. (OTC:DOVP), initially as a director of clinical research and then as a senior director of clinical research. From 2000 to 2004, Dr. Apfel was employed at Purdue Pharma L.P. Dr. Apfel initially worked as an associate director of clinical research at Purdue Pharma L.P. and then was promoted to a director of clinical research. Dr. Apfel is a board certified neurologist, and is currently on faculty as Associate Professor of Neurology at the Albert Einstein College of Medicine and at Downstate Medical School, where he continues to teach. From 1990 to 2000, he was a full time faculty member in the departments of Neurology and Neuroscience at Albert Einstein College of Medicine, where his research focused on the application of neurotrophic factors to neurologic disease.

MARK I. GITTELMAN, Chief Financial Officer, Secretary and Treasurer of the Company, is the President of Gittelman & Co., P.C., an accounting firm in Clifton, New Jersey. Prior to forming Gittelman & Co., P.C. in 1984, he worked as a certified public accountant with the international accounting firm of KPMG Peat Marwick, LLP. Mr. Gittelman holds a B.S. in accounting from New York University and a Masters of Science in Taxation from Fairleigh Dickinson University. He is a Certified Public Accountant licensed in New Jersey and New York, and is a member of the American Institute of

Certified Public Accountants ("AICPA"), and the New Jersey State and New York State Societies of CPAs. Other than Elite Labs, no company with which Mr. Gittelman was affiliated in the past was a parent, subsidiary or other affiliate of the Company.

CHRIS DICK, Executive Vice President of Corporate Development since March, 2006. Since November 2002, the Company has engaged Mr. Dick to direct its licensing and business development activities. From 1999 to 2002, Mr. Dick served as Director of Business Development for Elan Drug Delivery, Inc. responsible for licensing and business development of Elan's portfolio of drug delivery technologies. From 1997 to 1999, he was Manager of Business Development and Marketing for EnTec, a drug delivery business unit within FMC Corporation's Pharmaceutical Division. Prior thereto he held various other business and technical positions at FMC Corporation, including Manager of Marketing for its pharmaceutical functional coatings product line. Mr. Dick holds an M.B.A. from the Stern School of Business, New York University, and a B.S. and M.S. in Chemical Engineering from Cornell University.

DR. CHARAN BEHL, Head of Technical Affairs since February 2007 and Executive Vice President and Chief Scientific Officer from March 2006 to February 2007. Dr. Behl has provided the Company since June 2003 consulting technological services as an independent contractor. He was from January 1995 to July 1998 Vice President of R&D and from July 1988 to January 2001 Executive Vice President of R&D of Nastech Pharmaceutical Corporation, Inc. ("NASTECH"). From April 1981 to November 1994, Dr. Behl was employed by Hoffman La Roche ("ROCHE"), where he held a number of positions, including research leader of its Pharmaceutical R&D Department. During his tenure at Roche and Nastech, Dr. Behl created intellectual property in the area of drug delivery. His patent portfolio includes over 40 patents issued, pending and in preparation. Dr. Behl holds a B.S. in Pharmaceutical Sciences from BITS, Pilani, India, an M.S. in

Pharmaceutics from Duquesne University, under the mentorship of Dr. Alvin M. Galinsky, and a Ph.D. in Pharmaceutical Sciences from the University of Michigan, under the mentorship of Dr. William I. Higuchi. Dr. Behl was an Assistant Research Scientist from 1978 to 1981 at the University of Michigan. Dr. Behl is internationally known for his scientific and professional activities. He has coauthored over 200 publications, including research articles, book chapters, and abstracts, and has made numerous presentations at national and international conferences and workshops. In conjunction with associates from academia and industry and representatives of the FDA, Dr. Behl has co-organized several workshops and symposia. He was the founding chair of Nasal Drug Delivery Focus Group formed in 1995 under the auspices of the American Association of Pharmaceutical Scientists ("AAPS"), and served as its Chairman from 1995 to 2001. Dr. Behl is a fellow of the AAPS.

There is no family relationship among our directors and executive officers.

Each director holds office (subject to our By-Laws) until the next annual meeting of stockholders and until such director's successor has been elected and qualified. Except for Mr. Berk, Mr. Dick, Dr. Apfel and Dr. Behl, each of whom is employed pursuant to an employment agreement, all of our executive officers are serving until the next annual meeting of directors and until their successors have been duly elected and qualified. There are no family relationships between any of our directors and executive officers.

BOARD MEETINGS

During the fiscal year ended March 31, 2008, our Board of Directors held eight meetings and acted via written consent on three occasions. No incumbent director attended fewer than 75% of the meetings of the Board of Directors during that year.

We do not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of stockholders, although it does encourage attendance by the directors. Historically, more than a majority of the directors have attended the annual meeting.

COMMITTEES OF THE BOARD

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee.

AUDIT COMMITTEE

During the fiscal year ended March 31, 2008, the members of the Audit Committee were Barry Dash, Robert J. Levenson (Chairman of the Audit Committee) and Melvin Van Woert. The Audit Committee held four meetings during the fiscal year ended March 31, 2008. A copy of the Audit Committee's written charter (adopted by the Board of Directors) can be found on our website at www.elitepharma.com. The Audit Committee reviews with management and our auditors our financial statements, the accounting principles applied in their preparation, the scope of the audit, any comments made by the auditors on our financial statements and our accounting controls and procedures, the independence of our auditors, our internal controls, the other matters set forth in its charter, as adopted by the Board of Directors, and such other matters as the Audit Committee deems appropriate. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors for the purpose of preparing or issuing an

audit report or performing other audit, review or attest services for us. We deem the members of our Audit Committee to be independent and Mr. Levenson to be qualified as an audit committee financial expert.

NOMINATING COMMITTEE

During the fiscal year ended March 31, 2008, the members of the Nominating Committee were Melvin Van Woert (Chairman of the Nominating Committee), Bernard Berk and Barry Dash. The Nominating Committee acted via written consent on one occasion. This committee does not have a charter. The Nominating Committee assists the Board of Directors in identifying and recommending qualified Board candidates. The Nominating Committee identifies Board candidates through numerous sources, including recommendations from Directors, executive officers and our stockholders. The Nominating Committee seeks to have available to it qualified candidates from a broad pool of individuals with a range of talents, experience, backgrounds and perspectives. The Nominating Committee seeks to identify those individuals most qualified to serve as Board members and considers many factors with regard to each candidate, including judgment, integrity, diversity, prior experience, the interplay of the candidate's experience with the experience of other Board members, the extent to which the candidate would be desirable as a member of any committees of the Board of Directors, and the candidate's willingness to devote substantial time and effort to Board responsibilities. The Nominating Committee makes recommendations to the Board of Directors with respect to Director nominees.

COMPENSATION COMMITTEE

During the fiscal year ended March 31, 2008, the members of the Compensation Committee were Barry Dash (Chairman of the Compensation Committee), Robert J. Levenson and Melvin Van Woert. The Compensation Committee held six meetings during the fiscal year ended March 31, 2008. The Compensation Committee was formed June 26, 2007 and adopted a charter which was included as an appendix to the proxy statement sent to stockholders in connection with the annual meeting of the

stockholders held on June 26, 2008. The Compensation Committee reviews our compensation practices and policies, reviews and approves corporate goals and objectives relevant to the chief executive officer and other executive officer compensation, evaluates chief executive officer and executive officer performance in light of those goals and objectives and, either as a committee or together with other independent directors (as directed by the Board of Directors), determines and approves chief executive officer and executive officer compensation based on this evaluation, reviews and approves the terms of the offer letters, employment agreements, severance agreements, change-in-control agreements, indemnification agreements and other material agreements between the Company and its Chief Executive Officer and executive officers, annually reviews and approves perquisites for the chief executive officer and executive officers, considers and approves the report of the Compensation Committee for inclusion in the Company's proxy statement, makes recommendations to the Board of Directors with respect to the Company's employee benefit plans, administers incentive, deferred compensation and equity based plans, and has the other responsibilities as set forth in its charter, as adopted by the Board of Directors, and such other matters as the Compensation Committee deems appropriate. For more information on the compensation of directors and officers of the Company, see the "Compensation Discussion and Analysis" and "Compensation" sections below.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No members of the Compensation Committee were officers or employees of the Company or any of its subsidiaries during the year ended March 31, 2008, or had any relationship otherwise requiring disclosure.

CODE OF CONDUCT

At the first meeting of the Board of Directors following the annual meeting of stockholders held on June 22, 2004, the Board of Directors adopted a Code of Business Conduct and Ethics for its officers and employees which it believes complies with the requirements for a company code of ethics for financial officers that were promulgated by the SEC pursuant to the Sarbanes-Oxley Act of 2002 (the "SARBANES-OXLEY ACT") as well as for the members of our Board of Directors. The directors will be surveyed annually regarding their compliance with the policies as set forth in the Code of Conduct for Directors. A copy of the Code of Business Conduct and Ethics is available on our website at www.elitepharma.com. To receive a copy of our Code of Business Conduct and Ethics, at no cost, requests should be directed to the Secretary, Elite Pharmaceuticals, Inc., 165 Ludlow Avenue, Northvale, New Jersey 07647. We intend to disclose any amendment to, or waiver of, a provision of the Business Conduct and Ethics for Directors in a report filed under the Exchange Act within five business days of the amendment or waiver.

STOCKHOLDER COMMUNICATIONS

Stockholders and other interested parties may contact the Board of Directors or the non-management directors as a group at the following address: Board of Directors or Outside Directors, Elite Pharmaceuticals, Inc., 165 Ludlow Avenue, Northvale, NJ 07647. All communications received at the above address will be relayed to the Board of Directors or the non-management directors, as the case may be. Communications regarding accounting, internal accounting controls or auditing matters may also be reported to the Board of Directors using the above address.

Typically, we do not forward to our directors communications from our stockholders or other communications which are of a personal nature or not related to the duties and responsibilities of the Board, including:

- Junk mail and mass mailings
- New product suggestions
- Resumes and other forms of job inquiries
- Opinion surveys and polls
- Business solicitations or advertisements

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

To our knowledge, there was no person who, at any time during the fiscal year ended March 31, 2008, was a director, officer or beneficial owner of more than 10% of any class of our equity securities registered pursuant to Section 12 of the Exchange Act, who failed to file on a timely basis the reports required by Section 16(a) of the Exchange Act. Dr. Barry Dash filed one late Form 4 since the fiscal year ended March 31, 2008.

ITEM 11. EXECUTIVE COMPENSATION.

COMPENSATION DISCUSSION AND ANALYSIS

SUMMARY

Our approach to executive compensation, one of the most important and complex aspects of corporate governance, is influenced by our belief in rewarding people for consistently strong execution and performance. We believe that the ability to attract and retain qualified executive officers and other key employees is essential to our long-term success.

COMPENSATION LINKED TO ATTAINMENT OF PERFORMANCE GOALS

Our plan to obtain and retain highly skilled employees is to provide significant incentive compensation opportunities and market competitive salaries. The plan was intended to link individual employee objectives with overall company strategies and results, and to reward executive officers and significant employees for their individual contributions to those strategies and results. We use compensation and performance data from comparable companies in the pharmaceutical industry to establish market competitive compensation and performance standards for our employees. Furthermore, we believe that equity awards serve to align the interests of our executives with those of our stockholders. As such, equity is a key component of our compensation program.

ROLE OF THE COMPENSATION COMMITTEE AND ITS ADVISORS

The Company formed the Compensation Committee in June 2007. Since the formation of the Compensation Committee all elements of the executives' compensation are determined by the Compensation Committee, which is comprised solely of independent non-employee directors. However, the Compensation Committee's decisions concerning the compensation of the Company's Chief Executive Officer are subject to ratification by the independent directors of the Board of Directors. As of March 31, 2008, the members of the Compensation Committee were Barry Dash, Robert J. Levenson and Melvin Van Woert. The Committee operates pursuant to a charter which was included as an appendix to

the proxy statement sent to stockholders in connection with the annual meeting of the stockholders held on June 26, 2008. Under the Compensation Committee charter, the Compensation Committee has authority to retain compensation consultants, outside counsel, and other advisors that the committee deems appropriate, in its sole discretion, to assist it in discharging its duties, and to approve the terms of retention and fees to be paid to such consultants. In September, 2007, the Compensation Committee directly retained an independent compensation consultant, Pearl Meyer & Partners ("PM&P"), to assist the Committee in selecting a comparator group of companies for compensation purposes as well as benchmarking the Chief Executive Officer's compensation.

The compensation consultant reported directly and exclusively to the Compensation Committee and received no other fees from the Company outside its role as advisor to the Compensation Committee. PM&P periodically interacted with the Company's Compensation Committee, predominately with its Chairman, Dr. Barry Dash, to gather and review information related to the executive compensation program, but such work is done only at the direction of the Compensation Committee. PM&P does not perform any services unrelated to executive and director compensation for the Company. Accordingly, the Compensation Committee considers PM&P to be independent from our management.

NAMED EXECUTIVE OFFICERS AND KEY EMPLOYEES

The named executive officers and key employees for fiscal year ending March 31, 2008 are Bernard Berk, President and Chief Executive Officer; Mark I.

Gittelman, Chief Financial Officer; Christopher Dick, Executive Vice President of Corporate Development; Charan Behl, Chief Scientific Officer until February 9, 2007, Head of Technical Affairs since February 9, 2007; Veerappan Subramanian, acting Chief Scientific Officer from February 9, 2007 to April 24, 2008; and Stuart Apfel, Chief Medical Officer since January 1, 2008 and Chief Scientific Officer since April 24, 2008. These individuals are referred to collectively in this Annual Report on Form 10-K as the "Named Executive Officers."

OUR EXECUTIVE COMPENSATION PROGRAM

OVERVIEW

The primary elements of our executive compensation program are base salary, incentive cash and stock bonus opportunities and equity incentives typically in the form of stock option grants. Although we provide other types of compensation, these three elements are the principal means by which we provide the Named Executive Officers with compensation opportunities.

The emphasis on the annual bonus opportunity and equity compensation components of the executive compensation program reflect our belief that a large portion of an executive's compensation should be performance-based. This compensation is performance-based because payment is tied to the achievement of corporate performance goals. To the extent that performance goals are not achieved, executives will receive a lesser amount of total compensation. We have entered into employment agreements with four of our Named Executive Officers. Such employment agreements set forth base salaries, bonuses and stock option grants. Such stock option grants are predicated on our achievement of corporate performance goals as set forth in such agreements.

ELEMENTS OF OUR EXECUTIVE COMPENSATION PROGRAM

BASE SALARY

We pay a base salary to certain of the Named Executive Officers. In general, base salaries for the Named Executive Officers are determined by evaluating the responsibilities of the executive's position, the executive's experience and the competitive marketplace. Base salary adjustments are considered and take into account changes in the executive's responsibilities, the executive's performance and changes in the competitive marketplace. We believe that the base salaries of the Named Executive Officers are appropriate within the context of the compensation elements provided to the executives and because they are at a level which remains competitive in the marketplace.

BONUSES

The Board of Directors may authorize us to give discretionary bonuses, payable in cash or shares of Common Stock, to the Named Executive Officers and other key employees. Such bonuses are designed to motivate the Named Executive Officers and other employees to achieve specified corporate, business unit and/or individual, strategic, operational and other performance objectives.

STOCK OPTIONS

Stock options constitute performance-based compensation because they have value to the recipient only if the price of our Common Stock increases. Stock options for each of the Named Executive Officers generally vest over time,

obtainment of a corporate goal or a combination.

The grant of stock options at Elite is the centerpiece of our compensation program and is designed to motivate our Named Executive Officers to achieve our short-term and long-term corporate goals.

As the pharmaceutical industry is characterized by a long product development cycle, including a lengthy research and product-testing period and a rigorous approval phase involving human testing and governmental regulatory approval, many of the traditional benchmarking metrics for vesting, such as product sales, revenues and profits are inappropriate for an early-stage pharmaceutical company such as Elite. We consider when determining vesting benchmarks the following which are aligned with our short-term and long-term corporate goals:

- clinical trial progress;
- achievement of regulatory milestones; and
- establishment of key strategic relationships.

RETIREMENT AND DEFERRED COMPENSATION BENEFITS

We do not presently provide the Named Executive Officers with a defined benefit pension plan or any supplemental executive retirement plans, nor do we provide the Named Executive Officers with retiree health benefits. We have adopted a deferred compensation plan under Section 401(k) of the Code. The plan provides for employees to defer compensation on a pretax basis subject to certain limits, however, Elite does not provide a matching contribution to its participants.

The retirement and deferred compensation benefits provided to the Named Executive Officers are not material factors considered in making other compensation determinations with respect to Named Executive Officers.

PERQUISITES

As described in more detail below, the perquisites provided to certain of the Named Executive Officers consist of car and parking allowances and life insurance premiums. These perquisites represent a small fraction of the total compensation of each such Named Executive Officer. The value of the perquisites we provide are taxable to the Named Executive Officers and the incremental cost to us of providing these perquisites is reflected in the Summary Compensation Table. The Board of Directors believes that the perquisites provided are reasonable and appropriate. For more information on perquisites provided to the Named Executive Officers, please see the "All Other Compensation" column of the Summary Compensation Table on page 60 of this Annual Report on Form 10-K and "Agreements with Named Executive Officers" below.

POST-TERMINATION/ CHANGE OF CONTROL COMPENSATION

In addition to retirement and deferred compensation benefits described above, we have arrangements with certain of the Named Executive Officers that may provide them with compensation following termination of employment. These arrangements are discussed below under "Agreements with Named Executive Officers".

TAX IMPLICATIONS OF EXECUTIVE COMPENSATION

Our aggregate deductions for each Named Executive Officer compensation

are potentially limited by Section 162(m) of the Code to the extent the aggregate amount paid to an executive officer exceeds $1.0 million, unless it is paid under a predetermined objective performance plan meeting certain requirements, or satisfies one of various other exceptions specified in the Code. At our 2006 Named Executive Officer compensation levels, we did not believe that Section 162(m) of the Code would be applicable, and accordingly, we did not consider its impact in determining compensation levels for our Named Executive Officers in 2007.

AGREEMENTS WITH NAMED EXECUTIVE OFFICERS AND KEY EMPLOYEES

BERNARD BERK

On November 13, 2006, we entered into the Second Amended and Restated Employment Agreement with Mr. Berk, our president, chief executive officer and chairman of the Board of Directors (the "BERK AGREEMENT")

The Berk Agreement provides for a base annual salary of $330,140 (his current salary) which may at the discretion of the Board of Directors be increased in light of factors including our existing financial condition and Mr. Berk's success in implementing our business plan and achieving our strategic alternatives. Mr. Berk is entitled to an automobile allowance of $800 per month. The Berk Agreement provides for payment of a discretionary bonus following the end of each fiscal year of up to 50% of Mr. Berk's then annual base salary. The amount, if any, of the discretionary bonus will be determined by the Compensation Committee. Mr. Berk's bonus is to be based on any commercialization of products, merger or acquisition, business combination or collaborations, growth in revenues and earnings,

additional financings or other strategic business transactions that inure to the benefit of our stockholders. The bonus, if any, may be paid in cash or shares of Common Stock, valued at the closing price of the Common Stock on the immediately preceding trading day. For the year ended March 31, 2008 Mr. Berk received a $165,070 bonus.

The Berk Agreement provides for the grant of options to purchase up to 300,000 additional shares of Common Stock (the "OPIOID PRODUCT OPTIONS") at a $3.00 exercise price per share, which are to vest in two 150,000 share tranches upon the closing of an exclusive product license for the United States national market, the entire European Union Market or the Japan market or a product sale transaction of all our ownership rights in the United States (only once for each product) for our first drug developed by us for which the FDA approval will be sought under a NDA (including a 505(b) (2) application) for oxycodone, hydrocodone, hydromorphone, oxymorphone, or morphine (each a "NON-GENERIC OPIOID PRODUCT") as to the first tranche and as to our second Non-Generic Opioid Product for the second tranche.

The Berk Agreement provides for the amendment of the vesting of options as to 400,000 shares of Common Stock which had been granted on September 2, 2005 to Mr. Berk at an exercise price of $2.69 per share (the "BERK MILESTONE OPTIONS") with the Berk Milestone Options to vest (A) as to not more than 125,000 shares and 75,000 shares, respectively, upon the commencement of the first Phase III clinical trial relating to the first and then the second Non-Generic Opioid Product developed by us; (B) 50,000 shares upon the closing of each product license or product sale transaction (on a product by product basis and only once for each product) other than Non-Generic Opioid Product for which options were granted above; (C) 10,000 shares upon the filing by us (in

our name) with the FDA of either an ANDA or a NDA, for a product not covered by a previous FDA application; (D) 40,000 shares upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously approved by the FDA; (E) 25,000 shares upon the filing of an application for a U.S. patent by us (in our name); and (F) 25,000 shares upon the granting by the U.S. Patent and Trademark Office (the "PTO") of a patent to us filed in our name or an approval of an ANDA or NDA; provided, however the foregoing options terminate upon Mr. Berk's termination of employment except that options under (D) and (F) nevertheless vest if the filing was made during the initial term but prior to termination of Mr. Berk's employment by us without cause and the approval was made within 540 days of the filing of the ANDA, NDA or patent application.

We also agreed that in the event that, as to Mr. Berk, all of the options to purchase the full 400,000 Berk Milestone Options have fully vested during the initial term of the agreement, we will grant under the Stock Option Plan to Mr. Berk at the end of the first current fiscal year in which the following event occurs fully vested additional options to purchase the following shares at the fair market value on the date of grant (the "ADDITIONAL BERK MILESTONE OPTIONS"): (a) to the extent not previously vested with respect to his comparable Berk Milestone Options: (i) up to 125,000 shares upon the commencement of the first Phase III clinical trial relating to the first Non-Generic Opioid Product developed by us; and (ii) up to an additional 125,000 shares as to such trial relating to the second Non-Generic Opioid Product developed by us, (b) 50,000 shares upon the closing of each product license for the United States national market or product sale transaction of all ownership rights (on a product by product basis and only once for each product); (c) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or NDA for a product not covered by a previous FDA application for each drug product of ours, other than the Non-Generic Opioid Products for which any Opioid Option was granted under the Berk Agreement; (d) 40,000 shares upon the approval by the FDA of any ANDA, NDA or 505(b)(2) application filed in our name for a product not previously approved by the FDA; (e) 25,000 shares in the event of the filing of an application of an additional U.S. patent by us (filed in our name); and (f) 25,000

shares in the event of the granting by the PTO of the foregoing additional patent applications to us (filed in our name).

The Berk Agreement acknowledges that Mr. Berk holds previously granted incentive stock options to purchase 725,000 shares, of which 300,000 vested options are exercisable at $2.01 per share, 225,000 vested options are exercisable at $2.15 per share and 200,000 vested options are exercisable at $2.69 per share.

The Berk Agreement allows us at our discretion to grant to Mr. Berk additional options under the Stock Option Plan and provides Mr. Berk the right to register at our expense for reoffering shares issued upon exercise of the options under the Securities Act in certain registration statements filed by us with respect to offerings of securities by us.

The Berk Agreement provides that if we terminate his employment due to his permanent disability, without Cause (as defined in the Berk Agreement) or Mr. Berk terminates his employment for Good Reason (as defined in the Berk Agreement), Mr. Berk shall be entitled to the following severance: (i) any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment, (ii) the then-current base salary and reimbursement of the cost to replace the life and disability insurance coverages afforded to Mr. Berk under our benefit plans with

substantially similar coverages, following the effective date of termination of his employment, for a period equal to the greater of (x) the remainder of the then-current term, or (y) two years following the effective date of termination and (iii) payment by us of premiums for health insurance for the period during which Mr. Berk is entitled to continued health insurance coverage as specified in the Comprehensive Omnibus Budget Reconciliation Act. In the event that we terminate Mr. Berk's employment because of his permanent disability, Mr. Berk is to be entitled to the severance specified above, less any amounts actually received by him under any disability insurance coverage provided for and paid by us. In the event that we terminate Mr. Berk's employment for Cause or Mr. Berk terminates his employment with us without Good Reason, Mr. Berk shall be entitled to any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment.

The Berk Agreement provides that in the event of a change of control in lieu of any severance that may otherwise be payable to Mr. Berk if he elects to terminate his employment for any reason within 90 days thereof, or we elect to terminate his employment within 180 days thereof, other than for Cause, Mr. Berk will be entitled to the following: (i) any earned but unpaid base salary plus any unpaid reimbursable expenses as of the effective date of termination of his employment, (ii) $1,000,000, (iii) the then-current base salary for a period of 12 months following the effective date of termination, (iv) reimbursement of the cost, for a period of 12 months following the effective date of termination, of replacing the life and disability insurance coverage afforded to Mr. Berk under our benefit plans with substantially similar coverage and (v) payment by us of premiums for health insurance for the period during which Mr. Berk is entitled to continued health insurance coverage as specified in the Comprehensive Omnibus Budget Reconciliation Act.

The Berk Agreement contains his non-solicitation covenant for a period of one year from termination.

Mr. Berk is to be reimbursed for expenses (including business, travel and entertainment) reasonably incurred in the performance of his duties. Mr. Berk is entitled to participate in such employee benefit and welfare plans and programs which may be offered to our senior executives, including life insurance, health and accident insurance, medical plans and programs and profit sharing and retirement plans.

The Berk Agreement is for an initial term ending November 13, 2009, subject to automatic one-year renewals unless terminated by Mr. Berk or us upon at least 60 days' notice prior to the end of the then scheduled expiration date. We have the right to terminate Mr. Berk's employment in the event of his inability to perform work due to physical or mental illness or injury for nine full calendar months during any eight consecutive calendar months.

CHRIS DICK

On November 13, 2006, we entered into an employment agreement with Mr. Dick as Executive Vice President of Corporate Development (the "DICK AGREEMENT"). The Dick Agreement is for an initial term ending November 13, 2009, subject to automatic one-year renewals unless terminated by the executive or us upon at least 60 days notice prior to the end of the then scheduled expiration date. We have the right to terminate Mr. Dick's employment due to disability as defined in a long-term disability insurance policy reasonably satisfactory to him or, in the absence of such policy, due to Mr. Dick's inability for 120 days in any 12 month period to substantially perform his duties as a result of a physical or mental illness.

The Dick Agreement provides for an initial base annual salary of $200,000, a guaranteed bonus of $25,000 payable within 30 calendar days of the end of each fiscal year during the term and a $700 per month automobile allowance. The Dick Agreement provides for payment of a discretionary bonus following the end of each fiscal year of up to 50% of Mr. Dick's then annual base salary. The amount, if any, of the discretionary bonus will be determined by the Board of Directors or the Compensation Committee. The discretionary bonus, if paid to Mr. Dick will be based on the achievement of goals discussed with the executive in good faith and within a reasonable time following the commencement of each fiscal year and may be paid in cash or shares of our Common Stock valued at the average of the closing price per share during the five trading days immediately preceding the date of issuance of the shares. For the year ended March 31, 2008 Mr. Dick is to receive a $25,000 bonus.

The Dick Agreement provides for the grant under the Stock Option Plan of fully-vested options to purchase 250,000 shares of Common Stock at an exercise price of $2.25 per share. The Dick Agreement also provides for the grant of options to purchase up to 300,000 shares of Common Stock, at an exercise price of $2.25 per share, which vest in two 150,000 share tranches upon the closing of an exclusive product license for the United States national market, the entire European Union Market or the Japan market or a product sale transaction of all our ownership rights in the United States (only once for each product) for our first drug developed by us for which FDA approval will be sought under a NDA (including a 505(b) (2) application) for a Non-Generic Opiod Product as to the first tranche and as to our second Non-Generic Opioid Product for the second tranche.

The Dick Agreement also provides for the grant of options to purchase up to 200,000 shares of Common Stock at an exercise price of $2.25 per share (the "DICK MILESTONE OPTIONS") with the Dick Milestone Options to vest (A) as to not more than 125,000 shares and 75,000 shares, respectively, upon the commencement of the first Phase III clinical trial relating to the first and then the second Non-Generic Opioid Product developed by us; (B) 50,000 shares upon the closing of each product license or product sale transaction (on a product by product basis and only once for each product) other than Non-Generic Opioid Products for which options were granted above; (C) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or an NDA, for a product not covered by a previous FDA application; (D) 40,000 shares upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously approved by the FDA; (E) 25,000 shares upon the filing of an application for a U.S. patent by us (in our name); and (F) 25,000 shares upon the granting by the PTO of

a patent to us filed in our name or an approval of an ANDA or NDA; provided, however, that the foregoing options terminate upon the executive's termination of employment except that options under (D) and (F) nevertheless vest if the filing was made during the initial term but prior to termination of Mr. Dick's employment by us without cause and the approval was made within 540 days of the filing of the ANDA, NDA or patent application.

We also agreed that if all 200,000 Dick Milestone Options have fully vested during the initial term of the Dick Agreement, we will grant under the Stock Option Plan to Mr. Dick at the end of the first current fiscal year in which the following event occurs fully vested additional options to purchase the following shares at the fair market value on the date of grant (the "ADDITIONAL DICK MILESTONE OPTIONS"): (a) to the extent not previously vested with respect to his comparable Dick Milestone Options: (i) up to 125,000 shares upon the

commencement of the first Phase III clinical trial relating to the first Non-Generic Opioid Product developed by us; and (ii) up to an additional 125,000 shares as to such trial relating to the second Non-Generic Opioid Product developed by us, (b) 50,000 shares upon the closing of each product license for the United States national market or product sale transaction of all ownership rights (on a product by product basis and only once for each product); (c) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or NDA for a product not covered by a previous FDA application for each drug product of us, other than the Non-Generic Opioid Products for which any Opioid Option was granted under the Dick Agreement; (d) 40,000 shares upon the approval by the FDA of any ANDA, NDA or 505(b)(2) application filed in our name for a product not previously approved by the FDA; (e) 25,000 shares in the event of the filing of an application of an additional U.S. patent by us (filed in our name); and (f) 25,000 shares in the event of the granting by the PTO of the foregoing additional patent applications to us (filed in our name).

The Dick Agreement allows us at our discretion to grant to Mr. Dick additional options under the Stock Option Plan and provides Mr. Dick the right to register at our expense for reoffering shares issued upon exercise of the options under the Securities Act in certain registration statements filed by us with respect to offerings of securities by us.

The Dick Agreement provides that in the event we terminate Mr. Dick's employment for Cause (as defined in the Dick Agreement) or Mr. Dick terminates employment without Good Reason (as defined in the Dick Agreement), he is to receive salary through date of termination, reimbursement for expenses incurred prior to termination, all unvested options will terminate as of the date of termination and vested options will be governed by the terms of the Stock Option Plan and the related option agreement. In the event of a termination due to death, disability or by us without cause or by Mr. Dick for Good Reason, we are to pay him or his estate subject to his compliance with certain covenants, including non-competition, non-solicitation, confidentiality and assignment of intellectual property, his base salary for the longer of the balance of the initial term or one year from date of termination, continue health insurance coverage for 12 months from termination and his vested options are to be exercisable for 90 days from date of termination.

In the event the employment of Mr. Dick is terminated by us following a Change of Control (as defined below) of Elite, Mr. Dick will be entitled to the amounts payable as a result of termination by us without cause plus a lump sum payment of $500,000 and all unvested options shall immediately vest and along with unexercised vested options be exercisable within 90 days from the date of termination. "Change of Control" is defined as the acquisition of Elite pursuant to a merger or consolidation which results in the reduction to less than 50% of the shares outstanding upon consummation of the holders of its outstanding shares immediately prior thereto or sale of substantially all our assets or capital stock to another person, or the acquisition by a person or a related group in a single transaction or a series of

related transaction of more than 50% of the combined voting power of Elite's outstanding voting securities.

Mr. Dick has agreed to a one-year non-competition covenant and a two year non-solicitation covenant following termination of employment.

Mr. Dick is to be reimbursed for expenses (including business, travel and entertainment) reasonably incurred in the performance of his duties, provided, however that reimbursement of expenses in excess of $2,000 per month

are subject to the approval of our chief executive officer. Mr. Dick is entitled to participate in such employee benefit and welfare plans and programs, which may be offered to our senior executives including life insurance, health and accident insurance, medical plans and programs and profit sharing and retirement plans.

DR. STUART APFEL

On January 3, 2008, we entered into an employment agreement with Dr. Stuart Apfel (the "APFEL Agreement") providing for Dr. Apfel to serve as our Chief Medical Officer through January 3, 2009. The Apfel Agreement is automatically renewable for one year periods thereafter unless terminated by Dr. Apfel or us upon at least 60 days notice prior to the end of the then scheduled expiration date.

The Apfel Agreement provides that Dr. Apfel shall be entitled to an initial base annual salary of $220,000. Dr. Apfel shall be entitled to a discretionary bonus following the end of each calendar year, commencing with the calendar year beginning January 1, 2008, of up to 50% of Dr. Apfel's then annual base salary. The amount, if any, of the discretionary bonus will be determined by the Board of Directors or the Compensation Committee. The discretionary bonus, if paid to Dr. Apfel shall be based on the achievement of goals discussed with the executive in good faith and within a reasonable time following the commencement of each calendar year and may be paid in cash or shares of the Common Stock valued at the closing price of the Common Stock on the immediately preceding trading day, for the relevant calendar year (pro-rated for periods of less than a full calendar year).

Pursuant to the terms of the Apfel Agreement, we granted to Dr. Apfel under the Stock Option Plan fully vested options to purchase 120,000 shares of Common Stock at an exercise price of $1.75 per share.

Pursuant to the terms of the Apfel Agreement, we granted to Dr. Apfel under the Stock Option Plan options to purchase up to 280,000 shares of Common Stock at an exercise price of $1.75 per share, which will vest and become exercisable as follows: (A) 80,000 shares upon the successful completion, as determined by the Board of Directors, of a Company sponsored Phase III clinical trial of our developmental drug product referred to as ELI-216; (B) 80,000 shares upon the successful completion, as determined by the Board of Directors, of a Company sponsored Phase III clinical trial of our developmental drug product referred to as ELI-154; (C) 80,000 shares upon the successful completion, as determined by the Board of Directors, by us during the term of the Apfel Agreement of a Company sponsored long-term safety study for ELI-216; and (D) 40,000 shares upon the closing of an exclusive product license for the United States national market, or product sale transaction of all of our ownership rights, for either ELI-216 or ELI-154. Upon the earlier to occur of (x) January 3, 2017 and (y) the termination of Dr. Apfel's employment under the terms of the Apfel Agreement, all unvested options granted shall automatically terminate and all vested but unexercised options shall terminate to the extent unexercised within ninety (90) days of such date and in accordance with the terms of the stock option agreement by and between Dr. Apfel and us with respect to the options and the Stock Option Plan. The Apfel Agreement also allows us at our discretion to grant to Dr. Apfel additional options under the Stock

Option Plan. The shares of Common Stock issuable upon exercise of the options are subject to an effective registration statement filed with the SEC.

Pursuant to the terms of the Apfel Agreement, Dr. Apfel is entitled to

a $420 per month automobile allowance, 15 business days of paid vacation per calendar year, and reimbursement of expenses (including business, travel and entertainment) reasonably incurred in the performance of his duties, provided that reimbursement of expenses in excess of $500 per month are subject to the approval of the chief executive officer. Dr. Apfel is entitled to participate in such employee benefit and welfare plans and programs, which may be offered to our senior executives including life insurance, health and accident insurance, medical plans and programs and profit sharing and retirement plans. We will obtain and maintain during the term of the Apfel Agreement a term life insurance policy in the amount of $500,000 on the life of Dr. Apfel payable to the estate of Dr. Apfel in the event of Dr. Apfel's death during the term of the Apfel agreement.

We have the right to terminate Dr. Apfel's employment due to disability as defined in a long-term disability insurance policy reasonably satisfactory to him or, in the absence of such policy, due to his inability for 120 days in any 12 month period to substantially perform his duties as a result of a physical or mental illness.

In the event we terminate Dr. Apfel's employment for Cause (as such term is defined in the Apfel Agreement) or due to Dr. Apfel's death or disability, or Dr. Apfel terminates his employment for any reason other than Good Reason (as defined in the Apfel Agreement), Dr. Apfel or his estate is to receive salary through date of termination, reimbursement for expenses incurred prior to termination, all unvested options will terminate as of the date of termination and vested options are to be exercisable for 90 days from the date of termination.

In the event of Dr. Apfel's termination by us without Cause or by Dr. Apfel for Good Reason, we are to pay Dr. Apfel, subject to his compliance with certain covenants, including non-competition, non-solicitation, confidentiality and assignment of intellectual property, his base salary for the balance of the calendar year and any accrued but unused vacation, maintain his benefits during the balance of the calendar year, and all unvested options will terminate as of the date of termination and his vested options are to be exercisable for 90 days from date of termination.

Pursuant to the Apfel Agreement, Dr. Apfel has agreed to covenants not to disclose confidential information and assignment of intellectual property. Additionally, Dr. Apfel has agreed to a two-year non-competition covenant and a two year non-solicitation covenant following termination of employment.

Dr. Apfel holds an ownership interest in Parallax Clinical Research ("PARALLAX"), a New York-based consulting firm that provides strategic and practical assistance with clinical trial protocol design, planning, initiating and management to biotechnology and small pharmaceutical companies with making the transition from the bench to a clinical development program and during the term of the Apfel Agreement, Dr. Apfel shall continue to devote a portion of his time to Parallax and provides services, on behalf of Parallax, to its clients, provided that such time and services do not interfere with the effective performance of his duties under the Apfel Agreement and such services do not violate any provision of the Apfel Agreement or any of our policies.

On April 24, 2008, we appointed Dr. Apfel Chief Scientific Officer. This appointment does not modify the Apfel Agreement in any way.

DR. CHARAN BEHL

On November 13, 2006, we entered into an employment agreement with Dr. Behl as Executive Vice President and Chief Scientific Officer. The employment agreement with Dr. Behl was subsequently amended and restated on February 9, 2007 (as amended and restated, the "BEHL AGREEMENT"), under which Dr. Behl's position was changed from Chief Scientific Officer to Head of Technical Affairs and requiring him to report to our Chief Executive Officer, Chief Scientific Officer and any additional executive officer designated by the Board of Directors.

The Behl Agreement is for an initial term ending November 13, 2009, subject to automatic one-year renewals unless terminated by Dr. Behl or us upon at least 60 days notice prior to the end of the then scheduled expiration date. We have the right to terminate Dr. Behl's employment due to disability as defined in a long-term disability insurance policy reasonably satisfactory to him or, in the absence of such policy, due to Dr. Behl's inability for 120 days in any 12 month period to substantially perform his duties as a result of a physical or mental illness.

The Behl Agreement provides for an initial base annual salary of $250,000, a guaranteed bonus of $25,000 payable within 30 calendar days of the end of each fiscal year during the term and a $700 per month automobile allowance. The Behl Agreements provides for payment of a discretionary bonus following the end of each fiscal year of up to 50% of Dr. Behl's then annual base salary. The amount, if any, of the discretionary bonus will be determined by the Board of Directors or the Compensation Committee. The discretionary bonus, if paid to Dr. Behl, is to be based on the achievement of goals discussed with the executive in good faith and within a reasonable time following the commencement of each fiscal year and may be paid in cash or shares of our Common Stock valued at the average of the closing price per share during the five trading days immediately preceding the date of issuance of the shares. For the year ended March 31, 2008, Dr. Behl is to receive a $25,000 bonus.

The Behl Agreement provides for the grant under the Stock Option Plan of fully-vested options to purchase 250,000 shares of Common Stock at an exercise price of $2.25 per share. The Behl Agreement also provides for the grant of options to purchase up to 300,000 shares of Common Stock at an exercise price of $2.25 per share which vest in two 150,000 share tranches upon the closing of an exclusive product license for the United States national market, the entire European Union Market or the Japan market or a product sale transaction of all our ownership rights in the United States (only once for each product) for our first drug developed by us for which FDA approval will be sought under a Non-Generic Opiod Product as to the first tranche and as to our second Non-Generic Opioid Product for the second tranche.

The Behl Agreement also provides for the grant of options to purchase up to 200,000 shares of Common Stock at an exercise price of $2.25 per share (the "BEHL MILESTONE OPTIONS") with the Behl Milestone Options to vest (A) as to not more than 125,000 shares and 75,000 shares, respectively, upon the commencement of the first Phase III clinical trial relating to the first and then the second Non-Generic Opioid Product developed by us; (B) 50,000 shares upon the closing of each product license or product sale transaction (on a product by product basis and only once for each product) other than Non-Generic Opioid Products for which options were granted above; (C) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or a NDA for a product not covered by a previous FDA application; (D) 40,000 shares upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously approved by the FDA; (E) 25,000 shares upon the filing of an application for a U.S. patent by us (in our name); and (F) 25,000 shares upon the granting by the PTO of a patent to us filed in our name or an approval of an ANDA or NDA; provided, however, that the foregoing options terminate upon Dr. Behl's termination of employment except that options under (D) and (F) nevertheless

vest if the filing was made during the initial term but prior to termination of the executive's employment by us without cause and the approval was made within 540 days of the filing of the ANDA, NDA or patent application.

We also agreed that if all 200,000 Behl Milestone Options have fully vested during the initial term of the Behl Agreement, we will grant under the Stock Option Plan to Dr. Behl at the end of the first current fiscal year in which the following event occurs fully vested additional options to purchase the following shares at the fair market value on the date of grant (the "ADDITIONAL BEHL MILESTONE OPTIONS"): (a) to the extent not previously vested with respect to his comparable Behl Milestone Options: (i) up to 125,000 shares upon the commencement of the first Phase III clinical trial relating to the first Non-Generic Opioid Product developed by us; and (ii) up to an additional 125,000 shares as to such trial relating to the second Non-Generic Opioid Product developed by us, (b) 50,000 shares upon the closing of each product license for the United States national market or product sale transaction of all ownership rights (on a product by product basis and only once for each product); (c) 10,000 shares upon the filing by us (in our name) with the FDA of either an ANDA or NDA for a product not covered by a previous FDA application for each drug product of us, other than the Non-Generic Opioid Products for which any Opioid Option was granted under the Behl Agreement; (d) 40,000 shares upon the approval by the FDA of any ANDA, NDA or 505(b)(2) application filed in our name for a product not previously approved by the FDA; (e) 25,000 shares in the event of the filing of an application of an additional U.S. patent by us (filed in our name); and (f) 25,000 shares in the event of the granting by the PTO of the foregoing additional patent applications to us (filed in our name).

The Behl Agreement allows us at our discretion to grant to Dr. Behl additional options under the Stock Option Plan and provides Dr. Behl the right to register at our expense for reoffering shares issued upon exercise of the options under the Securities Act of 1933, as amended, in certain registration statements filed by us with respect to offerings of securities by us.

The Behl Agreement provides that in the event we terminate his employment for Cause (as defined in the Behl Agreement) or Dr. Behl terminates his employment without Good Reason (as defined in the Behl Agreement), he is to receive salary through date of termination, reimbursement for expenses incurred prior to termination, all unvested options will terminate as of the date of termination and vested options will be governed by the terms of the Stock Option Plan and the related option agreement. In the event of a termination due to death, disability or by us without Cause or by Dr. Behl for Good Reason, we are to pay Dr. Behl or his estate subject to his compliance with certain covenants, including non-competition, non-solicitation, confidentiality and assignment of intellectual property, his base salary for the longer of the balance of the initial term or one year from date of termination, continue health insurance coverage for 12 months from termination and his vested options are to be exercisable for 90 days from date of termination. The Behl Agreement provides that the definition of "Cause" has been amended to include a determination by the Board of Directors, in its sole discretion, that the employment of Dr. Behl should terminate, provided that such termination will be effective on the 30th day after the written notice to Dr. Behl of such determination.

In the event the employment of Dr. Behl is terminated by us following a Change of Control of Elite, he will be entitled to the amounts payable as a result of termination by us without cause plus a lump sum payment of $500,000 and all unvested options shall immediately vest and along with unexercised vested options be exercisable within 90 days from the date of termination.

Dr. Behl has agreed to a one-year non-competition covenant and a two year non-solicitation covenant following termination of employment.

Dr. Behl is to be reimbursed for expenses (including business, travel and entertainment) reasonably incurred in the performance of his duties, provided that reimbursement of expenses in excess of $2,000 per month are subject to the approval of our chief executive officer. Dr. Behl is entitled to participate in such employee benefit and welfare plans and programs, which may be offered to our senior executives including life insurance, health and accident, medical plans and programs and profit sharing and retirement plans.

MR. GITTELMAN

On February 26, 1998, we entered into an agreement with Gittelman & Co., P.C., whereby fees are paid to Gittelman & Co., P.C., a firm wholly-owned by Mark I. Gittelman, our Chief Financial Officer, Secretary and Treasurer, in consideration for services rendered by the firm as internal accountant and financial and management consultant to us. The firm's services include the services rendered by Mr. Gittelman in his capacity as Chief Financial Officer, Secretary and Treasurer. For the fiscal years ended March 31, 2008, 2007 and 2006, the fees paid by us under the agreement were $176,206, $151,214 and $154,704, respectively. The services rendered by the firm to us for the fiscal years ended March 31, 2008, 2007 and 2006 averaged 105, 98 and 103 hours per month, respectively, of which an average of 25 hours per month were services rendered by Mr. Gittelman in his capacity as an officer of Elite.

DR. SUBRAMANIAN

Dr. Subramanian entered into an Advisory Services Agreement with us on December 6, 2006, the terms of which are summarized under the caption "Certain Related Person Transactions." On April 24, 2008, Dr. Subramanian resigned as our acting Chief Scientific Officer upon the appointment of Stuart Apfel to the office of Chief Scientific Officer.

HEDGING POLICY

We do not permit the Named Executive Officers to "hedge" ownership by engaging in short sales or trading in any options contracts involving our securities.

OPTION EXERCISES AND STOCK VESTED

No options have been exercised by our Named Executive Officers during the fiscal year ended March 31, 2008.

PENSION BENEFITS

We do not provide pension benefits to the Named Executive Officers.

NONQUALIFIED DEFERRED COMPENSATION

We do not have any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL

Please see the discussion under "Compensation Discussion and Analysis - Agreements with Named Executive Officers."

COMPENSATION OF EXECUTIVE OFFICERS AND KEY EMPLOYEES

SUMMARY COMPENSATION TABLE

The table below summarizes the compensation information in respect of the Named Executive Officers for the fiscal years ended March 31, 2008, 2007 and 2006.

NAME AND PRINCIPAL POSITION	YEAR (1)	SALARY ($)	BONUS (2) ($)	STOCK AWARDS (3) ($)	OPTION AWARDS (4) ($)
Bernard Berk	2007-08	330,140	165,070	--	--
President and Chief Executive Officer	2006-07	330,140	63,063	--	574,422
	2005-06	344,295	150,000	--	379,439
Mark. Gittelman	2007-08	--	--	--	--
Chief Financial Officer	2006-07	--	--	--	83,293
	2005-06	--	--	--	23,100
Christopher Dick	2007-08	200,000	25,000	--	--
Executive Vice President of Corporate Development	2006-07	168,750	25,000	--	482,037
	2005-06	150,000	25,000	--	--
Charan Behl(5)	2007-08	250,000	25,000	--	--
Head of Technical Affairs	2006-07	344,135	25,000	--	482,037
	2005-06	450,000	--	--	--
Veerappan Subramanian(6)	2007-08	--	--	--	--
Former Chief Scientific Officer	2006-07	--	--	--	1,114,445
	2005-06	--	--	--	--
Stuart Apfel(7)		55,000	--	--	354,760
Chief					--

Medical Officer and Chief Scientific Officer	2007-08 2006-07 2005-06	-- --	-- --	-- --	--

NAME AND PRINCIPAL POSITION	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS ($)	ALL OTHER COMPENSATION ($)	TOTAL ($)
Bernard Berk	--	21,260(8)	516,470
President and Chief Executive Officer	--	21,260(8)	988,885
	--	--	873,734
Mark. Gittelman	--	--	--
Chief Financial Officer	--	--	83,293
	--	--	23,100
Christopher Dick	--	8,400(9)	233,400
Executive Vice President of Corporate Development	--	3,150(10)	678,937
	--		175,000
Charan Behl(5)	--	--	275,000
Head of Technical Affairs	--	--	851,172
	--	--	450,000
Veerappan Subramanian(6)	--	--	--
Former Chief Scientific Officer	--	--	1,114,445
	--	--	--
Stuart Apfel(7)	--	1,260(11)	411,020
Chief Medical Officer and Chief Scientific Officer	--	--	--
	--	--	--

(1) The information is provided for each fiscal year which begins on April 1 and ends on March 31.

(2) Bonuses paid to Mr. Berk represent discretionary bonuses and bonuses paid to Mr. Dick and Dr. Behl represent guaranteed bonuses.

(3) No stock awards were granted to the Named Executive Officers in the fiscal years ended March 31, 2008, 2007 or 2006.

(4) The amounts reflect the compensation expense in accordance with FAS 123(R) of these option awards. The assumptions used to determine the fair value of the option awards for fiscal year ended March 31, 2008 are set forth as follows: the per share weighted average of the above mentioned stock options was 0.8869 using the Black-Scholes options pricing model with the following weighted average assumptions: no dividend yield; expected volatility of 33%; risk free interest rate of 4.00% and expected lives of ten (10) years. The assumptions used to determine the fair value of the option awards for fiscal year ended March 31, 2007 are set forth in Note 3 of our financial statements included in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2006. The assumptions used to determine the fair value of the option awards for fiscal years ended March 31, 2006 are set forth in Note 9 of our audited Consolidated Financial Statements included in our Form 10-K for the fiscal year ended March 31, 2006. Our Named Executive Officers will not realize the value of these awards in cash unless and until these awards are exercised and the underlying shares subsequently sold.

(5) Dr. Behl was Executive Vice President and Chief Scientific Officer from March 9, 2006 to February 9, 2007 and has been Head of Technical Affairs since February 9, 2007.

(6) Dr. Subramanian was acting Chief Scientific Officer from February 9, 2007 to April 24, 2008.

(7) Dr. Apfel has been Chief Medical Officer since January 3, 2008 and Chief Scientific Officer since April 24, 2008.

(8) Represents $16,345 for auto and parking allowance and $4,915 for life insurance premiums.

(9) Represents $8,400 for auto and parking allowance.

(10) Represents $3,150 for auto and parking allowance.

(11) Represents $1,260 for auto and parking allowance.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth information regarding grants of plan based awards to the Named Executive Officers during the fiscal year ended March 31, 2008.

	ESTIMATED POSSIBLE PAYOUTS UNDER NON-EQUITY INCENTIVE	ESTIMATED FUTURE UNDER EQUITY INCENTI

		PLAN AWARDS			AWARDS	
NAME	GRANT DATE	THRESHOLD ($)	TARGET ($)	MAXIMUM ($)	THRESHOLD (#)	TARGET (#)
Stuart Apfel Chief Medical Officer and Chief Scientific Officer	1/03/08					
	1/03/08					

NAME	ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS (#)	ALL OTHER OPTION AWARDS: NUMBER OF SECURITIES UNDERLYING OPTIONS (#)	EXERCISE OR BASE PRICE OF OPTION AWARDS ($/SH)	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS (1)
Stuart Apfel Chief Medical Officer and Chief Scientific Officer		120,000	$1.75	106,428
		280,000	$1.75	248,332

(1) The amounts reflect the compensation expense in accordance with FAS 123(R) of these option awards. The assumptions used to determine the fair value of the option awards for fiscal year ended March 31, 2008 are set forth as follows: the per share weighted average of the above mentioned stock options was 0.8869 using the Black-Scholes options pricing model with the following weighted average assumptions: no dividend yield; expected volatility of 33%; risk free interest rate of 4.00% and expected lives of ten (10) years. Our Named Executive Officers will not realize the value of these awards in cash unless and until these awards are exercised and the underlying shares subsequently sold.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning stock options and stock awards held by the Named Executive Officers as of March 31, 2008.

	OPTION AWARDS

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS EXERCISABLE (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS UNEXERCISABLE (#)	EQUITY INCENTIVE PLAN AWARDS NUMBER OF SECURITIES UNDERLYING UNEXERCISED UNEARNED OPTIONS (#)	OP EXE P
Bernard Berk	300,000(1)	--	--	
Berk	225,000(2)	--	--	
President	30,000(3)	--	--	
and Chief	10,000(4)	--	--	
Executive	10,000(4)			
Officer		--	--	
	--	10,000(4)	--	
	100,000(5)	--	--	
	--	100,000(5)	--	
	--	--	400,000(6)	
	--	--	150,000(7)	
	--	--	150,000(8)	
Mark.	10,000(9)	--	--	
Gittelman	6,666(10)	--	--	
Chief	6,667(10)	--	--	
Financial	--	6,667(10)	--	
Officer	23,333(11)	--	--	
	--	23,333(11)	--	
	--	23,334(11)	--	
Christopher	10,000(12)	--	--	
Dick	10,000(12)	--	--	
Executive	10,000(12)	--	--	
Vice	10,000(13)	--	--	
President	10,000(13)	--	--	
of	10,000(13)	--	--	
Corporate	40,000(14)	--	--	
Development	250,000(15)	--	--	
	--	--	150,000(7)	
	--	--	150,000(8)	
	--	--	200,000(6)	
Charan Behl	250,000(15)	--	--	
Head of		--	150,000(7)	
Technical	--	--	150,000(8)	
Affairs	--	--	200,000(6)	
Veerappan	250,000(16)	--	--	
Subramanian	250,000(16)	--	--	
Former	250,000(16)	--	--	

Chief Scientific Officer	250,000(16)	--	--	
Stuart Apfel Chief Medical Officer and Chief Scientific Officer	120,000(17)			280,000(18)

NAME	MARKET VALUE OF SHARES OR UNITS OF STOCK HELD THAT HAVE NOT VESTED ($)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED (#)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS OR OTHER RIGHTS THAT HAVE NOT VESTED ($)
Bernard Berk	--	--	--
Berk	--	--	--
President	--	--	--
and Chief Executive Officer	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
	--	--	--
Mark.	--	--	--
Gittelman	--	--	--
Chief	--	--	--
Financial	--	--	--
Officer	--	--	--
	--	--	--
	--	--	--
Christopher	--	--	--
Dick	--	--	--
Executive	--	--	--
Vice	--	--	--
President	--	--	--
of	--	--	--

Corporate Development	--	--	--
	--	--	--
	--	--	--
	--	--	--
Charan Behl Head of Technical Affairs	--	--	--
	--	--	--
	--	--	--
	--	--	--
Veerappan Subramanian Former Chief Scientific Officer	--	--	--
	--	--	--
	--	--	--
	--	--	--
Stuart Apfel Chief Medical Officer and Chief Scientific Officer	--	--	--

(1) These options vested as of June 3, 2003.

(2) These options vested as of September 2, 2005.

(3) These options vested on June 22, 2004.

(4) These options vest in annual increments over a three year period on August 30, 2006, August 30, 2007 and August 30, 2008, respectively.

(5) These options vested in annual increments over a two year period on September 2, 2006 and September 2, 2007, respectively.

(6) These options vest as follows: (i) upon the commencement of the first Phase III clinical trial relating to the first "Non-Generic Opioid Product" developed by us as to 125,000 options and relating to the second "Non-Generic Opioid Product" developed by the company as to 75,000 options; (ii) 50,000 shares of Common Stock shall vest and become immediately exercisable in full only upon the closing of an exclusive product license for the United States national market or product sale transaction of all of our ownership rights (on a product by product basis and only once for each individual product) for each Company drug product, other than the "Non-Generic Opioid Products" for which the "Non-Generic Opioid Product" options were granted; (iii) 10,000 options upon the filing by us (in our name) with FDA of either an ANDA or a NDA (including a NDA filed with the FDA, for a product not covered by a previous FDA application); (iv) 40,000 options upon the approval by the FDA of any ANDA or NDA (filed in our name) for a product not previously approved by the FDA; (v) 25,000 options upon filing of an application for U.S. patent by us (filed in our name); and (vi) 25,000 options upon the granting by PTO of a patent to us (filed in

our name).

(7) These options vest upon the closing of an exclusive product license for the first of the United States national market, the entire European Union market or the Japan market or product sale transaction of all of our ownership rights in the United States (only once for each individual product) for our first Non-Generic Opioid Product.

(8) These options vest upon the closing of an exclusive product license for the United States national market, the entire European Union market or the Japan market or product sale transaction of all of our ownership rights in the United States (only once for each individual product) for our second Non-Generic Opioid Product.

(9) These options vested on June 22, 2004.

(10) These options vest in annual increments over a three year period on July 14, 2006, July 14, 2007 and July 14, 2008, respectively.

(11) These options vest in annual increments over a three year period on May 3, 2007, May 3, 2008 and May 3, 2009, respectively.

(12) These options vested on November 1, 2003, 2004 and 2005, respectively.

(13) These options vested on June 13, 2004, 2005 and 2006, respectively.

(14) These options vested on July 14, 2005.

(15) These options vested on November 13, 2006.

(16) These options vested as follows: (i) 250,000 on December 6, 2006, (ii) 250,000 on May 6, 2007, (iii) 250,000 on December 6, 2007 and (iv) 250,000 on our acceptance of the initial business plan of Novel.

(17) These options vested on January 3, 2008.

(18) These options vest as follows: (i) 80,000 shares upon the successful completion, as determined by the Board, of a Company sponsored Phase III clinical trial of the Company's developmental drug product referred to as ELI-216; (ii) 80,000 shares upon the successful completion, as determined by the Board, of a Company sponsored Phase III clinical trial of the Company's developmental drug product referred to as ELI-154; (iii) 80,000 shares upon the successful completion, as determined by the Board, by the Company during the term of the Apfel Agreement of a Company sponsored long-term safety study for the Company's developmental drug product referred to as ELI-216; and (iv) 40,000 shares upon the closing of an exclusive product license for the United States national market, or product sale transaction of all of the Company's ownership rights, for either ELI-216 or ELI-154.

DIRECTOR COMPENSATION

The following table sets forth director compensation for the year ended March 31, 2008:

NAME	FEES PAID OR EARNED IN CASH ($)	STOCK AWARDS ($)	OPTION AWARDS ($)	NON EQUITY INCE PLAN COMPENSAT ($)
Bernard Berk	6,000	---	---	-
Barry Dash	12,000	---	50,616(1)	-
Robert J. Levenson	12,000	---	50,616(1)	-
Melvin Van Woert	12,000	---	50,616(1)	-
Veerappan Subramanian	2,000	---	---	-

NAME	ALL OTHER COMPENSATION ($)	TOTAL ($)
Bernard Berk	---	6,000
Barry Dash	---	62,616
Robert J. Levenson	---	62,616
Melvin Van Woert	---	62,616
Veerappan Subramanian	---	2,000

---

(1) Represents 90,000 options of which 30,000 vest during the period commencing on January 24, 2008 and ending June 26, 2008; 30,000 vest during the period commencing on June 27, 2008 and ending on June 26, 2009 and 30,000 vest during the period commencing on June 27, 2009 and ending on June 26, 2010; provided, however that the options shall fully vest upon the director's death, disability, retirement as a director or removal as a director without cause at the request of the Board of Directors.

FEE COMPENSATION

Prior to January 1, 2008, each Director received $2,000 per each meeting such Director attends. As of January 1, 2008, the Company's policy regarding director fees has been revised as follows: (i) Directors who are employees or consultants of the Company (and/or any of its subsidiaries) receive no additional remuneration for serving as directors or members of committees of the Board; (ii) all Directors are entitled to reimbursement for out-of-pocket expenses incurred by them in connection with their attendance at the Board or committee meetings; (iii) Directors who are not employees or consultants of the Company (and/or any of its subsidiaries) receive $15,000 annual retainer fee for their service on the Board and all committees; (iv) Directors who are not employees or consultants of the Company (and/or any of its subsidiaries) receive a per board meeting fee of $1,000 for each board meeting and a per committee meeting fee of $1,000 for each committee meeting attended by such Director; provided that the chairperson of the committee conducting such meeting shall (in place of the $1,000 meeting fee) receive a per committee meeting fee of $1,500 for each committee meeting attended; and (v) for

purposes of the compensation schedule set forth above, (x) a meeting shall only constitute a meeting of the Board or a committee entitling a participant to a meeting fee if such meeting extends to at least sixty (60) minutes (including the time of any reconvened portion of a meeting after an adjournment), (y) a meeting shall include all meetings attended in-person (whether at the Company's offices or at any other location) or via telephone conference, and (z) only one fee may be payable to Director and/or committee member per calendar day. Except as described in this section, non-employee Directors do not receive any additional compensation for their services on the Board of Directors.

EQUITY COMPENSATION

Members of the Board of Directors during the fiscal years ended March 31, 2007 and 2008 did not receive any options or equity compensation for serving as directors other than the grant of 90,000 options to each of the independent directors in January, 2008.

OTHER

The Company has entered into indemnification agreements with each of its directors to indemnify them to the fullest extent permitted under Delaware General Corporation Law.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our Common Stock as of June 18, 2008 by (i) each person who is known by us to own beneficially more than 5% of the Common Stock, (ii) each of our directors and nominees for director, (iii) each of the Named Executive Officers (as defined below) and (iv) all our directors and executive officers as a group. On such date, we had 23,232,207 shares of Common Stock outstanding (exclusive of 100,000 treasury shares). (The 8,410 shares of Series B Preferred Stock outstanding and the 18,981 shares of Series C Preferred Stock outstanding are nonvoting and none of the individuals listed below beneficially owns any shares of Series B Preferred Stock or Series C Preferred Stock other than Barry Dash who owns 20 shares of Series C Preferred Stock. There are currently no shares of Series A Preferred Stock outstanding).

As used in the table below and elsewhere in this Annual Report on Form 10-K, the term beneficial ownership with respect to a security consists of sole or shared voting power, including the power to vote or direct the vote, and/or sole or shared investment power, including the power to dispose or direct the disposition, with respect to the security through any contract, arrangement, understanding, relationship, or otherwise, including a right to acquire such power(s) during the 60 days immediately following June 18, 2008. Except as otherwise indicated, the stockholders listed in the table have sole voting and investment powers with respect to the shares indicated.

NAME AND ADDRESS	COMMON S
	AMOUNT

Bernard Berk, Director, President and Chief Executive Officer*	1,734,800(1)	7
Barry Dash, Director*	138,207(2)	*
Robert J. Levenson, Director*	90,000(3)	*
Melvin Van Woert, Director*	120,000(4)	*
Veerappan Subramanian(5)* c/o Novel Laboratories, Inc. 400 Campus Drive Somerset, NJ 08873	2,436,094(6)	9
Stuart Apfel, Chief Scientific Officer and Chief Medical Officer*	400,000(7)	1
Chris Dick, Executive Vice President of Corporate Development*	885,287(8)	3
Mark I. Gittelman, Chief Financial Officer*	39,999(9)	*
Dr. Charan Behl(10)*	1,375,000(11)	5
Trellus Management Company Adam Usdan 350 Madison Avenue, 9th Floor New York, New York 10017	3,450,795(12)	13

NAME AND ADDRESS	AMOUNT	COMMON S
Mark Fain 237 Park Avenue, Suite 900 New York, NY 10017	1,094,164(13)	
Chad Comiteau 237 Park Avenue, Suite 900 New York, NY 10017	1,114,096(14)	
Davidson Kempner Healthcare International Ltd. 65 East 55th Street, 19th Floor New York, NY 10022	4,528,328(15)	1
All Directors and Officers as a group***	5,844,387(16)	2

---

* The address is c/o Elite Pharmaceuticals Inc., 165 Ludlow Avenue, Northvale, NJ 07647.

** Less than 1%

*** As of June 18, 2008

(1) Includes options to purchase 1,485,000 shares of Common Stock. See "Named Executive Officers."

(2) Includes options to purchase 120,000 shares of Common Stock, 20 shares of Series C Preferred Stock convertible into 8,621 shares of Common Stock and warrants to purchase 2,586 shares of Common Stock.

(3) Represents options to purchase shares of Common Stock.

(4) Represents options to purchase shares of Common Stock.

(5) Dr. Subramanian was acting Chief Scientific Officer from February 9, 2007 to April 25, 2007 and ceased being a director on June 26, 2007. See "Named Executive Officers."

(6) Includes options to purchase 1,000,000 shares of Common Stock which are owned by Dr. Subramanian and 957,396 shares of Common Stock and warrants to purchase 478,698 shares of Common Stock which are owned by VGS Pharma, LLC ("VGS"), a wholly-owned subsidiary of Kali Capital, L.P., which is controlled by Kali Management, LLC ("KALI"), its general partner, and Kali is controlled by the daughter of Dr. Subramanian, its managing member. Dr. Subramanian disclaims beneficial ownership of these shares of Common Stock, except to the extent of his pecuniary interest therein, if any.

(7) Represents options to purchase shares of Common Stock.

(8) Includes options to purchase 850,000 shares of Common Stock and warrants held by Mr. Dick and Hedy Rogers as joint tenants to purchase 10,479 shares of Common Stock.

(9) Represents options to purchase shares of Common Stock.

(10) Behl was Executive Vice President and Chief Scientific Officer from March 9, 2006 to February 9, 2007 and has been Head of Technical Affairs since February 9, 2007. See "Named Executive Officers."

(11) Includes warrants to purchase 130,000 shares of Common Stock and options to purchase 750,000 shares of Common Stock. See "Named Executive Officers."

(12) Based on information provided by Trellus Management Company, LLC ("TMC") and Adam Usdan in the Schedule 13G filed February 13, 2007 and also based on information set forth in Form S-3 filed on May 24, 2007 and information provided to us by TMC. Includes 862,068 shares of Common Stock issuable upon conversion of Series C Preferred Stock held in the aggregate by Trellus Partners L.P ("TP"), Trellus Partners II L.P. ("TPI") and Trellus Offshore Fund Limited ("TPOF"), 888,889 shares of Common Stock issuable upon conversion of shares of Series B Preferred Stock held by TP and 703,063 shares of Common Stock issuable upon exercise of warrants held in the aggregate by TP, TPI and TPOF. Adam Usdan is the President of TMC. Adam Usdan and TMC share voting power and dispositive power over the shares. Notwithstanding the inclusion of the aforementioned beneficial ownership calculation, pursuant to our Certificate of Designation of Preferences, Rights and Limitations of Series C 8% Preferred Stock, the Amended Certificate of Designations of the Series B 8% Convertible Preferred Stock and the Common Stock Purchase Warrant for the aforementioned warrants, the number of shares of Common Stock into which the Series C 8% Preferred Stock and Series B 8% Preferred Stock are convertible and the warrants are exercisable is limited to that number of shares of Common Stock which would result in the Adam Usdan and TMC affiliated entities having aggregate beneficial ownership of not more than 9.99% of the total issued and outstanding shares of Common Stock.

(13) Based on information provided by Mark Fain and Chad Comiteau in their Schedule 13G/A filed February 14, 2008. Mark Fain beneficially owned 1,094,164 shares of Common Stock, which amount includes (i) 168,000 shares beneficially owned by Mr. Fain over which he has sole voting power and sole dispositive power; (ii) 33,333 convertible shares beneficially owned by Mr. Fain over which he has sole voting power and sole dispositive power; (iii) 33,000 shares beneficially owned by Stratford Management Money Purchase Pension Plan over which Mr. Fain has shared voting power and shared dispositive power; (iv) 709,8631 shares beneficially owned by Stratford Partners, L.P. of which Mr. Fain is a Managing Member, and over which Mr. Fain has shared voting power and shared dispositive power; and (v) 150,000 convertible shares beneficially owned by Stratford Partners, L.P. over which Mr. Fain has shared voting power and shared dispositive power.

(14) Based on information provided by Mark Fain and Chad Comiteau in their Schedule 13G/A filed February 14, 2008. Chad Comiteau beneficially owned 1,114,096 shares of Common Stock which amount includes (i) 188,600 shares beneficially owned by Mr. Comiteau over which he has sole voting power and sole dispositive power; (ii) 32,665 convertible shares beneficially owned by Mr. Comiteau over which he has sole voting power and sole dispositive power; (iii) 33,000 shares beneficially owned by Stratford Management Money Purchase Pension Plan over which he has shared voting power and shared dispositive power; (iv) 709,831 shares beneficially owned by Stratford Partners, L.P. of which Mr. Comiteau is a Managing Member, and over which Mr. Comiteau has shared voting power and shared dispositive power; and (v) 150,000 convertible shares beneficially owned by Stratford Partners, L.P. over which Mr. Comiteau has shared voting power and shared dispositive power.

(15) Davidson Kempner Healthcare International Ltd. ("DKHI") and its affiliates, Davidson Kempner Partners ("DKP"), Davidson Kempner Institutional Partners, L.P. ("DKIP"), M.H. Davidson & Co. ("CO"), Davidson Kempner International, Ltd. ("DKIL"), Serena Limited ("Serena"), Davidson Kempner Healthcare Fund LP ("DKHF"), MHD Management Co., Davidson Kempner Advisors Inc., Davidson Kempner International Advisors, L.L.C., DK Group LLC, DK Management Partners LP, DK Stillwater GP LLC, Thomas L. Kempner, Jr., Marvin H. Davidson, Stephen M. Dowicz, Scott E. Davidson, Michael J. Leffell, Timothy I. Levart, Robert J. Brivio, Jr., Anthony A. Yoseloff, Eric P. Epstein and Avram Z. Friedman jointly filed a Schedule 13GA on February 14, 2008, reflecting the beneficial ownership, subject to an ownership limitation, of an aggregate of 7,967 Series C Preferred Stock convertible into 3,434,052 shares of common stock, 1,030,208 warrants exercisable into 1,030,208 shares of Common Stock and 64,068 shares of Common Stock as a result of their voting and dispositive power over 7,967 Series C Preferred Stock convertible into 3,434,052 shares of Common Stock, 1,030,208 warrants exercisable into 1,030,208 shares of Common Stock and 64,068 shares of Common stock beneficially owned by DKP, DKIP, DKIL, Serena, CO, DKHF and DKHI. Notwithstanding the inclusion of the aforementioned beneficial ownership calculation, pursuant to our Certificate of Designation of Preferences, Rights and Limitations of Series C Preferred Stock and the Common Stock Purchase Warrant for the aforementioned warrants, the number of shares of Common Stock into which the Series C Preferred Stock are convertible and the warrants are exercisable is limited to that number of shares of Common Stock which would result in the Davidson Kempner affiliated entities having aggregate beneficial ownership of not more than 9.99% of the total issued and outstanding shares of Common Stock. The above information was obtained from such Schedule 13G/A.

(16) Includes 20 shares of Series C Preferred Stock convertible into 8,621 shares of Common Stock and options and warrants to purchase an aggregate of 5,306,763 shares of Common Stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

All related person transactions are reviewed and, as appropriate, may be approved or ratified by the Board of Directors. If a Director is involved in the transaction, he or she may not participate in any review, approval or ratification of such transaction. Related person transactions are approved by the Board of Directors only if, based on all of the facts and circumstances, they are in, or not inconsistent with, our best interests and the best interests of our stockholders, as the Board of Directors determines in good faith. The Board of Directors takes into account, among other factors it deems appropriate, whether the transaction is on terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related person's interest in the transaction. The Board of Directors may also impose such conditions as it deems necessary and appropriate on us or the related person in connection with the transaction.

In the case of a transaction presented to the Board of Directors for ratification, the Board of Directors may ratify the transaction or determine whether rescission of the transaction is appropriate.

CERTAIN RELATED PERSON TRANSACTIONS

TRANSACTIONS WITH DR. SUBRAMANIAN AND VGS PHARMA LLC

On December 6, 2006, we entered into a Strategic Alliance Agreement with Dr. Subramanian and VGS,under which (i) Dr. Subramanian was appointed to our Board of Directors, (ii) VGS made a $2,000,000 equity investment in Elite, (iii) we engaged Dr. Subramanian to serve as our strategic advisor on the research, development and commercialization of our existing pipeline and (iv) we, together with VGS formed Novel,, as a separate specialty pharmaceutical company for the research, development, manufacturing, licensing and acquisition of specialty generic pharmaceuticals. VGS is wholly-owned subsidiary of Kali Capital, L.P., which is controlled by Kali Management, LLC ("KALI"), its general partner, and Kali is controlled by Anu Subramanian, its managing member and daughter of Dr. Subramanian.

The specialty pharmaceutical product initiative of the strategic alliance between Elite and Dr. Subramanian is to be conducted by Novel, of which we acquired 49% and VGS acquired 51% of its Class A Voting Common Stock for $9,800 and $10,200 respectively. Pursuant to the Alliance Agreement, VGS acquired for $2,000,000: (i) 957,396 shares of our Common Stock at approximately $2.089 per share and (ii) a five year Warrant to purchase 478,698 shares of our Common Stock, for cash, at an exercise price of $3.00 per share, subject to adjustment upon the occurrence of certain events.

We contributed $5,000,000 to Novel. During the three months ended December 31, 2007, we elected not to fund our remaining contributions to Novel upon the terms set forth in the Alliance Agreement because we had reached agreement with the FDA under a SPA on the Phase III clinical trial of ELI-216, Elite's abuse deterrent oxycodone product and determined that our funds would be better used to support the clinical trials for ELI-216.

We and VGS negotiated alternative structures that would permit investments by us at valuations which differed from those set forth in the Alliance Agreement, however we were unable to agree upon an alternative acceptable to both parties. Accordingly, upon our determination not to fund our

remaining contributions to Novel at the valuation set forth in the Alliance Agreement, VGS exercised its rights under the Stockholders Agreement to purchase from us shares of Class A Voting Common Stock of Novel proportionate to the amount of remaining contributions which were not funded by us. As a result, our remaining ownership interest in Class A Voting Common Stock of Novel is approximately 10% of the outstanding shares of Class A Voting Common Stock of Novel.

Pursuant to an advisory agreement, Dr. Subramanian had agreed to provide advisory services to us, including but not limited to, assisting in the implementation of current and new drug product development projects of Elite and assisting in the recruitment of additional R&D staff members. As an inducement to enter into the agreement, we granted Dr. Subramanian a non-qualified stock option to purchase up to 1,750,000 shares of Common Stock, at a price of $2.13 per share, of which 1,000,000 options have vested and 750,000 unvested options have terminated.

TRANSACTIONS WITH MARK GITTELMAN AND GITTELMAN & CO. P.C.

For a description of the agreement between Elite and Gittelman & Co., P.C., please see "Compensation Discussion Analysis - Agreements with Named Executive Officers and Key Employees". Mark Gittelman, our chief financial officer is the principal of Gittelman & Co., P.C.

TRANSACTIONS WITH DR. APFEL

From January 8, 2007 to December 31, 2007, Dr. Apfel provided consulting services to us through Parallex Clinical Research, which included, without limitation, assistance in development and execution of our regulatory and clinical program with respect to our abuse resistance opioid products. Parallex Clinical Research received $52,843 as consulting fees for his services.

SERIES C PREFERRED STOCK FINANCING

The following related persons participated in our Series C Preferred Stock private placement that closed on April 24, 2007 according to which we sold 15,000 shares of our Series C Preferred Stock, and 1,939,655 warrants for gross proceeds of $15,000,000.

- Barry Dash, one of our directors, purchased 20 shares of Series C Preferred Stock and warrants to purchase 2,586 shares of Common Stock for a purchase price of $20,000.

- Affiliates of Adam Usdan, one of our stockholders which beneficially owns more than 5% of our outstanding Common Stock, purchased an aggregate of 2,000 shares of Series C Preferred Stock and warrants to purchase 258,619 shares of Common Stock for an aggregate purchase price of $2,000,000.

- Indigo Securities LLC of whom Edward Neugeboren, a director until June 26, 2007, is a consultant, acted as a selected dealer in the private placement of the Series C Preferred Financing and received a $194,547 cash commission and warrants to purchase 36,045 shares of Common Stock for its services.

The following related persons participated in our Series C Preferred Stock private placement that closed on July 17, 2007 according to which we sold the remaining 5,000 shares of our Series C Preferred Stock, and 646,544 warrants for

gross proceeds of $5,000,000.

- Midsummer Investment Ltd., one of our stockholders that beneficially owns more than 5% of our outstanding Common Stock, purchased an aggregate of 1,000 shares of Series C Preferred Stock and warrants to purchase 129,310 shares of Common Stock for an aggregate purchase price of $1,000,000.

See "Item 10 - Directors and Executive Officers of Registrant" for information as to employment or engagement agreements with Bernard Berk, Chris Dick, Charan Behl, Stuart Apfel and Gittelman & Co. PC, an affiliate of Mark I. Gittelman.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table presents fees, including reimbursements for expenses, for professional audit services rendered by Miller Ellin & Company, LP. ("MILLER ELLIN") for the audits of our annual financial

statements and interim reviews of our quarterly financial statements for the years ended March 31, 2008 and March 31, 2007 and fees billed for other services rendered by Miller Ellin during those periods.

	2008	2007
Audit Fees(1)	$52,847	$58,360
Audit-Related Fees	--	--
Tax Fees	--	--
All Other Fees	--	--

(1) Audit Fees relate to the audit of our financial statements and reviews of financial statements included in our quarterly reports on Form 10-Q.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES.

(a) Documents filed as part of this Annual Report on Form 10-K

(1) The financial statements listed in the Index to Consolidated Financial Statements are filed as part of this Annual Report on Form 10-K

(2) The financial statements listed in the Index are filed a part of this Annual Report on Form 10-K.

(3) List of Exhibits

See Index to Exhibits in paragraph (b) below.

The Exhibits are filed with or incorporated by reference in this Annual Report on Form 10-K.

(b) Financial Statement Schedules

None.

(c) Exhibits required by Item 601 of Regulation S-K.

EXHIBIT NO.	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") and (b) Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 2004.
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
3.2	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 as 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 as 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 as 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 on Non-Qualified Stock Option Agreement for 1,750,000 shares of Common Stock granted to Veerappan Subramanian, incorporated by reference as 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.

10.1 2004 Employee Stock Option Plan approved by stockholders on June 22, 2004, incorporated by reference to Exhibit A to the Proxy Statement filed on Schedule 14A with respect to the Annual Meeting of Stockholders held on June 22, 2004.

10.2 Form of Confidentiality Agreement (corporate), incorporated by reference to Exhibit 10.7 to the Form SB-2.

10.3 Form of Confidentiality Agreement (employee), incorporated by reference to Exhibit 10.8 to the Form SB-2.

10.4 Amended and Restated Employment Agreement dated as of September 2, 2005 between Bernard Berk and the Company, incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K, dated September 2, 2005, and filed with the SEC on September 9, 2005.

10.5 Option Agreement between Bernard Berk and the Company dated as of July 23, 2003 incorporated by reference to Exhibit 10.7 to the

Quarterly Report on Form 10-Q for three months ended June 30, 2003 (the "June 30, 2003 10Q Report").

10.6 Option Agreement between Bernard Berk and the Company dated as of July 23, 2003, incorporated by reference to Exhibit 10.8 to the June 30, 2003 10Q Report.

10.7 Amendment, dated as of September 2, 2005, by and between, the Company and Bernard Berk, to the Stock Option Agreement, dated as of July 23, 2003, incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K, dated September 2, 2005, and filed with the SEC on September 9, 2005.

10.8 Stock Option Agreement, dated as of September 2, 2005, by and between the Company and Bernard Berk, incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K, dated September 2, 2005, and filed with the SEC on September 9, 2005.

10.9 Stock Option Agreement, dated as of September 2, 2005, by and between the Company and Bernard Berk, incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K, dated September 2, 2005, and filed with the SEC on September 9, 2005.

10.10 Engagement letter dated February 26, 1998, between Gittelman & Co. P.C. and the Company incorporated by reference to Exhibit 10.10 to the Form 10-K for the period ended March 31, 2004 filed with the SEC on June 29, 2004.

10.11 Product Development Manufacturing and Distribution Agreement, dated as of March 30, 2005, by and among Elite Laboratories, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Elite Labs"), Harris Pharmaceuticals, Inc. and Tish Technologies LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated March 30, 2005, originally filed with the SEC on April 5, 2005, as amended on the Current Report on Form 8-K/A filed May 10, 2005, as further amended by the Current Report on Form 8-K/A filed June 13, 2005, as further amended by the Current Report on Form 8-K/A filed July 20, 2005, as further amended by the Current Report on Form 8-K/A filed August 23, 2005, as further amended by the Current Report on Form 8-K/A filed September 27, 2005, as further amended by the Current Report on Form 8-K/A filed December 7, 2005 (Confidential Treatment granted with respect to portions of the Agreement).

10.12 Product Development and Commercialization Agreement, dated as of June 21, 2005, between the Company and IntelliPharmaceutics, Corp., incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated June 21, 2005 and originally filed with the SEC on June 27, 2005, as amended on the Current Report on Form 8-K/A filed September 7, 2005, as further amended by the Current Report on Form 8-K/A filed December 7, 2005 (Confidential Treatment granted with respect to portions of the Agreement).

10.13 Product Development and License Agreement, dated as of June 22, 2005, between the Company and Pliva, Inc., incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated June 22, 2005 and originally filed with the SEC on June 28, 2005,

as amended on the Current Report on Form 8-K/A filed September 6, 2005, as further amended by the Current Report on Form 8-K/A filed December 7, 2005 (Confidential Treatment granted with respect to portions of the Agreement).

10.14 Agreement, dated December 12, 2005, by and among the Company, Elite Labs, and IntelliPharmaCeutics Corp., incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated December 12, 2005, and originally filed with the SEC on December 16, 2005, as amended by the Current Report on Form 8-K/A filed March 7, 2006 (Confidential Treatment granted with respect to portions of the Agreement).

10.15 Product Development and Commercialization Agreement, dated January 10, 2006, by and among the Company, Elite Laboratories, Inc., its wholly-owned subsidiary and Orit Laboratories LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated January 10, 2006, and filed with the SEC on January 17, 2006. (Confidential Treatment granted with respect to portions of the Agreement).

10.16 Loan Agreement, dated as of August 15, 2005, between New Jersey Economic Development Authority ("NJEDA") and the Company, incorporated by reference to Exhibit 10.1 to the

Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.

10.17 Series A Note in the aggregate principal amount of $3,660,000.00 payable to the order of the NJEDA, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.

10.18 Series B Note in the aggregate principal amount of $495,000.00 payable to the order of the NJEDA, incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.

10.19 Mortgage from the Company to the NJEDA, incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.

10.20 Indenture between NJEDA and the Bank of New York as Trustee, dated as of August 15, 2005, incorporated by reference to Exhibit 10.5 to the Current Report on Form 8-K, dated August 31, 2005 and filed with the SEC on September 6, 2005.

10.21 Form of Warrant Exercise Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated December 14, 2005 and filed with the SEC on December 20, 2005.

10.22 Form of Registration Rights Agreement, between the Registrant and signatories thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated December 14, 2005 and filed with the SEC on December 20, 2005.

10.23 Form of Securities Purchase Agreement, between the Registrant and

the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.

10.24 Form of Registration Rights Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated March 15, 2006 and filed with the SEC on March 16, 2006.

10.21 Form of Placement Agent Agreement, between the Registrant and Indigo Securities, LLC, incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K, dated March 15, 2006, and filed with the SEC on March 16, 2006.

10.22 Financial Advisory Agreement between the Registrant and Indigo Ventures LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K dated July 12, 2006 and filed with the SEC on July 18, 2006.

10.23 Seconded Amended and Restated Employment Agreement between the Registrant and Bernard Berk, incorporated by reference as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and filed with the SEC on November 14, 2006.

10.24 Employment Agreement between the Registrant and Charan Behl, incorporated by reference as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and filed with the SEC on November 14, 2006.

10.25 Employment Agreement between the Registrant and Chris Dick, incorporated by reference as Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and filed with the SEC on November 14, 2006.

10.26 Product Collaboration Agreement between the Registrant and ThePharmaNetwork LLC, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated November 10, 2006 and filed with the SEC on November 15, 2006. (Confidential Treatment granted with respect to portions of the Agreement).

10.27 Strategic Alliance Agreement among the Registrant, VGS Pharma ("VGS") and Veerappan S. Subramanian ("VS"), incorporated by reference as Exhibit 10(a) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

10.28 Advisory Agreement, between the Registrant and VS, incorporated by reference as Exhibit 10(b) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

10.29 Registration Rights Agreement between the Registrant, VGS and VS, incorporated by reference as Exhibit 10(c) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

10.30 Employment Agreement between Novel Laboratories Inc. ("Novel") and VS, incorporated by reference as Exhibit 10(d) to the Current

Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

10.31 Stockholders' Agreement between Registrant, VGS, VS and Novel, incorporated by reference as Exhibit 10(e) to the Current Report on Form 8-K, dated December 6, 2006 and filed with the SEC on December 12, 2006.

10.32 Amended and Restated Employment Agreement, between the Registrant and Charan Behl, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K, dated February 9, 2007 and filed with the SEC on February 14, 2007.

10.33 Form of Securities Purchase Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.

10.34 Form of Registration Rights Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K, dated April 24, 2007 and filed with the SEC on April 25, 2007.

10.35 Form of Placement Agent Agreement, the Company and Oppenheimer & Company, Inc., incorporated by reference as Exhibit 10.3 to the Current Report on Form 8-K, dated April 24,

2007 and filed with the SEC on April 25, 2007.

10.36 Form of Securities Purchase Agreement, between the Registrant and the signatories thereto, incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, dated July 17, 2007 and filed with the SEC on July 23, 2007.

10.37 Form of Registration Rights Agreement, between the Registrant and the signatories thereto, incorporated by reference as Exhibit 10.2 to the Current Report on Form 8-K, dated July 17, 2007 and filed with the SEC on July 23, 2007.

10.38 Consulting Agreement, dated as of July 27, 2007, between the Registrant and Wilstar Consultants, Inc., incorporated by reference as Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ending September 30, 2007 and filed with the SEC on November 14, 2007.

10.39 Consulting Agreement, dated as of September 4, 2007, between the Registrant, Bridge Ventures, Inc. and Saggi Capital, Inc., incorporated by reference as Exhibit 10.2 to the Quarterly Report on Form 10-Q for the period ending September 30, 2007 and filed with the SEC on November 14, 2007.

10.40 Employment Agreement, dated as of January 3, 2008, by and between the Registrant and Dr. Stuart Apfel, incorporated by reference as Exhibit 10.1 to the Current Report on Form 8-K dated January 3, 2008 and filed with the SEC on January 9, 2008.

21 Subsidiaries of the Company.*

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.*

---

* Filed herewith.

** As contemplated by SEC Release No. 33-8212, these exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of Elite Pharmaceuticals, Inc. under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filings.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Bernard Berk

Bernard Berk
Chief Executive Officer

Dated: June 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Bernard Berk --- Bernard Berk	Chief Executive Officer (Principal Executive Officer)	June 27, 2008
/s/ Mark Gittelman --- Mark I. Gittelman	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	June 27, 2008
	Director	

Barry Dash		
/s/ Robert J. Levenson Robert J. Levenson	Director	June 27, 2008
/s/ Melvin Van Woert Melvin Van Woert	Director	June 27, 2008

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2008, 2007 AND 2006

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Elite Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Elite Pharmaceuticals, Inc. and Subsidiaries (the "Company") as of March 31, 2008 and 2007, and the related consolidated statements of operations, stockholders' equity and cash flows for the years ended March 31, 2008, 2007 and 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the Consolidated Financial Statements referred to above present fairly, in all material respects, the financial position of Elite Pharmaceuticals, Inc. and Subsidiaries as of March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years ended March 31, 2008, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that he Company will continue as a going concern. As shown in the financial statements, the Company has experiences significant losses and negative cash flows, resulting in decreased capital and accumulated deficits. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2.

/s/ MILLER, ELLIN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
June 27, 2008

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2008 AND 2007

ASSETS

	2008
CURRENT ASSETS:	
Cash and cash equivalents	$ 3,702
Accounts receivable	148
Inventories	2,124
Prepaid expenses and other current assets	177
Total current assets	6,153
PROPERTY AND EQUIPMENT- net of accumulated depreciation and amortization	5,008
INTANGIBLE ASSETS - net of accumulated amortization	35

OTHER ASSETS:	
Accrued interest receivable	4
Deposit on equipment	14
Investment in Novel Laboratories Inc.	3,329
Security deposit	13
Restricted cash - debt service	432
EDA bond offering costs, net of accumulated amortization of $35,356 and $21,178, respectively	319
Total other assets	4,112
TOTAL ASSETS	$15,310

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

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2008 AND 2007

(CONTINUED)

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	
Current portion of EDA bonds	$
Current portion of long-term debt	
Accounts payable and accrued expenses	
Dividends payable	
Total current liabilities	1
LONG TERM DEBT:	
EDA bonds - net of current portion	3
Long-term debt, less current portion	
Total long-term liabilities	3
Total liabilities	4
COMMITMENTS AND CONTINGENCIES:	
STOCKHOLDERS' EQUITY:	
Preferred stock - $.01 par value;	
Authorized - 4,483,442 (originally 5,000,000 shares of which 516,558 shares of Series A Convertible Preferred Stock were retired) and 0 shares Outstanding as of March 31, 2008 and 2007, respectively	
Authorized - 10,000 Convertible Series B Preferred Stock - issued and outstanding - 8,410 shares and 9,695 shares, respectively	

Authorized 20,000 Series C Convertible Preferred stock issued and Outstanding - 19,155 and 0 shares, respectively	
Common Stock - $.01 par value; Authorized - 65,000,000 Issued and outstanding - 23,131,035 and 20,799,102 shares in 2008 and 2007, respectively	
Subscription receivable	
Additional paid-in capital	91
Accumulated deficit	(81
	10
Treasury stock, at cost (100,000 shares)	
Total stockholders' equity	10
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15

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

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	2008
REVENUES:	
Manufacturing fees	$ 1,173,8
Royalties	239,2
Total revenues	1,413,1
Cost of Revenues	1,024,5
Gross Profit	388,6
OPERATING EXPENSES:	
Research and development	5,795,7
General and administrative	2,434,8
Depreciation and amortization	524,8
	8,755,4
LOSS FROM OPERATIONS	(8,366,8
OTHER INCOME (EXPENSES):	
Interest income	356,2
Sale of New Jersey tax losses	
Interest expense	(292,2
Non-cash compensation satisfied by issuance of stock options and warrants	(2,607,4

	(2,543,4
LOSS BEFORE PROVISION FOR INCOME TAXES	(10,910,3
Provision For Income Taxes	(3,1
Loss from continuing operations	(10,913,4
Loss from discontinued operations	(2,979,6
NET LOSS	(13,893,0
Preferred Stock Dividends	(2,104,7
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$(15,997,8
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (.
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	21,801,0

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

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

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	TRE
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	SHAR
BALANCES AT APRIL 1, 2005	--	$ --	18,022,183	$180,222	$ 47,006,379	(100,
Net proceeds from issuance of Series B 8% Convertible Preferred Stock and warrants	10,000	$ 100	--	--	8,792,569	
Non-cash compensation satisfied by the issuance of stock, options and warrants	--	--	--	--	902,927	
Exercise of stock options	--	--	20,000	200	39,800	
Exercise of stock warrants	--	--	1,147,976	11,480	1,241,515	
Net loss	--	--	--	--	--	
Dividends	--	--	--	--	2,121,917	
BALANCES AT MARCH 31, 2006	10,000	$ 100	19,190,159	$191,902	$ 60,105,107	(100,

ACCUMULATED DEFICIT	STOCKHOLDERS' EQUITY

BALANCES AT APRIL 1, 2005	$(41,177,459)	$ 5,702,301
Net proceeds from issuance of Series B 8% Convertible Preferred Stock and warrants	--	8,792,669
Non-cash compensation satisfied by the issuance of stock, options and warrants		902,927
Exercise of stock options	--	40,000
Exercise of stock warrants	--	1,252,995
Net loss	(6,883,914)	(6,883,914)
Dividends	(2,155,250)	(33,333)
BALANCES AT MARCH 31, 2006	$(50,216,623)	$ 9,773,645

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

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

	PREFERRED STOCK		COMMON STOCK		SUBSCRIP
	SHARES	AMOUNT	SHARES	AMOUNT	RECEIVA
BALANCES AT APRIL 1, 2006	10,000	$ 100	19,190,159	$ 191,902	
Equity Investment in Company	--	--	957,396	9,574	
Conversion of Preferred to Common	(305)	(3)	135,555	1,356	
Conversion of Warrants to Common	--	--	84,430	844	
Exercise of Stock Options	--	--	59,000	590	
Non-cash compensation through issuance of stock options and warrants	--	--	--	--	
Sale of Warrants	--	--	--	--	(75,0
Costs associated with Raising Capital	--	--	--	--	
Net loss	--	--	--	--	
Dividends	--	--	372,562	3,725	
BALANCES AT MARCH 31, 2007	9,695	$ 97	20,799,102	$ 207,991	(75,0

	TREASURY STOCK		ACCUMULATED	STOCKHOLDERS'
	SHARES	AMOUNT	DEFICIT	EQUITY

BALANCES AT APRIL 1, 2006	(100,000)	$ (306,841)	$(50,216,623)	$ 9,773,645
Equity Investment in Company	--	--	--	2,000,000
Conversion of Preferred to Common	--	--	--	--
Conversion of Warrants to Common	--	--	--	--
Exercise of Stock Options	--	--	--	88,500
Non-cash compensation through issuance of stock options and warrants	--	--	--	3,479,070
Sale of Warrants	--	--	--	--
Costs associated with Raising Capital	--	--	--	(26,347)
Net loss	--	--	(11,803,512)	(11,803,51)
Dividends	--	--	(791,182)	(808)
BALANCES AT MARCH 31, 2007	(100,000)	$ (306,841)	$(62,811,317)	$ (3,510,548)

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

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

	SERIES B PREFERRED STOCK		SERIES C PREFERRED STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT
BALANCE AT MARCH 31, 2007	9,695	$ 97	--	$
Sale of Series C Preferred Stock and Warrants	--	--	20,000	
Conversion of Preferred to Common	(1,285)	(13)	(845)	
Exercise of Stock Options and Warrants	--	--	--	
Non-cash compensation through Issuance of stock options and warrants	--	--	--	
Beneficial Conversion	--	--	--	
Costs associated with Raising Capital	--	--	--	
Net loss	--	--	--	
Dividends	--	--	--	
BALANCE AT MARCH 31, 2008	8,410	$ 84	19,155	$

	SUBSCRIPTION RECEIVABLE	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK SHARES	TREASURY STOCK AMOU
BALANCE AT MARCH 31, 2007	$ (75,000)	$ 66,495,618	(100,000)	$ (306,8
Sale of Series C Preferred Stock and Warrants	--	19,999,800	--	
Conversion of Preferred to Common	--	(9,359)	--	
Exercise of Stock Options and Warrants	--	371,701	--	
Non-cash compensation through Issuance of stock options and warrants	--	2,607,470	--	
Beneficial Conversion	--	2,384,609	--	
Costs associated with Raising Capital	--	(1,576,055)	--	
Net loss	--	--	--	
Dividends	--	1,616,194	--	
BALANCE AT MARCH 31, 2008	$ (75,000)	$ 91,889,978	(100,000)	$ (306,8

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

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

	2008
CASH FLOWS FROM OPERATING ACTIVITIES:	
Loss from Continuing Operations	$(10,913,460)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	413,701
Non-cash compensation satisfied by issuance of stock, options and warrants	2,607,470

Changes in assets and liabilities:	
Accounts receivable	67,353
Accrued interest receivable	(3,795)
Inventories	(1,311,451)
Prepaid expenses and other current assets	128,423
Security Deposit	(6,508)
Accounts payable, accrued expenses and other current liabilities	(867,016)
NET CASH USED IN CONTINUING OPERATING ACTIVITIES	(9,885,283)
Discontinued Operations	
Loss from Discontinued Operations	(2,979,600)
Equity in loss of discontinued operations	3,030,606
NET CASH PROVIDED BY DISCONTINUED OPERATIONS	51,006
NET CASH USED IN OPERATING ACTIVITIES	(9,834,277)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in intangible assets due to patent costs	--
Deposits to restricted cash	(17,080)
Release of restricted cash	--
Payment of deposit for manufacturing equipment	(14,703)
Purchases of property and equipment	(505,580)
Investment in Novel Laboratories, Inc.	(4,992,160)
NET CASH USED IN INVESTING ACTIVITIES	(5,529,523)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayments of bank loans	(5,752)
Dividends paid	(410,832)
Proceeds from issuance of Common Stock and warrants	--
Principal repayments of NJEDA bonds	(185,000)
Proceeds from issuance of Series C 8% Convertible Preferred Stock and Warrants	20,000,000
Costs associated with raising capital	(1,576,055)
Proceeds from bank loan	58,004
Proceeds - NJEDA Tax Exempt Bonds	--
Payment - NJEDA Bond Offering Costs	--
Proceeds from issuance of Series B 8% Convertible Preferred Stock and warrants	--
Repayments of equipment note	--
Prepaid interest	--
Proceeds from exercise of stock options	61,500
Proceeds from exercise of stock warrants	313,005
NET CASH PROVIDED BY FINANCING ACTIVITIES	18,254,870
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,891,070
CASH AND CASH EQUIVALENTS - beginning of period	811,545
CASH AND CASH EQUIVALENTS - end of period	$ 3,702,615
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest	$ 293,404
Cash paid (received) for income taxes	3,120
SCHEDULES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:	
Preferred Stock dividends of $1,627,328, $791,182 and $120,675 paid by issuance of 1,113,517, 372,562 and 64,033 shares of Common Stock	$ --

Utilization of equipment deposit towards purchase of equipment	32,880
Dividends accrued on preferred stock	--
Beneficial Conversion Dividend	2,384,609

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

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Elite Pharmaceuticals, Inc. and its consolidated subsidiaries, (collectively the "Company") including its wholly-owned subsidiaries, Elite Laboratories, Inc. ("Elite Labs") and Elite Research, Inc. ("ERI") for the years ended March 31, 2008, 2007 and 2006 and its variable interest entity, Novel Laboratories, Inc. ("Novel"). During the quarter ended December 31, 2007, Novel ceased to be a variable interest entity of Elite. Accordingly, the information in this 10K has been prepared as if Elite divested of Novel as a wholly owned subsidiary on October 1, 2007 and the operations are being reflected as a discontinued operation. Our Company consolidates all entities that we control by ownership of a majority voting interest. As of March 31, 2008, the financial statements of all wholly-owned entities are consolidated and all significant intercompany accounts are eliminated upon consolidation.

NATURE OF BUSINESS

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

CASH AND CASH EQUIVALENTS

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

INVENTORIES

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

LONG-LIVED ASSETS

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT

Research and development expenditures are charged to expense as incurred.

CONCENTRATION OF CREDIT RISK

The Company maintains cash balances, which, at times, may exceed the amounts insured by the Federal Deposit Insurance Corp. Management does not believe that there is any significant risk of losses.

The Company in the normal course of business extends credit to its customers based on contract terms and performs ongoing credit evaluations. An allowance for doubtful accounts due to uncertainty of collectability is established based on historical collection experience. Amounts are written off when payment is not received after exhaustive collection efforts.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant estimates made by management include, but are not limited to, the recognition of revenue, the amount of the allowance for doubtful accounts receivable and the fair value of intangible assets and stock-based awards.

INCOME TAXES

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

Effective April 1, 2007, the Company adopted the provisions of FASB's Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB No. 109." Fin 48 prescribes a recognition threshold and measurement attribute for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 requires that the financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values. No such amounts were accrued for April 1, 2007. Additionally, no adjustments related to uncertain tax positions were recognized during the year ended March 31, 2008.

The Company recognizes interest and penalties related to uncertain tax positions as a reduction of the income tax benefit. No interest and penalties related to uncertain tax positions were accrued as of March 31, 2008.

The Company operates in multiple tax jurisdictions within the United States of America. Although we do not believe that we are currently under examination in any of our major tax jurisdictions, we remain subject to examination in all of our tax jurisdiction until the applicable statues of limitation expire. As of March 31, 2008, a summary of the tax years that remain subject to examination in our major tax jurisdictions are: United States - Federal and State - 2004 and forward. The Company does not expect to have a material change to unrecognized tax positions within the next twelve months.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS PER COMMON SHARE

Basic earnings per common share is calculated by dividing net earnings by the weighted average number of shares outstanding during each period presented. Diluted earnings per share is calculated by dividing earnings by the weighted average number of shares and common stock equivalents. The Company's common stock equivalents, consist of options, warrants and convertible securities.

REVENUE RECOGNITION

Revenues derived from providing research and development services under contracts with other pharmaceutical companies are recognized when earned. These contracts provide for non-refundable upfront and milestone payments. Because no discrete earnings event has occurred when the upfront payment is received, that amount is deferred until the achievement of a defined milestone. Each nonrefundable milestone payment is recognized as revenue when the performance criteria for that milestone have been met. Under each contract, the milestones are defined, substantive effort is required to achieve the milestone, the amount of the non-refundable milestone payment is reasonable, commensurate with the effort expended, and achievement of the milestone is reasonably assured.

Revenues earned by licensing certain pharmaceutical products developed by the Company are recognized at the beginning of a license term when the Company's customer has legal right to the use of the product. To date, no revenues have been earned by licensing products and there are no continuing obligations under any licensing agreements.

Revenues derived from royalties to the extent that they cannot be reasonably estimated are recognized when the payment is received. Revenues earned under manufacturing agreements with other pharmaceutical companies are recognized when product is shipped.

TREASURY STOCK

The Company records common shares purchased and held in treasury at cost.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of current assets and liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of noncurrent assets are reasonable estimates of their fair values based on management's evaluation of future cash flows. The long-term liabilities are carried at amounts that approximate fair value based on borrowing rates available to the Company for obligations with similar terms, degrees of risk and remaining maturities.

STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," which provided guidance for the recognition of compensation expense as it related to the issuance of stock options and warrants. In addition, the Company adopted the provisions of SFAS No. 148, "Accounting for Stock-Based Compensation -Transition and Disclosure - an amendment of SFAS No. 123." SFAS No. 148 amended SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation provided by SFAS No. 123. As permitted by SFAS No. 148, the Company has adopted the fair value method recommended by SFAS No. 123 to effect a change in accounting for stock-based employee compensation. In addition, the Company adopted the provisions of SFAS No. 123R, "Share-Based Payment," which revised SFAS No. 123 to require all share-based payments to employees, including grants of employee stock options, to be recognized based on their fair values.

The compensation expense recognized for the years ended March 31, 2008, 2007 and 2006 was $2,607,470, $3,479,070 and $902,927, respectively.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There are a number of recently issued, but not yet effective statements of Financial Accounting Standards, FASB Staff Positions, Consensus of the Emerging Issues Task Force, and an AICPA Statement of Position. The Company does not believe that adoption of any of those pronouncements will have a material effect on its Consolidated Financial Statements.

RECLASSIFICATIONS

Certain accounts and amounts in the 2006 and 2007 financial statements have been reclassified in order to conform with the 2008 presentation. These reclassifications have no effect on net income.

NOTE 2 - MANAGEMENT'S LIQUIDITY PLANS

The Company reported net losses of $13,893,060, $11,803,512 and $6,883,914 for the fiscal years ended March 31, 2008, 2007 and 2006, respectively. At March 31, 2008, the Company had an accumulated deficit of approximately $81.2 million, consolidated assets of approximately $15.3 million, stockholders' equity of approximately $10.5 million, and working capital of approximately $5 million. The Company has not generated any significant revenue to date. During the fiscal year ended March 31, 2008, the Company raised $18,423,945 of net proceeds from the sale of Series C Preferred Stock.

The Company's strategy is to continue to be engaged in the development and manufacturing of oral controlled-release products. It will continue to develop generic versions of controlled-release drug products with high barriers to entry and assist partner companies in the life cycle management of products to improve off-patent drug products. The Company has two products currently being sold commercially and a pipeline of five products under development. Of the products under development, ELI-216, an abuse deterrent oxycodone product, and ELI-154, a once daily oxycodone product, are in clinical trials and we have completed pilot studies on two of our generic product candidates.

As of March 31, 2008, the Company's principal source of liquidity was approximately $3,703,000 of cash and cash equivalents. As of March 31, 2008, the Company had approximately six months of cash available based on its current operations. The Company may also receive funds through the exercise of outstanding stock options and warrants in addition to funds that may be generated from the potential sale of New Jersey tax losses. There can be no assurance that proceeds from the sale of the tax losses and from the exercise, if any, of outstanding warrants or options will be material.

The Company retained an investment banking firm in 2008 to assist the Company in connection with potential acquisitions, strategic alliances with other pharmaceutical companies, advice to future financings and introductions to key parties in capital markets. In addition the Company entered into an engagement agreement with Placement Agents to act as co-leads for a private financing between $10-15 million.

There is no assurance that the Company's business strategy will be successfully implemented, however with the Company's existing working capital levels, it will be able to continue operations at least through the end of fiscal 2009.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 3- PROPERTY AND EQUIPMENT

Property and equipment at March 31, 2008 and 2007 consists of the following:

Laboratory manufacturing, and warehouse equipment	$ 5
Office equipment	
Furniture and fixtures	
Transportation equipment	
Land, building and improvements	2
Equipment under capital lease	
	7
Less: Accumulated depreciation and amortization	(2
	$ 5

Depreciation and amortization expense amounted to $413,701, $403,698 and $333,748 for the years ended March 31, 2008, 2007 and 2006, respectively.

NOTE 4 - INTANGIBLE ASSETS

Intangible assets at March 31, 2008 and 2007, consist of the following:

	2
	-
Patents	$ 15
Trademarks	
	15
Less: Accumulated amortization	(12
	$ 3

Amortization of intangible assets amounted to $21,711, $22,118 and $21,727 for the years ended March 31, 2008, 2007 and 2006, respectively.

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 5 - LONG TERM DEBT

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

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

Interest is payable semiannually on March 1 and September 1 of each year. The Bonds are collateralized by a first lien on the Company's facility and equipment acquired with the proceeds of the original and refinanced Bonds. The related Indenture requires the maintenance of a $415,500 Debt Service Reserve Fund consisting of $366,000 from the Series A Notes proceeds and $49,500 from the Series B Notes proceeds. The Debt Service Reserve is maintained in restricted cash accounts that are classified in Other Assets. $1,274,311 of the proceeds had been deposited in a short-term restricted cash account to fund the purchase of manufacturing equipment and development of the Company's facility. As of March 31, 2008, all of these proceeds were utilized to upgrade the Company's manufacturing facilities and for the purchase of manufacturing and laboratory equipment.

Bond issue costs of $354,000 were paid from the bond proceeds and are being amortized over the life of the bonds. Amortization of bond financing costs amounted to $14,178, $14,178 and $7,000 for the years ended March 31, 2008, 2007 and 2006, respectively.

Bond issue costs of the 1999 bonds were being amortized over the term of those bonds. Such amortization amounted to $5,500 in the year ended March 31, 2006. Upon the refinancing the remaining unamortized issue costs of $118,712 were charged to expenses.

As of March 31, 2008, $1,274,311 has been requisitioned and deposited into operating accounts to fund the purchase of equipment and to upgrade our manufacturing facility.

NOTE 5 - LONG TERM DEBT (CONTINUED)

Bond financings consisted of the following at March 31:

	2008	2007
Refinanced NJEDA Bonds	$ 3,795,000	$ 3,980,000
	3,795,000	3,980,000
Current portion	(200,000)	(185,000)
Long term portion, net of current maturities	$ 3,595,000	$ 3,795,000

Maturities of Bonds for the next five years follow:

YEAR ENDING MARCH 31,	AMOUNT
2009	$ 200,000
2010	210,000
2011	225,000
2012	245,000
2013	260,000
Thereafter	2,655,000
	$ 3,795,000

In 2004, the Company entered into a loan and financing agreement to purchase machinery and equipment. The $400,000 loan was payable in 36 monthly installments of $13,671, each, including principal and interest at 14% annum. As part of the agreement, the Company issued to the lender's designees warrants to purchase 50,000 shares of the Company's Common Stock at $4.20 per share. The warrants vested immediately and their cost of $41,252 was charged to expense in the year ended March 31, 2005. Proceeds from the refinancing of the Company's EDA Bonds were used to pay off the unpaid portion of the loan.

NOTE 5 - LONG TERM DEBT (CONTINUED)

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

	2008	200
Note payable to First Niagara Bank in 60 monthly installments of $1,180 including interest at 9.00%; final payment September, 2012; secured by vehicle purchased.	$ 52,252	$
	52,252	
Less Current Portion	(9,864)	

LONG-TERM DEBT, LESS CURRENT PORTION	$ 42,388	$

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

YEAR ENDED MARCH 31,	AMOUNT
2009	$ 9,864
2010	10,788
2011	11,798
2012	12,904
2013	6,898
	$ 52,252

NOTE 6 - INCOME TAXES

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

	YEAR ENDED MARCH 31,		
	2008	2007	2006
Federal:			
Current	$ --	$ --	$ --
Deferred	--	--	--
	--	--	--
State:			
Current	3,120	1,770	1,000
Deferred	--	--	--
	3,120	1,770	1,000
	$3,120	$1,770	$1,000

During the years ended March 31, 2007 and 2006 the Company received approval for the sale of an additional $4,818,122 and $2,798,478 of New Jersey net-operating losses under the Technology Tax Certificate Transfer Program sponsored by the New Jersey Economic Development Authority (NJEDA). The total tax benefits received during the years ended March 31, 2007 and 2006 were $377,259 and $219,121, respectively and are recorded as other income in the statements of operations.

NOTE 6 - INCOME TAXES (CONTINUED)

The major components of deferred tax assets at March 31, 2008 and 2007 are as follows:

	2008	2007
Net operating loss carry forwards	$ 15,128,722	$ 11,733,884
Valuation allowance	(15,128,722)	(11,733,884)
	$ --	$ --

At March 31, 2008 and 2007, a 100% valuation allowance is provided, as it is uncertain if the deferred tax assets will provide any future benefits because of the uncertainty about the Company's ability to generate the future taxable income necessary to use the net operating loss carryforwards. The valuation allowance increased during 2008, 2007 and 2006 by $3,394,838, $948,084 and $2,363,575, respectively.

At March 31, 2008, for federal income tax purposes, the Company has unused net operating loss carryforwards of approximately $44,496,241 expiring in fiscal years ending in 2009 through 2023. For state tax purposes, the Company has $23,665,140 of unused net operating losses, which are net of the $19,784,360 of the New Jersey net-operating losses sold, as discussed above.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENTS

On January 3, 2008, the Company entered into an employment agreement with Dr. Stuart Apfel (the "Employment Agreement") providing for Dr. Apfel to serve as the Company's Chief Medical Officer through January 3, 2009 and automatically renewable for one year periods thereafter unless terminated by Dr. Apfel or the Company upon at least 60 days notice prior to the end of the then scheduled expiration date.

Dr. Apfel has an annual base salary of $220,000 and will be entitled to a discretionary bonus following the end of each calendar year of up to 50% of Dr. Apfel's then annual base salary.

Additionally, the Company has granted to Dr. Apfel under the 2004 Plan fully vested options to purchase 120,000 shares of Common Stock at an exercise price of $1.75 per share.

The Company has granted to Dr. Apfel under the 2004 Plan options to purchase up to an additional 280,000 shares of Common Stock ("Milestone Options") at an exercise price of $1.75 per share. Such Milestone Options vest and become exercisable as follows: (A) 80,000 shares upon the successful completion, as determined by the Board, of a Company sponsored Phase III clinical trial of the Company's developmental drug product referred to as ELI-216; (B) 80,000 shares upon the successful completion, as determined by the Board, of a Company sponsored Phase III clinical trial of the Company's developmental drug product referred to as ELI-154; (C) 80,000 shares upon the successful completion, as determined by the Board, by the Company during the term of the Employment Agreement of a Company sponsored long-term safety study for the Company'sdevelopmental drug product referred to as ELI-216; and (D) 40,000 shares upon the closing of an exclusive product license for the United States national market, or product sale transaction of all of the Company's ownership rights, for either ELI-216 or ELI-154. Upon the earlier to occur of (x) January 3, 2017 and (y) the termination of Dr. Apfel's employment hereunder, all unvested Milestone Options granted shall automatically terminate and all vested but unexercised Milestone Options shall terminate to the extent unexercised within ninety (90) days of such date and in accordance with the terms of the

stock option agreement by and between Dr. Apfel and the Company with respect to the Milestone Options and the 2004 Plan. The shares of Common Stock issuable upon exercise of the Milestone Options are subject to an effective registration statement filed with the Securities and Exchange Commission.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

CHIEF SCIENTIFIC OFFICER

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

ALLIANCE AGREEMENT

On December 6, 2006, the Company entered into a Strategic Alliance Agreement (the "ALLIANCE AGREEMENT") with Dr. Veerappan S. Subramanian ("VS") and VGS Pharma, LLC, a Delaware limited liability company ("VGS"), under which (i) VS was appointed to the Company's Board of Directors, (ii) VGS made a $2,000,000 equity investment in the Company, (iii) VS was engaged to serve as strategic advisor on the research, development and commercialization of the Company's existing pipeline and (iv) the Company and VGS formed Novel Laboratories Inc., a Delaware corporation ("Novel"), as a separate specialty pharmaceutical company for the research, development, manufacturing, licensing, acquisition and marketing of specialty generic pharmaceuticals.

Pursuant to the Alliance Agreement, Novel entered into an employment agreement with VS and the Company entered into (i) an Advisory Agreement with VS, (ii) a Registration Rights Agreement with VGS and VS, and (iii) a Stockholders Agreement with VS, VGS and Novel.

The specialty pharmaceutical product initiative of the strategic alliance between the Company and VS is to be conducted by Novel, of which the Company acquired 49% and VGS acquired 51% of its Class A Voting Common Stock for $9,800 and $10,200 respectively. Pursuant to the Alliance Agreement, VGS acquired for $2,000,000: (i) 957,396 shares of the Company's Common Stock at approximately $2.089 per share and (ii) a five year Warrant to purchase 478,698 shares of the Company's Common Stock, for cash, at an exercise price of $3.00 per share, subject to adjustment upon the occurrence of certain events.

The Company contributed $5,000,000 to Novel. During the three months ended December 31, 2007, the Company elected not to fund its remaining contributions to Novel upon the terms set forth in the Alliance Agreement because the Company had reached agreement with the FDA under a Special Protocol Assessment on the Phase III clinical trial of ELI-216, the Company's Abuse Deterrent Oxycodone product and determined that its funds would be better used to support the clinical trials for ELI-216.

The Company and VGS negotiated alternative structures that would permit investments by the Company at valuations which differed from those set forth in the Alliance Agreement, however VGS and the Company were unable to agree upon an alternative acceptable to both parties. Accordingly, upon the Company's

determination not to fund its remaining contributions to Novel at the valuation set forth in the Alliance Agreement, VGS exercised its rights pursuant to the Stockholders Agreement to purchase from the Company, its shares of Class A Voting Common Stock of Novel proportionate to the amount of remaining contributions which were not funded by the Company. As a result, the Company's remaining ownership interest in Class A Voting Common Stock of Novel is approximately 10% of the outstanding shares of Class A Voting Common Stock of Novel.

NOTE 7 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

ADVISORY AGREEMENT

The Advisory Agreement obligated VS to provide advisory services to the Company, including but not limited, to assist in the implementation of current and new drug product development projects of the Company and assisting in the Company's recruitment of additional R&D staff members. As an inducement to enter into the agreement, the Company granted VS a non-qualified stock option to purchase up to 1,750,000 shares of Common Stock (the "Option Shares") at a price of $2.13 per share. The option vests in 250,000 share installments, the first immediately, the second on May 6, 2007, the third on December 6, 2007, the fourth upon the Company's acceptance of the Initial Business Plan of Novel, and the other installments vesting on the accomplishment of certain milestones with respect to the first or second drug product developed by the Company (excluding drug products of Novel) on or after February 4, 2007, under the advisory services provided to the Company. As of December 31, 2007, 1,000,000 of the options have vested and the remaining 750,000 unvested options terminated as a result of the Company owning in the aggregate less than 20% of the outstanding capital stock of Novel.

The option terminates on December 6, 2016, or 90 days following a termination of his advisory services to the Company or his employment by Novel other than a termination without Cause or by VS for Good Reason or 48 months after the termination of his advisory services under the Advisory Agreement or his employment under the employment agreement as a result of: (i) a termination by the Company of the Advisory Agreement or by Novel of the employment agreement without Cause or by VS without Good Reason or (ii) the post-December 6, 2007, termination of the term of the Advisory Agreement or of the Novel employment agreement.

Effective July 10, 2007, the Acquired Company Shares, the Option Shares and Warrant Shares were registered for reoffering under the Securities Act of 1933, as amended (the "Act").

CONSULTING AGREEMENTS

On July 27, 2007, the Company entered into a consulting agreement with Willstar Consultants, Inc. ("Willstar") for advice pertaining to overall strategic planning, business opportunities, acquisition policy investment and banking relationships and stockholder matters. The term of the agreement is for 120 days at a fee of $50,000. In addition Willstar received 90,000 non-qualified stock options, which vest over a three year period from the time of grant. These options are exercisable at $2.50 per option. Expenses incurred under this

agreement amounted to $50,000 for the year ended March 31, 2008.

On September 4, 2007, the Company entered into a consulting agreement with Bridge Ventures, Inc. ("BVI"), and Saggi Capital, Inc. ("SCI") relating to the introduction of potential contacts and investors, the attraction of investment capital and providing investor relations services and to generate investor interest in the Company. The term of the agreement is for a period of 180 days for a fee of $10,000 per month. In addition, each of BVI and SCI received five-year warrants to purchase 75,000 shares of Common Stock at $3.25 exercise price. Expenses incurred under this agreement amounted to $60,000 for the year ended March 31, 2008.

COLLABORATIVE AGREEMENTS

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

NOTE 8 - STOCKHOLDERS' EQUITY

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

LOSS PER COMMON SHARE

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

	2008		2007		2006	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Stock options	5,543,300	$ 2.16	6,622,500	$ 2.28	2,971,250	$ 2.36
Convertible Preferred Stock	11,994,243	$ 2.25	4,308,885	$ 2.25	4,444,444	$ 2.25
Warrants	9,216,736	$ 2.59	6,640,446	$ 2.31	6,079,199	$ 2.26

26,754,279	17,571,831	13,494,893

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 8 - STOCKHOLDERS' EQUITY (CONTINUED)

SERIES B 8% CONVERTIBLE PREFERRED STOCK

On March 15, 2006, the Company sold in a private placement 10,000 shares of Series B 8% Convertible Preferred Stock (the "Series B Preferred Stock"), for gross proceeds of $10,000,000. The Series B Preferred Stock is convertible at $2.25 per share, into 4,444,444 shares of Common Stock. In connection with the issuance of the Series B Preferred Stock, the Company also issued two classes of warrants which are exercisable for a period of five years and represent the right to purchase an aggregate of 1,111,111 shares of Common Stock at an exercise price of $2.75 per share and the second class of warrants are exercisable for a period of five years and represent the right to purchase an aggregate of 1,111,111 shares of Common Stock at an exercise price of $3.25 per share. Based on the relative fair values, the Company has attributed $2,033,029 of the total proceeds to the warrants and has recorded the warrants as additional paid-in capital. The remaining portion of the proceeds of $7,966,971 was used to determine the value of the 4,444,444 shares of the Company Common Stock underlying the Series B Preferred Stock, or $1.7925 per share. Since the value was $0.4774 lower than the fair market value of the Company's Common Stock on March 15, 2006, the $2,121,917 fair value of the conversion option resulted in the recognition of a preferred stock dividend and an increase to additional paid-in capital.

SERIES C 8% CONVERTIBLE PREFERRED STOCK

On April 24, 2007, the Company sold 15,000 shares of its Series C 8% Convertible Preferred Stock, par value $0.01 (the "Series C Preferred Stock"), and 1,939,655 warrants for gross proceeds of $15,000,000. The 15,000 shares of Series C Preferred Stock are convertible into 6,465,517 shares of Common Stock. The warrants are exercisable at $3.00 per share and are exercisable through April 27, 2012. The Company paid $1,050,000 in commissions to the placement agent and others in connection with the sale of the Series C Preferred Stock. In addition, the Company granted the placement agent 193,965 warrants exercisable at $3.00 per share which were valued at $129,627. The gross proceeds of the private placement were $15,000,000 before payment of $1,050,000 in commissions to the placement agent and selected dealers. In addition, the Company agreed to reimburse the placement agent for all documented out-of-pocket expenses incurred by the placement agent in connection with the private placement, including reasonable fees and expenses of its counsel, which the Company and placement agent agreed to be limited to $25,000. Based on the relative fair values, the Company has attributed $1,182,101 of the total proceeds to the warrants and has recorded the warrants as additional paid-in capital. The remaining portion of the proceeds of $13,817,899 was used to determine the value of the 6,465,517 shares of the Company Common Stock underlying the Series C Preferred Stock, or $2.1372 per share. Since the value was $0.1628 lower than the fair market value of the Company's Common Stock on April 24, 2007, the $1,052,790 fair value of the conversion option resulted in the recognition of a preferred stock dividend and an increase to additional paid-in capital.

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

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

SERIES C 8% CONVERTIBLE PREFERRED STOCK (CONTINUED)

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

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

In consideration for the Series B Consent, (i) the Company agreed to extend the expiration date of certain warrants issued to each holder of Series B Preferred

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

COMMON STOCK TRANSATIONS

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

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

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

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

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

COMMON STOCK TRANSATIONS (CONTINUED)

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

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

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

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

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

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

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

On April 24, 2007, the Company sold 15,000 shares of its Series C 8% Convertible Preferred Stock, par value $0.01, and 1,939,655 warrants for gross proceeds of $15,000,000. The 15,000 Preferred Series C shares are convertible into 6,465,517 shares of common stock. The warrants are exercisable at $3.00 per share and are exercisable through April 27, 2012. The Company paid $1,050,000 in commissions to the placement agent and others in connection with the sale of the Series C Preferred. In addition, the Company granted the placement agent 193,965 warrants exercisable at $3.00 per share which were valued at $129,627. The Series C 8% Convertible Preferred will pay a quarterly dividend at 8% per annum on its purchase price of $1,000 per share. The dividend will be payable in other shares or cash. The gross proceeds of the private placement were $15,000,000 before payment of $1,050,000 in commissions to the Placement Agent and selected dealers. In addition, the Company agreed to reimburse the Placement Agent for all documented out-of-pocket expenses incurred by the Placement Agent in connection with the private placement, including reasonable fees and expenses of its counsel, which the Company and Placement Agent agreed to be limited to $25,000. Pursuant to the placement agent agreement, the Company issued to the Placement Agent and its designees warrants to purchase 193,965 shares of Common Stock. Such warrants are at an exercise price of $3.00 per share, exercisable on or prior to April 24, 2012.

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

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

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

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

COMMON STOCK TRANSATIONS (CONTINUED)

The following grants were made under the Company's 2004 Stock Option Plan in the year ended March 31, 2007:

On November 21, 2006, the Company granted options to sixteen employees to purchase an aggregate of 66,500 shares of Common Stock with an exercise price of $2.26 to vest over a period of three years from grant date.

On November 13, 2006, the Company granted to Bernard Berk, the Company's Chief Executive Officer, according to terms of the Second Amended and Restated Employment Agreement additional stock options to purchase up to 300,000 shares of the Company's Common Stock at $3.00 a share.

Additionally, under employment agreements with each of Dr. Charan Behl, Executive Vice President and Chief Scientific Officer, and Chris Dick, Executive Vice President of Corporate Development, the Company granted to each, options to purchase up to 750,000 shares of Common Stock at $2.25 a share.

On June 1, 2006, the Company entered into a one year consulting agreement with David Filer, whereby Dr. Filer is to provide financial advisory services to the Company, in consideration of the grant of three year options to purchase 10,000 shares of Common Stock, at a price of $3.00 per share.

On May 3, 2006, the Company granted options to purchase 70,000 shares of Common Stock at a price of $2.26 per share to Mark Gittelman, its Chief Financial Officer. One-third of the options vest on each of May 3, 2007, May 3, 2008 and May 3, 2009.

Between February and October 2006, the Company granted ten year options to twelve employees to purchase an aggregate of 83,000 shares of Common Stock with exercise prices ranging from $2.25 to $2.30 per share, which vest over a period of three years from grant date.

During the year ended March 31, 2007, there were cashless exercises of 217,452 warrants issued in our October, 2004 Private Placement, which resulted in the issuance of 84,430 shares of Common Stock.

During the year ended March 31, 2007, 305 shares of Series B Preferred Stock were converted into 135,555 shares of Common Stock.

Dividends accrued on Series B Stock through conversion date and March 31, 2007 were satisfied by the issuance of 1,318 and 371,244 shares of Common Stock, respectively.

During the year ended March 31, 2007, 3,750 options expired, 65,500 were forfeited and 59,000 options were exercised for gross proceeds of $88,500.

On December 6, 2006, the Company issued to VGS Pharma, LLC ("VGS") a five year warrant to purchase 478,698 shares of Common Stock for cash at a price of $3.00 per share, subject to adjustment upon the occurrence of certain events. The per share weighted value of the warrant to purchase 478,698 shares of Common Stock at $3.00 per share is $0.77. The warrant was valued using the Black-Scholes option pricing model with the following weighted average assumptions: no dividend yield; expected volatility of 46.12%; risk free interest rate of 5%; and expected life of 5 years. As a result, a charge of $366,396 is reflected in the consolidated statement of operations. VGS is a wholly owned subsidiary of Kali Capital, L.P., which is controlled by Kali Management, LLC ("KALI"), its general partner, and Kali is controlled by Anu Subramanian, its managing member and daughter of VS.

In addition, on December 6, 2006, the Company granted to Veerappan Subramanian ("VS") an option to purchase up to 1,750,000 shares of the Common Stock at $2.13 a share. The option vests as to 250,000 shares immediately and in subsequent 250,000 share installments, with one vesting on May 6, 2007, another on December 6, 2007, a third upon acceptance of the initial business plan of Novel, and the other installments vesting on the accomplishment of certain milestones with respect to the first or second drug product developed by the Company (excluding drug products of Novel) on or after the 60th day after December 6, 2006, under the advisory services provided to the Company. The per share weighted-average fair value of the option to purchase up to 1,750,000 shares of Common Stock granted to VS is $1.36 a share for an actual charge of $2,380,000 which will be recognized over the vesting period of the instrument. The option was valued using the Black-Scholes option pricing model with the following weighted average assumptions: no dividend yield; expected volatility of 46.12%; risk free interest rate of 5%; and expected life of 10 years. As of December 31, 2007, 1,000,000 of the options have vested and the remaining 750,000 unvested options terminated as a result of the Company owning in the aggregate less than 20% of the outstanding capital stock of Novel.

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

COMMON STOCK TRANSATIONS (CONTINUED)

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

WARRANTS

To date, the Company has authorized the issuance of Common Stock Purchase Warrants, with terms of five to six years, to various corporations and individuals, in connection with the sale of securities, loan agreements and consulting agreements. Exercise prices range from $2.00 to $3.74 per warrant. The warrants expire at various times through March 15, 2011.

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

	2008	2007	2006
Balance at beginning of year:	6,640,445	6,079,199	8,035,875
Warrants issued	150,000	778,698	220,705
Warrants issued pursuant to Placement Agent Agreements	258,620	--	381,028
Warrants issued pursuant to Private Placement	2,586,209	--	2,222,222
Warrants exercised, forfeited or expired	(353,883)	(217,452)	(4,780,631)

Ending balance	9,281,391	6,640,445	6,079,199

CLASS B WARRANTS

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

ELITE PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2008, 2007 AND 2006

NOTE 9 - STOCK OPTION PLANS

STOCK-BASED COMPENSATION

During the years ended March 31, 2006, 2007 and 2008 the Company issued 969,200, 3,779,500 and 983,800, respectively options to purchase Common Stock to employees, consultants, financial advisors and to members of the board of directors. The options have an exercise price ranging from $1.08 to $3.00 per share and all vest over three years except 75,000 issued for the year ending March 31, 2006 which vested pro-rata over a 6 month period and 750,000 issued for year ending March 31, 2007 which vested upon grant date, and 250,000 which vested in 6 months and 1,025,000 which vest based upon strategic events or accomplishments of certain milestones. For the year ending March 31, 2008, 195,000 options vested upon grant date and 280,000 vest based upon strategic events or accomplishments of certain milestones. The options expire between five and ten years from the date of grant. The Company has recorded compensation expense of $902,927, $3,479,070 and $2,607,470 for the years ended March 31, 2006, 2007 and 2008, respectively, which represents the fair value of the options vested computed using the Black-Scholes options pricing model on each grant date.

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

	2008		2007		2006	
	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE	OPTIONS	AVERAGE WEIGHTED EXERCISE PRICE
Outstanding at beginning of year	6,622,500	$ 2.28	2,971,250	$ 2.36	2,277,050	$ 2.16
Granted	983,800	1.49	3,779,500	2.20	969,200	2.74
Exercised	(41,000)	1.50	(59,000)	1.50	(20,000)	2.00
Expired	(2,022,000)	(2.23)	(69,250)	2.31	(255,000)	2.04
Outstanding at end						

of year	5,543,300	$ 2.16	6,622,500	$ 2.28	2,971,250	$ 2.36

The following table summarizes information about stock options outstanding at March 31, 2008:

RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISABLE PRICE
$ 1.00 - 2.00	893,800	9.50	$ 1.29	195,000	$ 1.51
2.01 - 3.00	4,649,500	7.50	2.33	2,858,928	2.24
$ 1.00 - 3.00	5,543,300	7.82	$ 2.16	3,053,928	$ 2.19

NOTE 9 - STOCK OPTION PLANS (CONTINUED)

STOCK-BASED COMPENSATION (CONTINUED)

The per share weighted-average fair value of each option granted during fiscal 2008, 2007 and 2006, ranged from $.56 to $1.20 during fiscal 2008, $1.36 to $1.39 during fiscal 2007 and $1.48 to $1.70 during fiscal 2006 on the date of grant using the Black-Scholes options pricing model with the following weighted-average assumptions; no dividend yield; expected volatility of 33.0% for fiscal 2008, ranging from 46.12% to 57.95% for fiscal 2007 and expected volatility of 97.84% for fiscal year 2006; risk-free interest rates of 4.00% in 2008, 5.00% in 2007 and 4.18% in 2006 and expected lives ranging from five to ten years.

There are 2,531,700 options available for future grant under our Stock Option Plan.

NOTE 10 - MAJOR CUSTOMERS

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

	2008	2007	2006
Customer A -	100%	100%	100%

NOTE 11 - SUBSEQUENT EVENTS

On April 14, 2008, the Company entered into a consulting agreement with New Castle Consulting, LLC ("New Castle") whereby New Castle is to provide

consulting services to the Company for a six month term. Services include, but will not necessarily be limited to analyzing, the Company's needs with respect to investor relations, consulting, assisting and advising the Company with respect to its needs for investor relations, oversee and facilitate investor relations, assist the Company in developing and implementing appropriate means for presenting the Company and its business plans, strategy and personnel to financial community and advising the Company with respect to its relations with brokers, dealers, analysts and other investment professionals. For its services New Castle will receive $8,000 per month in addition to 125,000 shares of the Company's restricted Common Stock.

On April 24, 2008, the Board of Directors of the Company appointed Dr. Stuart Apfel to be the Company's Chief Scientific Officer, effective immediately, and accepted the resignation of Dr. Veerappan Subramanian as the Company's acting Chief Scientific Officer. Dr. Apfel will continue his duties as the Company's Chief Medical Officer. The existing employment agreement between Dr. Apfel and the Company shall continue and not be modified in any was as a result of this new appointment.

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

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