INTERPHARM HOLDINGS INC
Form PRER14C
May 28, 2008

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

SCHEDULE 14C
INFORMATION STATEMENT PURSUANT TO SECTION 14(c)
OF THE SECURITIES EXCHANGE ACT OF 1934

Check the appropriate box:
x Preliminary Information Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14(c)-5(d)(2))
o Definitive Information Statement

INTERPHARM HOLDINGS, INC.
(Name of the Registrant as Specified in its Charter)

Payment of Filing Fee (Check the appropriate box):
o No Fee Required
x Fee Computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The proposed maximum value of the transaction was based upon $65,100,000 in cash. The filing fee was determined by multiplying the proposed maximum value of the transaction by .0002.

4. Proposed aggregate value of transaction:
$65,100,000.00

5. Total fee paid:
$13,020.00

x Fee paid previously with preliminary materials.
o Check box is any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

2. Form, schedule, or registration statement number:

3. Filing party:

4. Date filed:

INTERPHARM HOLDINGS, INC.
75 Adams Avenue
Hauppauge, New York 11788
631-952-0114

NOTICE OF APPROVAL OF ASSET PURCHASE AGREEMENT AND REAL ESTATE CONTRACT AND APPROVAL OF SALE OF ASSETS

BY

WRITTEN CONSENT OF STOCKHOLDERS

[May __, 2008]

NOTICE IS HEREBY GIVEN, pursuant to Section 228 of the General Corporation Law of the State of Delaware ("Delaware Law") that, on April 24, 2008, the holders of a majority of the outstanding shares of Interpharm Holdings, Inc., a Delaware corporation (“we,” “us” or the “Company”), entitled to vote thereon, acting by written consent without a meeting of stockholders, approved

- an asset purchase agreement, dated as of April 24, 2008, by and among the Company, our wholly owned subsidiary, Interpharm, Inc., a New York corporation, Amneal Pharmaceuticals of New York, LLC, a Delaware limited liability company (“Amneal”), and the shareholders of the Company indicated as majority shareholders on the signature pages to the asset purchase agreement (the “Majority Stockholders”),

- a real estate contract, dated April 24, 2008, among our wholly owned subsidiaries, Interpharm, Inc., a New York corporation, and Interpharm Realty, LLC, a New York limited liability company, and Kashiv, LLC, a Delaware limited liability company affiliated with Amneal (the “real estate contract”), and

- the transactions contemplated thereby.

In addition, on May 2, 2008, the same persons, acting by written consent without a meeting of stockholders, approved a first amendment, dated May 2, 2008, to the asset purchase agreement (the “first amendment”).

Under the asset purchase agreement, as amended by the first amendment (collectively referred to as the “asset purchase agreement”), and the real estate contract, we and our subsidiaries will sell substantially all of our assets and business to the buyers for an aggregate of $61.6 million in cash, subject to certain adjustments thereto and subject to the terms and conditions of the asset purchase agreement and real estate contract. Under the asset purchase agreement, at the closing, Amneal will also establish an escrow fund of $3.5 million for the potential payment of up to $3.5 million additional consideration to the Company and Interpharm, to the extent such funds are not used to indemnify Amneal and Kashiv pursuant to the terms of the asset purchase agreement and real estate contract.

As permitted by Delaware Law, no meeting of stockholders of the Company is being held to vote on the approval of the asset purchase agreement or the real estate contract or the approval of the sale of substantially all of our assets because such transactions have been approved by the requisite stockholders in an action by written consent of the stockholders of the Company. The terms and conditions of the asset purchase agreement and real estate contract and the various transactions contemplated thereby are described in detail in the enclosed Information Statement, which is incorporated by reference and made part of this notice.

/s/ Peter Giallorenzo

Peter Giallorenzo
Chief Financial Officer
Hauppauge, New York

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INFORMATION STATEMENT
INTRODUCTION

After careful consideration, on April 24, 2008, the Board of Directors of the Company (the “Board of Directors”) unanimously adopted (i) the Asset Purchase Agreement, dated as of April 24, 2008 (the “original agreement”) by and among Interpharm Holdings, Inc., a Delaware corporation (the “Company”, “we” or “us”), our wholly-owned subsidiary Interpharm, Inc., a New York corporation (“Interpharm, Inc.”), Amneal Pharmaceuticals of New York, LLC, a Delaware limited liability company (“Amneal”), and the shareholders of the Company indicated as “majority shareholders” on the signature pages thereto (the “Majority Stockholders”), and (ii) the Contract for the Sale of Real Estate, dated as of April 24, 2008 (the “real estate contract”), among Interpharm, Inc., Interpharm Realty, LLC, a New York limited liability company (“Realty”) and Kashiv, LLC a Delaware limited liability company (“Kashiv”).

On May 2, 2008 the Board of Directors unanimously adopted the First Amendment to Asset Purchase Agreement dated May 2, 2008 (the “first amendment”), to the original agreement. The original agreement and the first amendment are hereinafter collectively referred to as the “asset purchase agreement” and such agreements and the real estate contract are hereinafter collectively referred to as the “sale agreements.” Under the sale agreements, the Company, Interpharm, Inc. and Realty (collectively referred to as the “sellers”) will sell substantially all of their assets to Amneal and Kashiv for an aggregate purchase price of $61.6 million in cash, subject to certain adjustments. Under the asset purchase agreement, at the closing, Amneal will also establish an escrow fund of $3.5 million for the potential payment of up to $3.5 million additional consideration to the Company to the extent such funds are not used to indemnify Amneal and Kashiv pursuant to the terms of the sale agreements.

In addition to adopting the sale agreements, the Board of Directors has adopted and approved all related agreements and transactions as described in this Information Statement.

The Board of Directors has determined that the sale of substantially all of the Company’s assets, as set forth in the sale agreements (the “asset sale”), including the sale under the real estate contract of the real property located at 50 Horseblock Road, Yaphank, New York (the “Real Property”), is advisable and in the best interests of the Company and its stockholders. References to the asset sale in this Information Statement also include the sale of the Real Property.

The asset sale involves risks, including the existence of conditions to the obligations of Amneal and Kashiv to complete the asset sale, all of which must either be satisfied or waived prior to the completion of such sale.

The sale agreements and related transactions are more fully described in the section entitled “The Asset Purchase Agreement and Related Documents.”

This Information Statement is being furnished to stockholders of the Company beginning __________, 2008 in connection with the proposed asset sale to Amneal and Kashiv. It is being furnished to the Company’s stockholders of record as of May 2, 2008. You should not assume that the information contained herein is accurate as of any date other than the date hereof. All information in this Information Statement concerning the Company has been supplied by the Company. All information contained in this Information Statement concerning Amneal and Kashiv has been supplied by Amneal.

Copies of the asset purchase agreement and the real estate contract are attached to this Information Statement as Annexes A and B, respectively.

As of May 2, 2008, there were (i) 66,738,426 shares of our Common Stock, par value $0.01 per share (“Common Stock”), (ii) 277,000 shares of Series C Convertible Preferred Stock, par value $0.01 per share (“Series C Preferred”), (iii) 4,855,389 shares of Series A-1 Preferred Stock $0.01 per share ("Series A-1 Preferred"), and (iv) 20,825 shares of Series D-1 Preferred Stock, par value $.01 per share (the “Series D-1 Preferred” and, together with the Series C

Preferred, the “Voting Preferred Stock”) issued and outstanding. Under the Delaware General Corporation Law (“Delaware Law”) and the terms of our Certificate of Incorporation, as amended and as currently in effect, the asset sale requires the approval of the majority of the outstanding Common Stock and the Voting Preferred Stock voting together as a single class. The holders of Common Stock and Series C Preferred have one vote per share. The holders of Series D-1 Preferred have one vote per share of Common Stock into which such holders’ shares of Series D-1 Preferred are then convertible. The shares of Series D-1 Preferred outstanding as of May 2, 2008 are convertible into an aggregate of 21,052,632 shares of Common Stock. Accordingly, the approval of holders of shares of Common Stock, Series C Preferred and Series D-1 Preferred entitled to cast 44,034,030 votes, voting together as a single class, is required to approve the asset sale. The holders of a majority of the outstanding Common Stock and Voting Preferred Stock voting together as a single class have executed written consents approving the original agreement, the first amendment and the real estate contract and approving the transactions contemplated by each of those agreements in accordance with Section 228 of Delaware Law. Accordingly, in accordance with Delaware Law and the Certificate of Incorporation of the Company, as amended and currently in effect, the holders of a majority of the outstanding shares of Common Stock and Voting Preferred Stock, voting as a single class, have approved the asset sale and the asset purchase agreement. The actions by written consent are sufficient to approve the sale and the other transactions contemplated by the asset purchase agreement and the real estate contract without any further action or vote of the stockholders of the Company. Accordingly, no other actions are necessary to approve the asset sale, and no such actions are being requested.

The members of Amneal and Kashiv are not required to approve the asset sale.

The holders of Series A-1 Preferred do not have voting rights on the asset sale and the consent of the holders of Series A-1 Preferred was not necessary to obtain the stockholder approval of the transaction required by the Company’s Certificate of Incorporation, as amended, or under Delaware Law. However, the holders of a majority of the outstanding Series A-1 Preferred consented to the terms of the asset purchase agreement thereby waiving certain rights such holders would have in connection with the asset sale.

THIS IS NOT A REQUEST FOR YOUR VOTE OR A PROXY. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. THIS INFORMATION STATEMENT IS DESIGNED TO INFORM YOU OF THE ASSET SALE AND TO PROVIDE YOU WITH INFORMATION ABOUT THE ASSET SALE AND THE BACKGROUND TO THE ASSET SALE.

NEITHER THE ASSET SALE, THE ASSET PURCHASE AGREEMENT NOR THE REAL ESTATE CONTRACT HAS BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SEC OR ANY STATE SECURITIES COMMISSION PASSED UPON THE FAIRNESS OR MERIT OF THE ASSET SALE OR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS INFORMATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO PERSONS HAVE BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OR STATEMENTS (OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT) REGARDING THE ASSET SALE OR THE OTHER MATTERS DISCUSSED HEREIN AND, IF GIVEN OR MADE, ANY SUCH REPRESENTATIONS OR INFORMATION PROVIDED MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED OR SANCTIONED BY THE COMPANY OR ANY OTHER PERSON.

The date of this Information Statement is ____________, 2008.

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Information Statement contains "forward-looking statements" regarding our assumptions, projections, expectations, intentions or beliefs about future events. We caution you that these statements may and often do vary from actual results, and the differences between these statements and actual results can be material. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements speak only as of the date of this Information Statement. We expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained in this Information Statement to reflect any change in our expectations or any change in events, conditions, assumptions or circumstances on which any such statement is based unless so required by applicable law, including the securities laws of the United States and the rules and regulations of the SEC.

Contents

SUMMARY

The following is a summary of information contained elsewhere in this Information Statement. Reference is made to, and this summary is qualified in its entirety by, the more detailed information contained elsewhere in this Information Statement and the exhibits attached hereto. We urge you to read this Information Statement, the Asset Purchase Agreement, as amended by the First Amendment, the Real Estate Contract and the Opinion of Houlihan Lokey Howard & Zukin Financial Advisors, Inc. concerning the fairness of the asset sale transaction referred to herein to the Company from a financial point of view set forth on Annex A, Annex B and Annex C, respectively, in their entirety because they contain important information about the Company and the asset sale.

The Parties Involved in the Asset Sale

The parties involved in the asset sale (which for purposes of this Information Statement includes the sale of the Real Property by our subsidiary, Interpharm, Inc.) are the Company, Interpharm, Inc. and Realty (collectively, the “sellers”) and Amneal and Kashiv (collectively, the “buyers”). See “Information Regarding the Parties.”

The Company, Interpharm, Inc. and Realty

The Company, through its operating wholly-owned subsidiary, Interpharm, Inc., has been engaged in the business of developing, manufacturing and marketing generic prescription strength and over-the-counter pharmaceuticals since 1984. We currently sell our products under (i) our own label to major retailers, wholesalers, managed care organizations and national distributors and (ii) under private label to wholesalers, distributors, repackagers, and other manufacturers. As of April 30, 2008, we manufactured and marketed 38 generic pharmaceutical products, which represent various oral dosage strengths for eleven unique products and different dosage strengths for 27 of these products.

The Company’s common stock was delisted from the American Stock Exchange on May 1, 2008 and is currently quoted in the Pink Sheets under the symbol "IPAH." The Company’s principal executive offices are located at 75 Adams Avenue, Hauppauge, New York 11788 and its telephone number is 631-952-0214. The Company is a Delaware corporation.

Interpharm, Inc. is a New York corporation and a wholly owned subsidiary of the Company.

Realty is a New York limited liability company which is the former owner of the Company's real property in Yaphank, New York and currently has no assets. Realty is a wholly owned subsidiary of the Company.

For addition information, See “Information Regarding the Parties.”

Amneal

Amneal is a Delaware limited liability company and wholly owned subsidiary of Amneal Pharmaceuticals, LLC. Kashiv, LLC is also a Delaware limited liability company and is owned by the principals of Amneal Pharmaceuticals, LLC.

Amneal Pharmaceuticals, LLC, a Delaware limited liability company, is a pharmaceutical company that develops, manufactures and distributes generic pharmaceutical products, both over the counter and prescription. Amneal Pharmaceuticals, LLC is privately owned and has operated since 2001, with its headquarters in Paterson, New Jersey.

For additional information regarding Amneal and Kashiv, see "Information Regarding the Parties."

Structure of the Transaction and Consideration to be Received

Under the agreements relating to the asset sale, the sellers will sell to Amneal and Kashiv substantially all of the assets of the Company and its subsidiaries, including the Real Property located at 50 Horseblock Road, Yaphank, New York, in exchange for an aggregate of $61.6 million in cash (which amount is subject to certain adjustments, including credits for advances by Amneal to the Company under the loan and security agreement, reductions for the mutually agreed value of certain liabilities assumed by Amneal and the amount of reductions in inventory of the sellers between the dates of signing and closing of the asset purchase agreement, increases for the face amount of receivables of the sellers which are assigned to Amneal and certain adjustments and prorations under the real estate contract). Under the asset purchase agreement, at the closing, Amneal will also establish an escrow fund of $3.5 million for the potential payment of up to $3.5 million additional consideration to the Company and Interpharm, Inc. to the extent such funds are not used to indemnify Amneal or Kashiv pursuant to the terms of the sale agreements.

The asset sale will become effective following the satisfaction or waiver of all closing conditions as contemplated by the sale agreements. See the section in this information statement entitled "The Asset Purchase Agreement and Related Documents."

Interpharm's Reasons for the Transaction

The sellers agreed to enter into the sale agreements because, as a result of certain defaults by the Company under the Wells Fargo Credit Agreement (as defined below) and Restated Forbearance Agreement (as defined below) with Wells Fargo Bank, National Association ("Wells Fargo"), under the Amended and Restated Forbearance Agreement, dated as of March 25, 2008 (the "Restated Forbearance Agreement"), among the Company, Interpharm Inc. and Wells Fargo, the Company and Interpharm Inc. had a deadline of April 30, 2008 to procure a binding commitment for a sale if Interpharm Inc. could not refinance its obligations to Wells Fargo under the Credit Agreement and Security Agreement dated as of February 9, 2006 between Interpharm, Inc. and Wells Fargo (the "Wells Fargo Credit Agreement") with a new lender. If the sellers could not refinance or otherwise satisfy their indebtedness to Wells Fargo, in accordance with the Restated Forbearance Agreement, Wells Fargo would be entitled to foreclose on the sellers' assets securing such indebtedness (which assets constitute substantially all of the sellers' assets) and effectively put the sellers out of business. The Board of Directors of the Company determined that the asset sale on the terms negotiated with Amneal and Kashiv was preferable to all other strategic and financial alternatives (including voluntary bankruptcy) then available to the Company and Interpharm, Inc. See the "Background of the Asset Sale."

Opinion of the Company's Financial Advisor

On May 7, 2008, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. ("Houlihan Lokey"), the Company's financial advisor in connection with the transaction, rendered a written opinion to the Board of Directors as to the fairness, from a financial point of view, of the consideration to be received by the sellers in the asset sale, as of May 7, 2008 and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion.

Houlihan Lokey's opinion was directed to the Board of Directors and only addressed the fairness from a financial point of view of the consideration to be received by the sellers in the asset sale and does not address any other aspect or implication of the asset sale. The summary of Houlihan Lokey's opinion in this information statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex C to this information statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. We encourage our stockholders to read carefully the full text of Houlihan Lokey's written opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this information statement are intended to be, and do not constitute advice or a recommendation to the Board of Directors or any stockholder as to how to act with respect to the asset sale or related matters. See "Opinion of Houlihan Lokey."

Use of Proceeds

The Company will use the cash proceeds of the asset sale to (i) pay expenses incurred in connection with the asset sale (which are estimated to be $_________) and (ii) satisfy in full all liabilities and indebtedness of the Company not assumed by the buyers (estimated to be $______), including a Success Fee of $500,000 payable to Wells Fargo which is payable under the Restated Forbearance Agreement if the asset sale is consummated.

Under the asset purchase agreement, the Company has agreed that if the asset sale is consummated, it will not make any payment or distribution with respect to its equity securities, whether by way of redemption, dividend, distribution or otherwise, to the Majority Stockholders or any other holders of Company's capital stock until more than 90 days after the closing date.

In addition to making the above payments, after the asset sale is consummated the Company intends to wind up its operations and distribute its remaining net assets, if any, to its stockholders.

For additional information see "The Company's Plans Following the Asset Sale."

Proceeds Sharing Agreement

The Majority Stockholders have entered into an Amended and Restated Proceeds Sharing Agreement dated as of May 1, 2008 (the “Proceeds Sharing Agreement”) which provides, among other things, that in the event that the holders of the Company’s Common Stock receive aggregate cash distributions from the Company or Amneal with respect to their shares of Common Stock of less than $3 million and the holders of Series D-1 Preferred (“D-1 Holders”) receive aggregate cash distributions from the Company or Amneal of at least $13 million with respect to their Series D-1 Preferred, each of the D-1 Holders agrees to share proceeds with all holders of Common Stock to the extent that proceeds to such D-1 Holders are in excess of $6.5 million, until all holders of Common Stock have received proceeds from the Company, Amneal and the D-1 Holders equal to an aggregate of $3 million.

The Company is not a party to, nor obligated under, the Proceeds Sharing Agreement to make any payments to the holders of any class or series of the Company’s capital stock other than as may be required under the terms of such capital stock.

See “The Asset Purchase Agreement and Related Documents - Ancillary Agreement - Proceeds Sharing Agreement."

Indemnity

The asset purchase agreement obligates us to indemnify the buyers for:

- any liabilities of any seller not assumed by the buyers;
- any failure by us to observe or perform our covenants;
- any representation or warranty made by us being untrue or incorrect in any respect;
- any taxes of any seller or with respect to the business for all periods prior to the closing date, and any tax liability of any seller or the Company’s shareholders arising in connection with the transactions contemplated by the asset purchase agreement;
- any failure of any seller to have good, verified marketable title to the assets to be sold under the asset purchase agreement free and clear of all liens (other than permitted liens);
- any challenge to the transaction by any shareholder of the Company;
- all reasonable attorneys fees and other losses in connection with pending litigation (other than litigation that Amneal agrees to assume) against the assets to be sold under the asset purchase agreement;
- certain failures of the sellers to have effective, exclusive and original ownership of all of their tangible and intellectual property;
- brokers fees, commissions or similar payments to Greiner-Maltz Company of Long Island or any of its affiliates with respect to the sale of the Real Property or otherwise; and
- any failure by the Company to pay costs required to be paid by the Company under the asset purchase agreement to transfer to Amneal of the U.S. Drug Enforcement Agency (“DEA”) controlled substances license for the facility at 75 Adams Avenue, Hauppauge, New York and the Real Property; and

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any costs of product recalls which occur 180 days after the closing date for product lots which were manufactured prior to the closing date.

See “The Asset Purchase Agreement and Related Documents - Indemnification and Escrow.”

Escrow

The parties have agreed, pursuant to an escrow agreement to be entered into with Sovereign Bank, as escrow agent, that Amneal shall place $3.5 in escrow for one year. The escrow fund shall be used to secure the indemnification obligations of the Company and Interpharm, Inc. under the sale agreements. Funds will be released to the Company after one year assuming no claims against the escrow. See "The Asset Purchase Agreement and Related Documents — Indemnification and Escrow."

Representations and Warranties of the Company and its Subsidiaries

The representations and warranties of the sellers contained in the sale agreements include customary representations regarding the sellers and the assets to be conveyed to Amneal and Kashiv. See "The Asset Purchase Agreement and Related Documents — Representations, Warranties, and Covenants."

Conditions to Closing

Before the asset sale can be completed certain closing conditions must be satisfied or waived. See "The Asset Purchase Agreement and Related Documents — Conditions Precedent to the Closing of the Asset Sale."

Closing

Under the sale agreements, the closing of the asset sale is scheduled to be held on June 16, 2008, or, if the DEA has not issued a controlled substances license to Amneal for Interpharm, Inc.'s 75 Adams Avenue, Hauppauge, New York facility prior to June 16, 2008, the closing date shall be automatically extended to the earlier of July 16, 2008 or the third business day after the DEA license is issued. In the event that the DEA license has not been issued to Amneal prior to July 16, 2008 then, unless Amneal and the Company agree to extend the closing date or Amneal waives the condition that it be issued the DEA license prior to closing and elects to close, the asset purchase agreement shall automatically terminate at midnight on July 16, 2008.

Under rules promulgated by the SEC, the asset sale may not be consummated until at least 20 days following the mailing of this Information Statement. In addition, the closing of the asset sale is subject to the satisfaction or waiver of additional closing conditions under the sale agreements.

We anticipate that the asset sale will close on ______________, 2008, which is the third business day following the date on which the Company will fulfill its information statement filing and mailing obligations by having mailed this information statement to stockholders at least 20 days prior to consummating the asset sale. However, in the event that prior to (i) the earlier of June 16, 2008 and (ii) the third business day after the DEA license is issued, the sellers have not complied with certain of the conditions to the obligations of Amneal to close the sale agreements, the closing date of the sale agreements shall be automatically extended to the third business day following the date on which all of such conditions have been satisfied.

For additional information see "The Asset Purchase Agreement and Related Documents — Conditions Precedent to the Closing of the Asset Sale" and — "Termination, Amendments and Waivers."

Termination

Amneal and the Company have the option to terminate the sale agreements under certain circumstances, including the ability to terminate the sale agreements if the asset sale has not been completed by September 16, 2008, even if the reason the closing has not occurred is that all of Amneal's conditions to close have not been satisfied. See "The Asset Purchase Agreement and Related Documents—Termination."

No Solicitation

Except in connection with certain unsolicited third-party proposals received prior to the time a definitive Information Statement is filed with the SEC (which occurred on _____, 2008), the asset purchase agreement prohibits the Company from soliciting, and prohibits the Company from participating in discussing with third parties, or taking other actions related to, alternate transactions to the asset sale to Amneal. See "The Asset Purchase Agreement and Related Documents - No Solicitation of Alternative Transactions."

Break-up Fee

If the asset purchase agreement is terminated in connection with the Company entering into a definitive agreement with a third party with respect to an alternative transaction, the Company would be required under certain circumstances to pay Amneal a termination fee of 4% of the purchase price in the asset sale (defined as the sum of (a) the $61.6 million base cash purchase price, (b) the $3.5 million escrowed amount and (c) the amount of the sellers' liabilities assumed by Amneal in connection with the asset sale) and Amneal's reasonable expenses related to the transaction. In addition, Interpharm, Inc. would become obligated to repay all advances made to it by Amneal under the loan and security agreement entered into between such parties on April 24, 2008. See "The Asset Purchase Agreement and Related Documents - Break-up Fee."

Expenses

In general, all fees and expenses incurred in connection with the sale agreements and the transactions contemplated thereby will be paid by the party incurring the expenses whether or not the asset sale is completed. See "The Asset Purchase Agreement and Related Documents."

Vote Required for Stockholder Approval

Since the asset sale may constitute a sale of "all or substantially all" of the assets of the Company as defined under Section 271 of Delaware Law, the Company has elected to obtain stockholder approval of the asset sale. Section 271 of Delaware Law requires the approval of the holders of a majority of the outstanding shares of the Company entitled to vote on that matter.

As of May 2, 2008, there were (i) 66,738,426 shares of our Common Stock, (ii) 277,000 shares of Series C Preferred, (iii) 4,855,389 shares of Series A-1 Preferred and (iv) 20,825 shares of Series D-1 Preferred issued and outstanding. The Series C Preferred and the Series D-1 Preferred (which are collectively referred to as the “Voting Preferred Stock”) are the only shares of preferred stock which carry rights to vote on the asset sale. Under Delaware Law and the terms of our Certificate of Incorporation, as amended and as currently in effect, the asset sale requires the approval of the majority of the outstanding Common Stock and Voting Preferred Stock voting together as a single class. The holders of Common Stock and Series C Preferred have one vote per share. The holders of Series D-1 Preferred have one vote per share of Common Stock into which such holders' shares of Series D-1 Preferred are then convertible. The shares of Series D-1 Preferred outstanding as of May 2, 2008 are convertible into 21,052,632 shares of Common Stock. Accordingly, the approval of holders of shares of Common Stock, Series C Preferred Stock and Series D-1 Preferred Stock entitled to cast 44,034,030 votes, voting together as a single class, is required to approve the asset sale. The Majority Stockholders, constituting the holders of a majority of the outstanding Common Stock and Voting Preferred Stock, voting together as a single class, have executed written consents approving the asset purchase agreement and the real estate contract and approving the transactions contemplated by each of those agreements in accordance with Section 228 of Delaware Law. Accordingly, in accordance with Delaware Law and the Certificate of Incorporation of the Company, as amended and currently in effect, the holders of a majority of the outstanding shares of Common Stock and Voting Preferred Stock, voting as a single class, have approved the asset sale and asset purchase agreement. The actions by written consent are sufficient to approve the sale and the other transactions contemplated by the asset purchase agreement and the real estate contract without any further action or vote of the stockholders of the Company. Accordingly, no other actions are necessary to approve the asset sale, and no such actions are being requested. The members of Amneal and Kashiv are not required to approve the asset sale.

See “Stockholder Consent to Asset Sale.”

Tax Consequences

The asset sale does not generate any U.S. federal income tax consequences to the stockholders of the Company. See "Certain United States Federal Income Tax Considerations" for a summary of the tax consequences to the Company.

Appraisal Rights

Stockholders are not entitled to appraisal rights. See “Absence of Dissenters’ Rights.”

QUESTIONS AND ANSWERS ABOUT THE ASSET SALE

The following questions and answers are presented for your convenience only and briefly address some questions you may have about the asset sale. They may not contain all of the information that is important to you. We urge you to read carefully the entire information statement, including the annexes.

Q: *Why am I receiving this information statement?*

A: This information statement describes the sale of substantially all of our business and assets and real property to Amneal and Kashiv and the approval of that sale by written consent of our stockholders. Our board of directors is providing this information statement to you pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended, solely to inform you of, and provide you with information about, the asset sale before it is consummated.

Q: *Who is entitled to receive this information statement?*

A: Stockholders of record as of the close of business on the date the stockholders approved the asset sale (which for purposes of this information statement is May 2, 2008, the date such stockholders approved the first amendment to the asset purchase agreement), are entitled to receive this information statement and the accompanying notice of stockholder action by written consent, which describes the corporate action that has been approved by the written consent of our stockholders.

Q: *Am I being asked to vote on the asset sale?*

A: No, we are not asking you to vote for approval of the asset sale or to provide your written consent to the asset sale, because your vote or written consent is not required for approval of the asset sale, which has been already been approved by the written consents of the Majority Stockholders.

Q: *Will there be a stockholder meeting to consider and approve the asset sale?*

A: No, a stockholder meeting will not be held to consider and approve the asset sale. The asset sale has already been approved by the written consent of our stockholders.

Q: *Will any of the proceeds from the asset sale be distributed to me as a shareholder?*

A: After the asset sale is consummated the Company intends to pay all of its outstanding indebtedness and to wind up its operations and distribute its remaining net assets, if any, to its stockholders. For an explanation of the estimated distributions, see “the Company’s Plans Following the Asset Sale.” Under the asset purchase agreement, the Company has agreed that if the asset sale is consummated, it will not make any payment or distribution with respect to its equity securities, whether by way of redemption, dividend, distribution or otherwise, to the Majority Stockholders or any other holders of Company’s capital stock until more than 90 days after the closing date.

Q: *The asset purchase agreement was amended. What terms were changed?*

A: The parties amended the asset purchase agreement on May 2, 2008 to, among other things, decrease the base cash amount payable at closing to the Company to $61,600,000 from $65,000,000; to add certain matters for which the Company and Interpharm, Inc. would indemnify the buyers; to add certain pre-closing covenants; and to amend certain schedules to the asset purchase agreement. No other material terms were changed.

Q: *Is the asset sale subject to the satisfaction of any conditions?*

A: Yes. Before the asset sale can be consummated, certain closing conditions must be satisfied or waived. These conditions are described in this information statement in the section entitled "The Asset Purchase Agreement and Related Documents—Conditions Precedent to Obligations of Amneal." If these conditions are not satisfied or waived, then the asset sale will not be consummated even though it has been approved by written consent.

Q: *When do you expect the asset sale to be consummated?*

A: We intend to consummate the asset sale on the date on which all of the remaining closing conditions specified in the asset purchase agreement are satisfied or waived. Assuming the remaining closing conditions are satisfied or waived by such date, we expect to consummate the asset sale in ___________, 2008 but no earlier than 20 days after the date this information statement is first mailed to the stockholders.

Q: *What are the U.S. federal income tax consequences of the asset sale?*

A: The net proceeds from the asset sale will consist solely of cash. The sale of our assets will generally generate a capital gain or loss to us depending on whether the net proceeds are greater or less than our adjusted tax basis in such assets. We believe that we have net operating losses available that will be sufficient to offset any gains realized upon consummation of the asset sale.

Our stockholders will not directly experience any U.S. federal income tax consequences as a result of the consummation of the asset sale.

For additional information on the U.S. federal income tax consequences of the asset sale, see the section in this information statement entitled "Certain U.S. Federal Income Tax Considerations" beginning on page 35.

Tax matters are very complicated, and the tax consequences of any asset sale will depend on the facts of your own situation. You are urged to consult your own tax advisor with respect to your own individual tax consequences as a result of the asset sale and any related dividends.

Q: *What should I do now?*

A: No action by you is required.

Q: *Who can help answer my questions?*

A: If you would like additional copies, without charge, of this information statement or if you have questions about the asset sale, then you should contact us as follows:

Interpharm Holdings, Inc.
Attn: Peter Giallorenzo
75 Adams Avenue
Hauppauge, New York 11788

INFORMATION REGARDING THE PARTIES

The Company

Interpharm Holdings, Inc. through its operating wholly-owned subsidiary, Interpharm, Inc., has been engaged in the business of developing, manufacturing and marketing generic prescription strength and over-the-counter pharmaceuticals since 1984.

Realty is a New York limited liability company which is a wholly owned subsidiary of the Company. Realty is the former owner of the Company's real property in Yaphank, New York and currently has no assets.

We currently sell our products under (i) our own label to the major retailers, wholesalers, managed care organizations and national distributors, and (ii) under private label to wholesalers, distributors, repackagers, and other manufacturers. As of April 30, 2008, we manufactured and marketed 38 generic pharmaceutical products, which represent various oral dosage strengths for 11 unique products and different dosage strengths for 27 of these products.

Our principal executive offices are located at 75 Adams Avenue, Hauppauge, New York 11788, and our telephone number is 631-952-0214.

Amneal Pharmaceuticals of New York, LLC and Kashiv, LLC

Amneal is a Delaware limited liability company and wholly owned subsidiary of Amneal Pharmaceuticals, LLC. Kashiv, LLC is also a Delaware limited liability company and is owned by the principals of Amneal Pharmaceuticals, LLC.

Amneal Pharmaceuticals, LLC, a Delaware limited liability company, is a pharmaceutical company that develops, manufactures and distributes generic pharmaceutical products, both over the counter and prescription. Amneal Pharmaceuticals, LLC is privately owned and operated since 2001, and its headquarters is in Paterson, New Jersey.

Amneal, Kashiv, LLC and Amneal Pharmaceuticals, LLC each have a mailing address of 209 McLean Boulevard, Paterson, New Jersey 07504, and each of their telephone numbers is (973) 357-0222.

INFORMATION REGARDING THE TRANSACATION

Under the sale agreements, the Company and its subsidiaries will sell to Amneal and Kashiv substantially all of the assets of the Company and its subsidiaries, including the real property located at 50 Horseblock Road, Yaphank, New York, in exchange for an aggregate of $61.6 million in cash (which amount is subject to certain adjustments, including reductions for the mutually agreed value of certain liabilities assumed by the buyers and the amount of reductions in inventory of the Company and its subsidiaries between the dates of signing and closing of the asset purchase agreement, increases for the face amount of receivables of the sellers which are assigned to Amneal and certain adjustments and prorations under the real estate contract). $3.5 million of the purchase price paid at closing will be placed in escrow, as described below. In addition, all amounts advanced by Amneal to Interpharm, Inc. under the loan and security agreement discussed in the subsection entitled “Ancillary Agreements - Loan and Security Agreement” below shall be credited against the cash amount payable by Amneal at the closing of the asset sale. The asset sale will close following the satisfaction or waiver of all closing conditions as contemplated by the sale agreements. See the section in this information statement entitled "The Asset Purchase Agreement and Related Documents."

BACKGROUND OF THE ASSET SALE

On February 9, 2006, the Company and Interpharm, Inc. entered into a credit and security agreement (the "Wells Fargo Credit Agreement") with Wells Fargo Bank, National Association, acting through its Wells Fargo Business Credit operating division ("Wells Fargo" or “Wells Fargo Business Credit”). Under the Wells Fargo Credit Agreement, the Company obtained a $41,500,000 credit facility from Wells Fargo. Copies of the Wells Fargo Credit Agreement and related documents are annexed to the Company’s Current Report on Form 8-K filed with the SEC on February 15, 2006.

On October 26, 2007, the Company, Interpharm, Inc. and Wells Fargo Business Credit entered into a Forbearance Agreement, which was subsequently amended on November 12, 2007. The amendment was necessary because as of June 30, 2007, the Company had defaulted under the Wells Fargo Credit Agreement with respect to (i) financial reporting obligations, including the submission of its annual audited financial statements for the fiscal year ended June 30, 2007 and (ii) financial covenants related to minimum net cash flow, maximum allowable leverage ratio, maximum allowable total capital expenditures and unfinanced capital expenditures for the fiscal year ended June 30, 2007 (collectively, the “Existing Defaults”).

Under the terms of the Forbearance Agreement, Wells Fargo agreed to waive the Existing Defaults based upon the receipt by Interpharm Inc. of at least $8,000,000 in proceeds from the sale of equity or subordinated debt. On November 7 and 14, 2007, the Company and Interpharm, Inc. received a total of $8,000,000 in gross proceeds from the issuance and sale of subordinated debt. In addition, the Forbearance Agreement served as an amendment to the Wells Fargo Credit Agreement with respect to certain financial covenants, including, but not limited to, the Company's required "net income before tax" and "net cash flow" for certain periods.

On January 10, 2008, the Company and Interpharm, Inc. received notice of defaults under the Forbearance Agreement with respect to: (i) financial covenants relating to required net income before tax for the months ended October 31, 2007 and November 30, 2007, (ii) financial covenants relating to required net cash flow for the months ended October 31, 2007 and November 30, 2007 and (iii) an obligation to have a designated financial advisor provide an opinion as to Company's and Interpharm, Inc.'s ability to meet their fiscal year 2008 projections.

As a result of the January 10, 2008 defaults, Wells Fargo began a review of the Company's and Interpharm, Inc.'s borrowing base and eligible collateral. At that time, the Company and Interpharm, Inc. did not have any credit availability under the Wells Fargo Credit Agreement, had fallen behind on payments to raw material vendors and had limited ability to procure enough raw materials in order to meet customer orders. On January 21, 2008, Wells Fargo reduced the available credit facility by making wholesale accounts receivables from Cardinal Health, McKesson, and AmeriSource Bergen ineligible from the borrowing base.

On January 28, 2008, the Company's Management, key investors and certain members of the Board of Directors met at the request of Wells Fargo. Wells Fargo registered concern as to the Company's ability to continue as a going concern. In response to Wells Fargo's actions, the Company's management and its Board of Directors developed a plan to overhaul the operations of the Company and to seek financing of equity or debt or alternatively to consider a sale or merger of the business to enhance creditor and shareholder value. Management and a designee of the Board, Richard J. Miller, presented a restructuring plan (the "Plan") to Wells Fargo on January 29, 2008 and negotiated the New Forbearance Agreement with Wells Fargo described below.

As part of the Plan, the Company agreed to reduce the payroll of the business and seek refinancing or sale of the business. In the ensuing four weeks, the Company interviewed several investment bankers to solicit their interest in representing the Company. The bankers suggested that the Company and its creditors and stockholders would be best served to refinance the business. The Board concluded to follow several paths of refinancing and sale and engaged a Board member, Richard Miller, to lead such efforts. In connection with Wells Fargo's review, the Company and Interpharm, Inc. completed a restructuring of their operations pursuant to a new operating plan under which 20% of payroll expenses were eliminated by a reduction in force, research and development activities were substantially reduced and the Company and Interpharm, Inc. began the process to seek an alternative source of financing.

On February 5, 2008, the Company, Interpharm, Inc. and Wells Fargo entered into a new Forbearance Agreement (the "New Forbearance Agreement") whereby Wells Fargo agreed to, among other things, (i) forbear from exercising its remedies arising from the Company's and Interpharm, Inc.'s default under the Wells Fargo Credit Agreement until June 30, 2008 provided no further default occurred; (ii) provide a moratorium on certain principal payments; and (iii) advance the Company up to $2,999,999 under a newly granted real estate line of credit mortgage on the Company's real estate, which amounts were to be due on June 30, 2008.

The New Forbearance Agreement limited the Company's and Interpharm, Inc.'s borrowing base on which certain advances are made, including receivables from certain wholesaler customers which comprised approximately 19% of Interpharm, Inc.'s sales for the nine months ended March 31, 2008. Sales to these wholesale customers were made at a "wholesale acquisition cost" and then the difference between this cost and the price at which the products were resold by the wholesaler was charged against the receivable to Interpharm, Inc.

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The New Forbearance Agreement also provided for a number of events of default, including (i) a material adverse change; (ii) failure of the Company to meet certain budget items by more than 10%; (iii) failure to receive a letter of intent for the sale of the assets of the Company for an amount in excess of the Wells Fargo indebtedness by March 31, 2008; (iv) failure by the Company to receive a commitment for the sale of the assets of the Company for an amount in excess of the Wells Fargo indebtedness by April 30, 2008; (v) failure of the Company to close a transaction for the sale of the assets of the Company for an amount in excess of the Wells Fargo indebtedness by June 30, 2008; and (vi) the Wells Fargo indebtedness remaining outstanding on June 30, 2008.

In addition, the New Forbearance Agreement provided for the payment to Wells Fargo of a "Success Fee" of $500,000 in the event that the Company was able to complete a sale of its stock or assets. In the event that the entire Wells Fargo indebtedness was paid by February 28, 2008, the Success Fee was to be reduced to $250,000, if by March 31, 2008 it was to be reduced to $350,000 and if by April 30, 2008 it was to be reduced to $450,000.

In February 2008, the Company, through Richard Miller, one of its directors, sought refinancing of its debt to Wells Fargo from 29 lending groups and six equity firms. The Company also discussed the possible acquisition of its business with eight companies who expressed various levels of interest in the Company. A sale process was established whereby the Company would provide certain information under a confidentiality agreement to interested acquirers for their review in order to make an initial proposal to the Company. An initial proposal would require a bidder to propose a value for the business, the internal requirements for approval, and any regulatory hurdles to complete a transaction.

Two equity financing sources ("Equity source A" and "Equity source B") expressed significant interest in March 2008. Equity source A expressed an interest in investing $5 million into the Company in connection with a refinancing of the Wells Fargo debt. After diligence with the Company and its investors, Equity source A determined that it was not interested in moving forward in a transaction. Equity source B reviewed materials, held discussions with the Company and informally proposed a $5 million mezzanine investment. After further discussions with the Company, Equity source B withdrew its interest in the investment opportunity.

On March 11, 2008, Mr. Miller met with Wells Fargo to update them on the performance of the Company and the refinancing and sale efforts. Mr. Miller reported the Company's revenue in February 2008 exceeded budget by over 25% and that the Company had EBITDA from operations of over $800,000. In addition, the Company was in compliance with all covenants in the Forbearance Agreement. Mr. Miller outlined the potential lenders for refinancing as well as efforts to sell the business. Wells Fargo expressed satisfaction as to the speed of the turnaround of the business.

On March 13, 2008, the Company received a letter from Wells Fargo that it was reducing the advance rate on its inventory borrowing facility from fifty percent to thirty-nine percent effective March 17, 2008. The reduction eliminated almost all of the availability the Company had built in its working capital line. In response, the Company and its counsel met with the Wells Fargo on March 17, 2008 to discuss the inventory advance rate reduction, Wells Fargo's contractual right to reduce the advance rate and the impact Wells Fargo's actions would have on the Company's business.

Wells Fargo informed the Company that it had reduced the advance rate based upon a recently procured appraisal of the Company's and Interpharm, Inc.'s inventory which resulted in a reduction in available collateral against which to borrow. As a result, on March 25, 2008, the Company, Interpharm, Inc. and Wells Fargo entered into an Amended and Restated Forbearance Agreement (the "Restated Forbearance Agreement") in which, in exchange for a $250,000 payment and other consideration, Wells Fargo agreed to provide the Company with additional borrowing availability through: (i) increasing the cap on Interpharm's revolving credit line by approximately $2.3 million which was secured by a mortgage against its facility at 50 Horseblock Road in Yaphank, New York; (ii) increasing the percentage of inventory which was eligible as collateral for borrowing; and (iii) adding eligible receivables against which to borrow.

In addition to the foregoing, the Restated Forbearance Agreement provided that it was an event of default if the Company did not receive a letter of intent for a purchase of substantially all of its assets for an amount in excess of the amounts owing to Wells Fargo, or a proposal to refinance the amounts owing to Wells Fargo, by March 31, 2008.

On March 18, 2008, the Company received a proposal from a mezzanine lender (“Lender A”) for a $30 million term loan to be used to refinance the amounts owed to Wells Fargo. The contemplated interest rate was 12% with an additional stock dividend equal to 2%. In addition, the Company was to issue to Lender A a number of warrants equal to 5% of the number of fully diluted outstanding shares of common stock of the Company with an exercise price of $0.20 and which were to have a 10 year term.

The proposal also set forth a time frame of between April 4 and April 8, 2008 for Lender A’s credit committee approval. On April 9, 2008, Lender A informed the Company that it was amending its proposal due to the concerns over the impact of the Wells Fargo reduction in inventory advance rates of March 13, 2008. The new proposal included requirements of significant additional due diligence expenses that the Company would be required to prepay and lacked certainty of closing on the transaction by April 30, 2008.

The Company received another refinancing proposal on March 20, 2008 from a bank (“Lender B”). Lender B’s proposal was for a $20,000,000 senior secured revolving credit facility to refinance existing Wells Fargo indebtedness and to provide working capital. The security for the credit facility was to be the Company’s eligible accounts receivable. In early April 2008, Lender B advised that it would not proceed with the proposal due to Lender B’s deemed ineligibility of the Company’s receivables from pharmaceutical wholesalers with agreements providing that when and if the Company is unable to ship products, the wholesaler can obtain substitute products and chargeback any difference in price to the Company.

The only other refinancing proposal received by the Company was a proposal from a lender ("Lender C"). Lender C proposed a refinancing of the Real Property for $10 million which was declined by the Company as it would not have provided the necessary amount of money to repay Wells Fargo, by itself and the Company believed it could obtain a higher amount from a refinancing of the Real Property.

At the time that the Company and Interpharm entered into the Restated Forbearance Agreement, it had been in the process of seeking means of accounts receivable financing for the accounts against which Wells Fargo would not lend, a new credit line which could replace the Wells Fargo Credit Agreement and pay off Wells Fargo all amounts owed and/or a sale of the Company and/or substantially all of its assets.

In March and April, 2008, the Company, through its designated representative, Richard Miller, a director of the Company, held discussions with six potential buyers of the Company or substantially all of its assets. From March 14, 2008 to April 9, 2008, the Company received and responded to inquiries from four interested acquirers. On March 21, 2008, the Company received a proposed letter of intent from Amneal Pharmaceuticals, LLC, Amneal’s parent company, to acquire the Company for $55 million. Except for entering into a non-disclosure agreement in connection with a potential transaction prior to receiving the letter of intent, the Company had no prior relationships with Amneal Pharmaceuticals, LLC which became aware of the Company through a law firm that performed services for both the Company and Amneal Pharmaceuticals, LLC. The Company had several subsequent meetings and conversations with Amneal Pharmaceuticals, LLC management in an effort to communicate to Amneal Pharmaceuticals, LLC's management the value of the Company’s assets.

Three interested parties submitted term sheets. Bidder A conducted on-site due diligence on April 2, 2008, received follow-up due diligence materials and conducted follow-up due diligence calls that culminated in a proposal April 9, 2008. Bidder B met with the Company on March 31, 2008 and performed certain due diligence on the Company information that resulted in a proposal delivered April 2, 2008. Bidder B’s proposal was reviewed and compared for financial comparison, certainty of closure, and structural elements. Bidder C proposed a transaction on March 21, 2008, but was unable to demonstrate an ability to finance the transaction and therefore, the Company did not consider its bid. The Company responded to Amneal Pharmaceuticals, LLC, Bidder A and Bidder B with additional due diligence information and invited each to re-bid. Neither Bidder A nor Bidder B submitted a revised proposal.

On April 7, 2008 Amneal Pharmaceuticals, LLC revised its proposal to $65.5 million for the purchase of substantially all of the Company's assets. After several days during which the parties held multiple calls and negotiations, Amneal Pharmaceuticals, LLC revised its proposal on April 11, 2008 to a total of $68.5 million, exceeding the next highest bid by $3.5 million – Bidder A had bid $50 million and Bidder B had bid $65 million. The Company's Board of Directors approved the proposal and executed a letter of intent for a transaction with $68.5 million of purchase price consideration with interim financing for the Company.

On April 11, 2008, the Company reached agreement on a term sheet for the sale of substantially all of its assets to Amneal. Later that day, Amneal presented to the Company a draft Asset Purchase Agreement, Contract of Sale for the Company's Real Property at 50 Horseblock Road in Yaphank, New York and a Loan and Security Agreement for a $1.5 million loan to the Company from Amneal pending the closing under the Asset Purchase Agreement. The parties began negotiating the draft agreements in meetings which began on April 14, 2008 and which concluded on April 24, 2008 when the transaction documents were executed.

After execution of the Amneal term sheet, the Company received a bid from a prospective purchaser for the Real Property of $12 million. The Compay declined the bid in favor of the Amneal asset sale.

Background to the Amendment to the Asset Purchase Agreement

Under the asset purchase agreement, Amneal had a period to April 30, 2008 (which period was extended to May 2, 2008 by written agreement of the parties) to conduct a due diligence review of the sellers and their assets. Based upon the results thereof, Amneal would have the right to terminate its purchase obligation and receive the return of its advances to Interpharm, Inc. under the loan and security agreement. Prior to the end of the due diligence period, the parties engaged in negotiations and discussion regarding several due diligence issues raised by Amneal. The result of those negotiations was that Amneal committed to continue with the asset sale transaction under the terms of the first amendment to the asset purchase agreement in lieu of exercising its right to terminate the Agreement.

In the first amendment, the parties agreed to a reduction of the base cash amount (a component of the purchase price which does not include $3.5 million to be deposited in escrow by Amneal for the potential payment of up to $3.5 million additional consideration to the Company and Interpharm, to the extent such funds are not used to indemnify Amneal or Kashiv pursuant to the terms of the sale agreements) from $65.0 million to $61.6 million. In addition, the parties agreed to add certain covenants and indemnity obligations of the Company and Interpham, Inc. as well as certain schedules to the original agreement.

Receipt and Consideration of Unsolicited Proposals After Signing Of Asset Purchase Agreement

On April 24, 2008 the Company filed with the SEC a Current Report on Form 8-K disclosing that it had entered into the asset purchase agreement and real estate contract. On May 14, 2008 the Company filed with the SEC a preliminary copy of this Information Statement which described in greater detail the terms of the asset purchase agreement and real estate contract and attached copies of such agreements.

On May 21, 2008 the Company received an unsolicited proposal from Bidder B, which had previously submitted a $65 million bid to the Company as described above. After receipt of such new proposal the Board of Directors of the Company appointed a Special Committee, consisting of Richard J. Miller and David Reback, to initially consider the proposal and any further unsolicited proposals received by the Company.

The new proposal from Bidder B was in the form of a cover letter and a markup of the asset purchase agreement and real estate contract. Among other things, the new bid provided for (a) an increase of $5.5 million in the base purchase price to be paid by Bidder B as compared to Amneal, (b) additional advances to be made by Bidder B to Interpharm, Inc. under a loan and security agreement on the same terms as the loan and security agreement with Amneal to enable the sellers to pay to Amneal the Break-up Fee under the asset purchase agreement as well as other expenses in connection with the termination of the asset purchase agreement and real estate contract, which Bidder B estimated to be $3.5 million, (c) an increase in the indemnity basket from $250,000 to $500,000, (d) an increase in the cap on the sellers' indemnity obligations to $4 million from $3.5 million and (e) the elimination of the concept of "excluded receivables" from the transaction, thereby potentially increasing the purchase price by up to $300,000. The new bid also stated that Bidder B was prepared to increase the base purchase price to the extent that it had underestimated the Break-up Fee and/or other costs of the Company in terminating the agreements with the buyers.

As in the asset purchase agreement with Amneal, Bidder B's obligation to close a signed agreement would not be contingent on its obtaining financing for such purchase. The new bid also eliminated any due diligence contingency to be set forth in the proposed asset purchase agreement and real estate contract to be entered into, but the cover letter for the bid stated the bidder's willingness to enter into such agreements would be subject to its ability to complete a reasonable due diligence investigation of the Company and its subsidiaries and a review of the schedules, disclosure memorandum and exhibits to the asset purchase agreement with Amneal. Bidder B stated that it would expect to accomplish such investigation within five business days after commencement of discussions with the Company concerning its proposal and that it was Bidder B's goal to be "in a position to execute all agreements related to our Proposal as expeditiously as possible." The new bid also contemplated a requirement to file under the Hart-Scott-Rodino Anti-Trust Improvement Act of 1976.

During the period from May 21 to May 26, 2008 the members of the Special Committee analyzed Bidder B's bid, including, among other things, the capability of Bidder B to finance the purchase, Bidder B's ability to obtain required licenses from the FDA, the timing of concluding a transaction with Bidder B as compared to Amneal and the incremental transaction costs in concluding a transaction with Bidder B, including the payment of a Break-up Fee to Amneal.

The Special Committee determined that, net of the incremental costs associated with accepting Bidder B's proposal and terminating the asset sale agreements with Amneal and Kashiv, Bidder B's proposal, though reasonably expected to result in an incremental distribution to the Company's preferred stockholders, was not reasonably expected to result in additional proceeds to the Company's common stockholders. The Special Committee also determined that a transaction with Bidder B was not likely to be consummated before June 30, 2008, which is the expiration date of the period under the New Forbearance Agreement during which Wells Fargo has agreed to forbear from exercising its remedies arising from the Company's and Interpharm, Inc.'s default under the Wells Fargo Credit Agreement.

On May 26, 2008 the Board of Directors of the Company held a meeting by telephone (the "May 26, 2008 Board Meeting"). The members of the Special Committee made a presentation to the Board concerning the terms of Bidder B's proposal and the Special Committee's analysis of such proposal. The Special Committee recommended the rejection of Bidder B's proposal based upon (i) the unlikely prospect of proceeds to the Company's common stockholders, (ii) the likelihood that a transaction could not be consummated until after June 30, 2008 and the absence of any assurance that Wells Fargo would agree to continue to forbear after June 30, 2008 from exercising its remedies arising from the Company's and Interpharm, Inc.'s default under the Wells Fargo Credit Agreement and (iii) the lack of certainty due to the bid's due diligence requirement. Based on the foregoing, the Board of Directors determined to accept the Special Committee's recommendation to reject Bidder B's proposal.

On May 23, 2008, the Company also received a written proposal from another bidder ("Bidder D") for the purchase of "substantially all of the assets and certain liabilities primarily related to the Company, excluding any tax liabilities, debt, debt-like and inter-company liabilities" for a purchase price of $69.0 million. The offer was not contingent on Bidder D's ability to secure financing for the transaction. The proposal also stated that Bidder D was prepared to "move very quickly to consummate the purchase" and that Bidder D anticipated "that a definitive purchase agreement could be executed by June 15." The proposal did not contain a detailed markup of the agreements with Amneal or Kashiv or otherwise specify more detailed terms regarding the purchase.

The members of the Special Committee also analyzed such proposal and determined that (i) the purchase price under the proposal appeared to be insufficient to provide any proceeds to the common stockholders of the Company, (ii) such proposal lacked sufficient detail to properly evaluate the prospects of certainty to close and related contractual matters and (iii) a transaction with Bidder D would not likely be consummated until July 30, 2008 at the earliest. At the May 26, 2008 Board Meeting the members of the Special Committee also discussed the available details of Bidder D's proposal and after consideration of such details and based on the foregoing, the Board determined to accept the Special Committee's recommendation to reject Bidder D's proposal.

In light of the failure of the two unsolicited proposals received by the Company subsequent to the signing of the asset purchase agreement and real estate contract to provide for a reasonable likelihood for proceeds to be available to the common stockholders of the Company, the Company has not requested that Houlihan Lokey or any other advisor consider whether or render an opinion to the Company that the consideration to be received by the sellers in the asset sale is as of May 26, 2008 or any later date fair, from a financial point of view, to the sellers.

THE COMPANY’S REASONS FOR THE ASSET SALE

The Company and Interpharm agreed to enter into the sale agreements because, as a result of certain defaults by the Company under the Restated Forbearance Agreement, under the Restated Forbearance Agreement with Wells Fargo they had a deadline of April 30, 2008 to procure a binding commitment for a sale if they could not refinance their obligations to Wells Fargo under the Wells Fargo Credit Agreement with a new lender. If the sellers could not refinance or otherwise satisfy their indebtedness to Wells Fargo, in accordance with the Restated Forbearance Agreement, Wells Fargo would be entitled to foreclose on the sellers' assets securing such indebtedness (which assets constitute substantially all of the sellers' assets) and effectively put the sellers out of business. The Board of Directors of the Company determined that an asset sale on the terms negotiated with Amneal and Kashiv was more favorable to the Company and its shareholders than other strategic and financial alternatives (including voluntary bankruptcy) then available to the Company.

THE COMPANY’S PLANS FOLLOWING THE ASSET SALE

After the asset sale is completed, we intend to pay off our indebtedness in full, wind up our affairs and dissolve.

In connection with our dissolution, we will pay, or set aside sufficient amounts for the payment of, or otherwise discharge, all of our known debts and obligations, which we expect will be an aggregate amount of approximately $________, and distribute any remaining assets, if any, to our stockholders. Under the asset purchase agreement, we have agreed that, if the asset sale is consummated, we will not make any payment or distribution with respect to our equity securities, whether by way of redemption, dividend, distribution or otherwise, to the holders of our capital stock until more than 90 days after the closing date, and we do not intend to make any payments to our stockholders until more than 90 days after the closing date of the asset sale.

In connection with our dissolution, as of May 27, 2008 holders of outstanding Series A-1 Preferred would be entitled to receive distributions (including for accrued but unpaid dividends) of approximately $3,400,000 in the aggregate before any distribution is made to holders of any other class or series of our capital stock, including Common Stock, and holders of Series C Preferred and Series D-1 Preferred are entitled to receive distributions (including for accrued but unpaid dividends) of approximately $272,000 and $20,825,000, in the aggregate, respectively, before any distribution is made to holders of Common Stock. We expect that, in connection with our dissolution, after paying all of our debts and obligations and the aggregate amounts payable in liquidation to our preferred stockholders, without consideration of the Proceeds Sharing Agreement, no amounts would be available for distribution to holders of Common Stock.

However, the Majority Stockholders have entered into a Proceeds Sharing Agreement which provides, among other things, that, in the event that the holders of the Company’s Common Stock receive aggregate cash distributions from the Company or Amneal with respect to their shares of Common Stock of less than $3 million and the D-1 Holders receive aggregate cash distributions from the Company or Amneal of at least $13 million with respect to their Series D-1 Preferred, each of the D-1 Holders agrees to share proceeds with all holders of Common Stock to the extent that proceeds to each of such D-1 Holders are in excess of $6.5 million, until holders of Common Stock have received proceeds from the Company, Amneal and the D-1 Holders equal to an aggregate of $3 million.

The amount of the purchase price is based on, among other things, certain adjustments to be made to the purchase price pursuant to the terms of the asset purchase agreement, the mutually agreed value of certain liabilities to be assumed by Amneal and indemnification claims by Amneal and Kashiv against the Company, and the final purchase price is not presently determinable. In addition, our assets are subject to the claims of our creditors, which will be senior to the claims of our stockholders. We cannot assure you that we will properly assess all claims that may be potentially brought against us. Accordingly, we cannot assure you that, due to possible reductions in the purchase price and the claims of our creditors that either of the D-1 Holders would receive amounts in excess of $6.5 million with respect to their Series D-1 Preferred. In such event the D-1 Holders would not be obligated to share with the holders of Common Stock any amounts, if any, that the D-1 Holders receive with respect to their Series D-1 Preferred and it is likely that no distributions would be made or proceeds of the asset sale be otherwise received by the holders of the Common Stock.

The Company is not a party to, nor obligated under, the Proceeds Sharing Agreement to make any payments to the holders of any class or series of the Company's capital stock other than as otherwise provided under the terms of such capital stock. However, based on the receipt by the Company of an assumed purchase price of $____ million for its assets (which gives effect to a positive adjustment in the purchase price of $____ pursuant to the asset purchase agreement) and payment of $_____ in satisfaction of our debts and obligations, we estimate that $12,200,080 will be distributed to the D-1 Holders, $2,768,000 will be distributed to holders of Common Stock and $850,000 and $350,000 (in addition to amounts distributed to them as holders of common stock) will be distributed to Bhupatlal Sutaria and Raj Sutaria, respectively, either by the Company or by the D-1 Holders under the terms of the Proceeds Sharing Agreement. Based on 66,738,426 shares outstanding as of May 27, 2008, holders of Common Stock will receive approximately $.04 per share.

ABSENCE OF DISSENTERS' RIGHTS

No dissenters' or appraisal rights are available to the stockholders under the General Corporation Law of the State of Delaware, the Company's certificate of incorporation or its bylaws in connection with the asset sale.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director, executive officer, or affiliate of the Company or any other person has any substantial interest, direct or indirect, by security holdings or otherwise, in any action covered by the related resolutions adopted by the Board of Directors, which is not shared by all other stockholders, except as follows:

1. Maganlal Sutaria, M.D., is a member of the Company's Board of Directors and serves as our Chairman of the Board. Dr. Sutaria and his wife, Vimla Sutaria, are the holders of a Junior Subordinated Secured 12% Promissory Note due 2010, in the principal amount of $3 million (the "Sutaria Note") which evidences a $3 million loan made them to the Company on November 7, 2007. Upon the consummation of the asset sale, the Company is required to pay off in full all of its indebtedness, which indebtedness would include all principal and outstanding interest on the Sutaria Note, before making any distributions to holders of its capital stock, including Common Stock.

2. Raj Sutaria, a son of Maganlal Sutaria and brother of Perry Sutaria, M.D., is an Executive Vice President of the Company, and a 33-1/3% equity holder of Sutaria Family Realty, LLC ("SFR"), which is the holder of the Company's Secured 12% Promissory Note Due 2009 in the principal amount of $2.5 million (the "SFR Star Note"). The SFR Star Note evidences a $2.5 million loan made by SFR to the Company on November 14, 2008. Upon the consummation of the asset sale, the Company is required to pay off in full all of its indebtedness, which indebtedness would include all principal and outstanding interest on the SFR Star Note, before making any distributions to holders of its capital stock, including Common Stock.

3. Perry Sutaria, M.D., a son of Maganlal Sutaria and brother of Raj Sutaria, is a director of the Company. Perry Sutaria is also a 33-1/3% equity holder of SFR which is the holder of the SFR Star Note in the principal amount of $2.5 million which evidences a $2.5 million loan made by SFR to the Company on November 14, 2007. Upon the consummation of the asset sale, the Company is required to pay off in full all of its indebtedness, which indebtedness would include all principal and outstanding interest on the SFR Star Note, before making any distributions to holders of its capital stock, including Common Stock.

4. Tullis-Dickerson Capital Focus III, L.P. ("TD-III") is the holder of the Company's Secured 12% Promissory Note Due 2009 in the principal amount of $833,333 (the TD-III Star Note") which evidences an $833,333 loan made by TD-III to the Company on November 14, 2007. Upon the consummation of the asset sale, the Company is required to pay off in full all of its indebtedness, which indebtedness would include all principal and outstanding interest on the TD-III Star Note, before making any distributions to holders of its capital stock, including Common Stock. Joan P. Neuscheler, a director of the Company, is a member of the general partner of the limited partnership, TD-III.

5. TD-III also is the holder of 10,412.5 shares of Series D-1 Preferred. The Company anticipates that after using the proceeds of the asset sale to pay its creditors, up to $13 million of the remaining proceeds will be used to redeem the Series D-1 Preferred or distributed to holders of Series D-1 Preferred in connection with the Company's dissolution before any amounts will be distributed to holders of Common Stock. The aggregate liquidation preference (not including accrued, but unpaid dividends) of the outstanding shares of Series D-1 Preferred (which includes the 10,412.5 shares held by TD-III and an additional 10,412.5 shares held by Aisling Capital II, L.P.) was $20,825,000 as of May 27, 2008. TD-III is a party to the Proceeds Sharing Agreement which provides, among other things, that in the event that the holders of the Company's Common Stock receive aggregate cash distributions from the Company or Amneal with respect to their shares of Common Stock of less than $3 million and the D-1 Holders receive aggregate cash distributions from the Company or Amneal of at least $13 million with respect to their Series D-1 Preferred, each

of the D-1 Holders agrees to share proceeds with all holders of Common Stock to the extent that proceeds to such D-1 Holders are in excess of $6.5 million, until all holders of Common Stock have received proceeds from the Company, Amneal and the D-1 Holders equal to an aggregate of $3 million. In addition, the D-1 Holders and the holders of a majority of the outstanding shares of Series A-1 Preferred agreed that to the extent that each of the D-1 Holders receive at least $2 million, they would pay Bhupatlal K. Sutaria, the former President of the Company, the brother of Maganlal K. Sutaria and uncle of Perry and Raj Sutaria, an aggregate of $850,000 unless Bhupatlal K. Sutaria receives more than $250,000 as a common stockholder, in which case, the $850,000 would be reduced by such amount. The D-1 Holders and Series A-1 Preferred holders further agreed that if each of the D-1 Holders receive in excess of $2 million, the D-1 Holders and Series A-1 Preferred holders will pay Raj Sutaria an aggregate of $350,000 unless Raj Sutaria receives more than $200,000 as a common stock holder, in which case the $350,000 will be reduced by such amount.

6. On March 5, 2008 the Company's Board of Directors approved a Management Incentive/Retention Plan ("MIP") under which the Compensation Committee of the Board of Directors might grant cash awards to persons selected by the Compensation Committee from a pool of money based on the sales price received by the Company for its assets less the Company's bank debt. Based on the receipt by the Company of an assumed purchase price of $____ million for its assets (which gives effect to a positive adjustment in the purchase price of $____ pursuant to the asset purchase agreement) and an assumed bank debt of $_____, the pool would be $_________ (10% of such difference). The persons who participate in the MIP are as follows: Cameron Reid, a former director and Chief Executive Officer of the Company who is currently a consultant to the Company under a consulting agreement described below; Jeffrey Weiss, an Executive Vice President - Sales and Marketing of the Company; Peter Giallorenzo, the Chief Operating Officer, Chief Financial Officer and an Executive Vice President of the Company; Kenneth Cappel, an Executive Vice President and General Counsel of the Company; and Raj Sutaria, an Executive Vice President of the Company .

7. The aggregate liquidation preference of all outstanding shares of Series A-1 Preferred as of May 27, 2008 was $3,400,000. The Company anticipates that it will offer to repurchase all of the outstanding shares of Series A-1 Preferred by paying to the holders the aggregate liquidation preference of such shares as of the date of repurchase with a portion of the proceeds of the asset sale. Dr. Maganlal K. Sutaria, Perry Sutaria, Raj Holdings I, LLC ("Raj Holdings") and Rametra Holdings I, LLC ("Rametra Holdings") are the holders of an aggregate of 4,398,827 shares of Series A-1 Preferred, constituting all of the outstanding shares of Series A-1 Preferred. Raj Sutaria is the sole member and Perry Sutaria is the sole manager of Raj Holdings. Mona Rametra is the sole member and Perry Sutaria is the sole manager of Rametra Holdings. Raj Sutaria is the son of Maganlal Sutaria and a brother of Perry Sutaria. Perry Sutaria is the son of Maganlal Sutaria and a brother of Raj Sutaria. Mona Rametra is the daughter of Maganlal Sutaria and the sister of Raj Sutaria and Perry Sutaria.

8. The Company and Cameron Reid, a former director and Chief Executive Officer of the Company, have entered into a consulting agreement under which Mr. Reid is required to perform services for the Company equivalent to those which he performed as Chief Executive Officer. Mr. Reid and the Company were parties to an employment agreement dated June 24, 2005 which was terminated on April 13, 2008. Under that employment agreement the Company has accrued salary payable to Mr. Reid in the aggregate amount of $200,000. The consulting agreement provides for payment to Mr. Reid of his accrued salary (but no other fees), within 20 days after the consummation of the asset sale. In addition, Mr. Reid shall participate in the MIP for 9% of the total amount that can be paid to all participants in the Plan. If the asset sale is not consummated or Mr. Reid voluntarily terminates the consulting agreement prior to an asset sale closing, the Company shall have no obligation to pay any accrued salary to Mr. Reid. Mr. Reid is also the holder of the Company's Secured 12% Promissory Note Due 2009 in the principal amount of $833,333 (the "Reid Star Note") which evidences an $833,333 loan made by Mr. Reid to the Company on November 14, 2007. Upon the consummation of the asset sale, the Company is required to pay off in full all of its indebtedness, which indebtedness would include all principal and outstanding interest on the Reid Star Note, before making any distributions to holders of its capital stock, including Common Stock.

The dissolution of the Company requires the approval of its Board of Directors and stockholders, and any distributions to the Company's preferred or common stockholders or redemptions of outstanding preferred stock will occur only when, as and if authorized by the Company's Board of Directors. Based on the receipt by the Company of assumed purchase prices of $____ million and $_____ million for its assets (which in each case gives effect to a positive adjustment in the purchase price of $____ pursuant to the asset purchase agreement) and assuming that (a) $_______ will be sufficient to satisfy all of the Company's debts and obligations, (b) the Company distributes the remaining proceeds to its stockholders, (c) no outstanding warrants and vested options are exercised, (d) we repurchase all of the outstanding shares of Series A-1 Preferred or pay liquidating distributions to the holders of all of the outstanding shares of Series A-1 Preferred, in either case, by paying to the holders the aggregate liquidation preference (including accrued but unpaid dividends) of such shares as of May 27, 2008 and (e) we repurchase all of the outstanding shares of Series D-1 Preferred or pay liquidating distributions to the holders of all of the outstanding shares of Series D-1 Preferred, in either case, by paying to the D-1 Holders an aggregate of $12,200,080, in the case of a $65.1 million purchase price, and $11,268,000, in the case of a $60.1 million purchase price (which amounts are net of amounts that the Series D-1 Holders shall pay to the holders of Common Stock and Bhupatlal Sutaria and Raj Sutaria under the Proceeds Sharing Agreement), we expect that the Company's directors, executive officers and their associates will receive the following amounts (not including amounts which may be payable under the MIP) from the proceeds of the asset sale. The following table reflects the amounts to be received under two scenarios - in the first, the Company will receive a purchase price of $60.1 million if it fails to settle a claim and litigation on the terms required under the first amendment to the asset purchase agreement and in the second, the Company will receive a purchase price of $65.1 million if it is able to settle a claim and litigation on the terms required under the first amendment:

Name	Proceeds - $60.1 million purchase price	Proceeds - $65.1 million purchase price	
Maganlal Sutaria, M.D.	4,952,547	$5,174,143	1
Raj Sutaria	$886,513	$1,974,913	2
Perry Sutaria, M.D.	$1,368,997	$1,722,613	3
Ravi Sutaria	$0	$439,879	4
Bhupatlal K. Sutaria	$0	$872,933	5
Sutaria Family Realty, LLC	$2,659,540	$2,659,540	6
P&K Holdings, LLC	$0	$335,176	7
Raj Holdings I, LLC	$0	$1,232,572	8
Ravis Holdings I, LLC	$0	$439,879	9
Rametra Holdings I, LLC	$482,484	$817,663	10
Cameron Reid	$886,513	$1,086,513	11
Jeffrey Weiss	$0	$9,869	12

Peter Giallorenzo	$0	$0	
Kenneth Cappel	$0	$0	
Richard J. Miller	$0	$0	
Tullis-Dickerson Capital Focus III, L.P.	$6,467,333	$7,010,333	13
Aisling Capital II, L.P.	$6,467,333	$7,007,695	14

	$60.1mm	$65.1mm	
1	$3,000,000	$3,200,686	Payable upon satisfaction of the Sutaria Note, including accrued interest as of May 27, 2008.
	$1,952,547	$1,952,547	Anticipated distribution with respect to Series A-1 Preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
	$0	$20,910	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
2	$886,513	$886,513	Pro-rata portion of amount payable to SFR upon satisfaction of the SFR STAR Note, including accrued interest as of May 27, 2008.
	$0	$350,000	Anticipated payment pursuant to Proceeds Sharing Agreement, other than with respect to common stock owned.
	$0	$89,114	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
	$0	$649,286	Anticipated aggregate payments to Raj Holdings, of which Raj Sutaria is the sole member. See footnote 8.
3	$886,513	$886,513	Pro-rata portion of amount payable to SFR upon satisfaction of the SFR STAR Note, including accrued interest as of May 27, 2008.
	$482,484	$416,484	Anticipated distribution with respect to Series A-1 preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
	$0	$84,440	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
	$0	$335,176	Anticipated aggregate payments to P&K Holdings, of which Perry Sutaria is the sole member and manager. See footnote 7.
4	$0	$439,879	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.

5	$0	$850,000	Anticipated payment pursuant to Proceeds Sharing Agreement, other than with respect to common stock owned.
	$0	$22,933	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
6	$2,659,540	$2,659,540	Amount payable to SFR upon satisfaction of the SFR STAR Note, including accrued interest of $159,540 as of May 27, 2008. Raj Sutaria, Perry Sutaria and Mona Rametra are each 33 % equity owners of SFR.
7	$0	$335,176	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
8	$0	$583,286	Anticipated distribution with respect to Series A-1 Preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
	$0	$649,286	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
9	$0	$439,879	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
10	$0	$335,179	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned. Mona Rametra is the sole equity owner and Perry Sutaria is the sole manager of Rametra Holdings.
	$482,484	$482,484	Anticipated distribution with respect to Series A-1 Preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
11	$886,513	$886,513	Amount payable upon satisfaction of Reid Star Note, including accrued interest as of May 27, 2008.
	$200,000	$200,000	Amount of accrued salary payable under consulting agreement.
12	$0	$9,869	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
13	$886,513	$886,513	Payable upon satisfaction of TD-III STAR Note, including accrued interest as of May 27, 2008.
	$5,634,000	$6,100,040	Anticipated distribution with respect to Series D-1 Preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
	$0	$23,780	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.
14	$886,513	$886,513	

		Amount payable upon satisfaction of the Company's Secured 12% Promissory Note Due 2009 in the principal amount of $833,333 (including accrued interest as of May 27, 2008) payable to Aisling Capital II, L.P. which note evidences an $833,333 loan made by Aisling Capital II, L.P. to the Company on November 14, 2007.
$5,634,000	$6,100,040	Anticipated distribution with respect to Series D-1 Preferred owned (less amounts that we expect to be payable under the Proceeds Sharing Agreement).
$0	$21,142	Anticipated payment pursuant to Proceeds Sharing Agreement with respect to common stock owned.

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THE ASSET PURCHASE AGREEMENT AND RELATED DOCUMENTS

Purchase and Sale of Assets

In exchange for $61.6 million (as such amount shall be adjusted pursuant to the terms of the asset purchase agreement and the real estate contract) and the potential payment of up to $3.5 million additional consideration to the Company and Interpharm, to the extent such funds are not used to indemnify Amneal and Kashiv pursuant to the terms of the sale agreements and the assumption by Amneal of certain liabilites of sellers, the sellers will sell and transfer to Amneal substantially all of the rights, properties and assets owned by the sellers (except for the excluded assets described below), free and clear of all liens encumbrances and other claims, except for certain liabilities that Amneal has agreed to assume. Kashiv has agreed to purchase the Real Property.

Excluded Assets

The assets of the sellers that Amneal will not be purchasing (the “Excluded Assets”) include the rights of the sellers under certain contracts which Amneal elects not to assume; certain receivables of the sellers; the sellers’ corporate minute books, stock ledgers, certificates of incorporation, bylaws, shareholders agreements, employee files and records, and related corporate documents and instruments; the shares of capital stock, limited liability company interests (except APR, LLC) or other securities which any seller holds in any of its subsidiaries; the rights of each Seller in and to the names and logos for “Interpharm”, “Interpharm Holdings” and certain other names and logos and any other assets Amneal elects to exclude before the closing. For a period of three years from and after the closing, Amneal shall have a royalty free transferable license to use the names “Interpharm” and “Interpharm Holdings” and the related logos in connection with its seeking to obtain regulatory approval to market and sell the products marked by the sellers.

Assumption of Liabilities by Amneal

As of and after the closing date of the sale agreement, Amneal shall assume certain liabilities, capital leases, trade payables and the performance obligations of the sellers under certain contracts.

Assumption of Mortgage on Real Property by Kashiv

The real estate contract provides that the sellers shall, upon request of Kashiv, use commercially reasonable efforts to cause the holder of the existing mortgage(s) encumbering the Real Property to assign such mortgage(s) to Kashiv’s lender at the closing. In such event Kashiv shall pay any and all costs in connection with the assignment. The amount paid by or on behalf of Kashiv to the holder(s) of such mortgage(s) shall be deemed a payment on account of the purchase price for the asset sale.

Payment of Purchase Price

At the closing, the Company will receive an amount equal to $61.6 million plus or minus adjustments to such amount, including reductions for the mutually agreed value of all liabilities assumed by Amneal and the amount of reductions in inventory of the sellers between the dates of signing of the original agreement and closing of the asset sale and increases for the face amount of receivables of the sellers which are assigned to Amneal) as well as certain adjustments and prorations under the real estate contract. Amneal will also establish an escrow fund of $3.5 million for the potential payment of up to $3.5 million additional consideration to the Company and Interpharm, to the extent such funds are not used to indemnify Amneal and Kashiv pursuant to the terms of the asset purchase agreement and the real estate contract. In addition, all amounts advanced by Amneal to Interpharm, Inc. under the loan and security agreement discussed in the subsection entitled "Ancillary Agreements - Loan and Security Agreement" below shall be credited against the cash amount payable by Amneal at the closing of the asset sale.

Representations, Warranties, and Covenants

The sale agreements contain substantial representations and warranties of the Company and Interpharm, Inc. regarding the business and the assets being transferred to the buyers. These representations are effective as of the date of signing of the asset purchase agreement and as of the date of the closing of the asset sale. The primary representations and warranties made by the Company and Interpharm, Inc. are as follows:

- Organization: proper organization, good standing, requisite power and authority to own, lease and operate its properties and to carry on business; qualification as a foreign corporation where necessary;

- Authority: requisite power and authority to enter into and perform the sale agreements and transact the asset sale; due authorization of execution and delivery of the sale agreements and the consummation of the transactions contemplated by the sale agreements; due execution and delivery and enforceability of the sale agreements;

- Consents: consents required to enter into the sale agreements and complete the asset sale;

- No violations: execution and performance of sale agreements will not (i) violate the governing documents of any seller or any other subsidiary of the Company, (ii) violate any applicable laws or (iii) result in a violation or breach of, or constitute a default under, or result in the creation of any lien upon, or create any rights of termination, cancellation or acceleration in any person with respect to any contract to which any seller or any other subsidiary of the Company is a party or by which the assets to be sold to the buyers are bound or any permit of any seller or any other subsidiary of the Company;

- SEC Reports: Company has filed all forms, reports and documents ("SEC Reports") required to be filed by it with the SEC since May 30, 2003;

  - as of their respective dates, none of the SEC Reports, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

  - maintenance of adequate and effective disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act");

  - preparation of financial statements included in the SEC Reports in accordance with GAAP; and

  - Compliance with all certification requirements under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

- Litigation: Absence of pending or threatened litigation other than as disclosed.

- Absence of Changes since December 31, 2007: Except (i) as reflected in the Company's unaudited consolidated balance sheet at December 31, 2007 or liabilities described in any notes, (ii) for liabilities incurred in the ordinary course of business or in connection with the asset purchase agreement or the transactions contemplated thereby, or (iii) performance obligations under contracts required in accordance with their terms, or performance obligations, to the extent required under applicable laws, in each case to the extent arising after the date of signing of the asset purchase agreement, since December 31, 2007 no seller or any other subsidiary of the Company has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) required by GAAP to be set forth on a financial statement or in the notes thereto. Since December 31, 2007 the business of the sellers has been conducted only in the ordinary course consistent with past practice and there has not been any change in the accounting methods, principles or practices of any seller or any other subsidiary of the Company.

The Company specifically notes, however, that since October 25, 2007, Wells Fargo Bank has limited the financing available to sellers under the terms of its Loan Agreement with sellers dated February 9, 2006, as amended, as modified by its forbearance agreements with sellers and, as a result of this limited financing, the sellers have experienced certain difficulties in obtaining raw materials and inventory items necessary to the operation of their business, which has had a materially adverse effect on the operations, inventory, sales, margins and financial condition of the business, and have resulted in sellers' operation of the business in a manner which is not consistent with past practice, all as more particularly described in the Disclosure Memorandum.

- Ordinary Course: Except as described in the preceding paragraph, from December 31, 2007 to the date of signing of the asset purchase agreement: (i) the sellers' business has been operated in the ordinary course, consistent with past practice; (ii) there has been no event, change or development which, individually or in the aggregate, has had a material adverse effect on the sellers, their business or their ability to perform their obligations under the asset purchase agreement; and (iii) there has not been any damage, destruction or casualty loss to the physical properties of any seller or any of their suppliers.

- Intellectual Property: The sellers and other subsidiaries of the Company whose intellectual property is being sold own all of the intellectual property to be transferred to Amneal, free and clear of any liens or restrictions of any kind (other than permitted liens). To the Company's knowledge, there is no unauthorized use, disclosure, infringement or misappropriation of any sellers' intellectual property by any third party. No seller owes any royalties or other payments to third parties in respect of any sellers' intellectual property.

The Company and Interpharm, Inc. have also made various additional customary representations and warranties in the asset purchase agreement and real estate contract with respect to following matters, among other things:

§ capitalization of the sellers;

§ matters related to the Company's auditors;

§ accuracy of the sellers' books and records;

§ approval by the Company's stockholders and Board of Directors of the sale agreements;

§ that sellers have not effected any securitization or "off-balance sheet arrangements" since May 30, 2003;

§ the condition of and compliance with law of the Real Property and sellers' manufacturing facilities;

§ the identification, to the Company's knowledge, of product liability, product defect, warranty, breach of contract or other similar claims related to the products made by sellers since May 30, 2003,

§ the sufficiency of the assets being sold for the operation of the business as presently conducted and proposed to be conducted;

§ the timely payment of all taxes and the accuracy and completeness of tax returns;

§ clear title to the Real Property and no ownership of real property other than the Real Property;

§ the interest of the Company and its subsidiaries in leases and subleases;

§ the ownership by the Company and its subsidiaries of personal property (tangible and intangible) free and clear of liens (except for permitted liens);

§ the possession by the Company and its subsidiaries of all permits necessary to conduct their business;

§ compliance with laws, including environmental laws and regulations;

§ the identification of material contracts and that such contracts are binding and in full force and effect;

§ employee benefit plan compliance and related matters;

§ identification of employees and status of employee relations;

§ the identification of insurance policies and contracts for the benefit of the Company and its subsidiaries and that such policies are in full force and effect and are adequate for the business conducted;

§ that all accounts receivable set forth in the December 31, 2007 consolidated balance sheet of the Company and its subsidiaries represent, and all accounts receivable accruing through the closing date of the asset purchase agreement will represent, valid and bona fide sales to third parties in the ordinary course of business, subject to no known defenses, set-offs or counterclaims and are collectible and will be collected in accordance with their terms at their recorded amounts, subject to any appropriate reserves reflected in the December 31, 2007 consolidated balance sheet (such representation being made only as to receivables which shall be assigned to Amneal);

§ the inventory and product warranties of the Company and its subsidiaries;

§ the identification of material customers of and suppliers to the Company and its subsidiaries;

§ no illegal payments;

§ Food and Drug Administration compliance and other regulatory matters;

§ insolvency or bankruptcy of the sellers;

§ absence of material misstatements or omissions in asset purchase agreement;

§ no broker fees; and

§ that the information presented in this Information Statement is true and correct in all material respects.

The representations and warranties made by Amneal cover the following topics as they relate to Amneal:

- organization and good standing;
- authorization, execution and delivery of the asset purchase agreement and related by Amneal;
- no violation of Amneal's articles of organization or any statute, rule, regulation, order or decree of any public body or authority by which Amneal or its properties or assets are bound as a result of the execution and delivery of the asset purchase agreement and ancillary documents and the consummation of the transactions contemplated thereby;
- no consent, approval or other authorization of any Governmental Authority or third party being required as a result of or in connection with the execution and delivery of the asset purchase agreement and the ancillary documents or the consummation by Amneal of the transactions contemplated thereby;

§ no broker fees;

§ the ultimate parent entity of Amneal having as of the date of the asset purchase agreement less than $126.2 million in annual net sales and less than $126.2 million in total assets;

§ Amneal having the wherewithal to fully fund and pay the purchase price for the assets being purchased by the buyers and paying when due all of the assumed liabilities; and

§ to Amneal's knowledge, it has no knowledge of APR, LLC outside of the information in the public domain or as disclosed to Amneal by the Company or Cameron Reid.

Operation of the Company's Business Pending Closing

During the period between the signing of the original agreement and the closing of the asset sale as contemplated by the asset purchase agreement, the Company shall use all commercially reasonable and good faith efforts to preserve its goodwill, rights, property, assets and business, to keep available to itself and Amneal its employees, and to preserve and protect its relationships with its employees, officers, advertisers, suppliers, customers, creditors and others having business relationships with it. Without the prior written consent of Amneal, the Company has agreed that until the closing it shall do the following:

§ maintain its corporate existence;

§ except as otherwise expressly provided in the asset purchase agreement, conduct its business only in the ordinary course consistent with the manner conducted as of the date of signing of the original agreement; and

§ operate in such a manner as to assure that the representations and warranties of the Company set forth in the asset purchase agreement will be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of the Closing Date.

In addition, during the period between the signing of the original agreement and the closing of the asset sale as contemplated by the asset purchase agreement, without Amneal's prior written consent (which consent shall not be unreasonably withheld or conditioned, and the request for which shall be timely responded to), the Company shall not, among other things:

§ change its method of management or operations in any material respect (including, without limitation, accelerating receivables, delaying payments or liquidating assets, except in the ordinary course of business consistent with past practices);

§ dispose of or acquire any assets or properties or make any commitment to do so, other than sales of inventory or acquisitions of raw materials, excipients or API, in each case in the ordinary course of business consistent with past practice;

§ incur indebtedness for borrowed money, other than advances from Amneal or, after all $1,500,000 of the advances from Amneal under Interpharm, Inc.'s loan and security agreement with Amneal have been advanced, up to $200,000 (on substantially similar terms and the same interest rate as such advances from Amneal) in additional unsecured debt, provided that such unsecured debt is necessary for and used only for the sellers' business operations and additional indebtedness to Wells Fargo Bank, N.A. under the Company's existing lines of credit as in effect on the date of signing of the original agreement);

§

make any loans or advances, assume, guarantee or endorse or otherwise become responsible for the obligation of any other person, or subject any of its properties or assets to any lien;

§ make any change in the compensation paid or payable to any employee or director, except in the ordinary course of business and consistent with past practice;

§ pay or agree to pay any bonus or similar payment (other than success bonuses payable contingent upon the closing of the asset purchase agreement);

§ enter into any new contract involving payments by or to any sellers in excess of $5,000 per contract (and not more than $50,000 in the aggregate for all such contracts);

§ make any change in its accounting practices or procedures;

- § change by more than ten percent (10%) its customer pricing, rebates, prebates, chargebacks, returns or discounts (on a per customer, per SKU basis) of any product;
- § modify, amend, cancel or terminate any contract to be assumed by Amneal;
- § promote, change the job title of, or otherwise alter in any material respect the responsibilities or duties of, any of its employees, except in the ordinary course of business and consistent with past practice;
- § issue any additional equity securities, options, warrants or other arrangements or commitments obligating any seller to issue any membership interests or other securities, except for stated exceptions;
- § make an assignment for the benefit of creditors or admit in writing its inability to pay its debts as they mature; or consent to or acquiesce in the appointment of a trustee or receiver for any seller or any property thereof; or permit any bankruptcy reorganization, debt arrangement, or other proceeding under any bankruptcy or insolvency law to be instituted by or against any seller; or consent to any involuntary petition filed pursuant to or purporting to be pursuant to any bankruptcy, reorganization or insolvency law of any jurisdiction; or be adjudicated bankrupt;
- § make any payment or distribution with respect to its equity securities, whether by way of redemption, dividend, distribution or otherwise; or
- § take any other action which would be reasonably expected to have a Material Adverse Effect on its business or the affairs, assets, condition (financial or otherwise) or prospects, or could adversely affect or detract from the value of its assets or the business, except as required by law.

Additional Covenants

Between the date of signing of the asset purchase agreement and the Closing Date, the Company and Amneal shall each use their commercially reasonable efforts to (i) obtain promptly all such third party approvals and consents as are necessary or appropriate to the consummation of the transactions contemplated thereby, (ii) cause all conditions to the obligations of Amneal under the asset purchase agreement over which it is able to exercise influence or control to be satisfied prior to the Closing Date, and (iii) obtain promptly and timely comply with all requisite statutory, regulatory or court approvals, third party releases and consents, and other requirements necessary for the valid and legal consummation of the transactions contemplated thereby.

On or promptly after the closing the sellers will cooperate in transferring to Amneal the new drug applications and ANDAs required to manufacture, market and sell finished dosage forms of each Product in the United States, its territories, commonwealths and possessions filed by or on behalf of any Seller with the FDA and any amendments or supplements thereto which were filed on behalf of any Seller on or prior to the Closing Date (the "Registrations"). Until the Registrations have been transferred to Amneal, Amneal shall act as the regulatory agent for all Registrations pending before the FDA and shall be responsible for maintaining them at its sole cost and expense and Amneal shall have responsibility for all communications with FDA and corresponding foreign bodies relating to the sellers' products.

The sellers have agreed that for a period of 91 days after the closing date, the sellers shall not file or enter into any bankruptcy proceeding or liquidation, or convene a meeting of its creditors, or have a receiver appointed over all or part of their assets, or take or suffer any similar action in consequence of their debt. The Company has also agreed that it will not make any payment or distribution with respect to its equity securities to the Majority Stockholders or any holders of the Common Stock until more than 90 days after the Closing Date.

The sellers have also agreed (a) to make Amneal an additional insured on the Company's tail liability insurance policy, (b) that the Company will dismiss certain pending claims, and (c) prior to the closing the Company shall remove certain hazardous materials from its facilities and resolve certain EPA violations to Buyer's reasonable satisfaction.

Access and Information

Prior to the closing of the asset sale, the Company must provide Amneal and its representatives and agents such access to the books and records of the Company and its subsidiaries and furnish to Amneal and its representatives and agents such financial and operating data and other information with respect to the business and the properties of sellers as they may reasonably request from time to time.

No Solicitation of Alternative Transactions

Until the asset sale has been completed or the asset purchase agreement has been terminated, the Company and its subsidiaries and the Majority Stockholders have agreed to, and have agreed to cause their respective directors, officers, managers, partners, shareholders, members, employees, consultants, contractors, representatives, agents, accountants, bankers, attorneys and other advisors (collectively, "Representatives") to, cease any activities, discussions or negotiations with any parties that may be ongoing with respect to an Acquisition Proposal (defined as any inquiry, proposal, offer or expression of interest by any third party relating to a merger, consolidation or other business combination involving any seller, or any purchase of more than 20% of the consolidated assets of sellers or more than 20% of the outstanding shares of capital stock or membership interests any seller) and each seller and each Majority Stockholder shall not, and shall cause its respective Representatives, not to, directly or indirectly, (i) solicit, participate in, initiate or encourage (including by way of furnishing information), or take any other action designed or reasonably likely to facilitate or encourage, any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal or (ii) participate in any discussions or negotiations (including by way of furnishing information) regarding any Acquisition Proposal.

However, the asset purchase agreement also provides that if, at any time before the date on which the definitive Information Statement is filed with the SEC (which date was ______, 2008), the Company's Board of Directors determines in good faith, after consultation with outside counsel and a financial advisor of nationally recognized reputation, that such action is, or is reasonably likely to be, necessary in order to comply with its fiduciary duties under law and that such Acquisition Proposal is reasonably likely to lead to a superior proposal for the common stockholders of Company as compared to the transactions contemplated by the sale agreements, and if done for the sole purpose of increasing sums available for distribution to the Company's common stockholders, then, in such case, Company may, in response to an Acquisition Proposal (which term is defined as described in the preceding paragraph except that all references to 20% are changed to 50% for purposes of this current paragraph) not solicited after April 11, 2008 and which is submitted in writing by such Person to the Board of Directors of Company after April 11, 2008 and subject to compliance with non-solicitation sections of the asset purchase agreement (and provided that Company has complied in all respects with its obligations under such section) (x) furnish information with respect to the Company and its subsidiaries (other than the terms of the asset purchase agreement, the letter of intent dated April 11, 2008 between the Company and Amneal Pharmaceuticals, LLC or any discussions or negotiations regarding any of the foregoing) to the person making such Acquisition Proposal (or its designated representatives) pursuant to a confidentiality and standstill agreement, provided that any such information has been or contemporaneously is provided to representatives of Amneal, (y) participate in discussions or negotiations regarding such Acquisition Proposal, and (z) terminate the asset purchase agreement (subject to certain rights of Amneal to make a matching offer and payment of the break-up fee and expenses described below).

No Acquisition Proposal was submitted to the Company's Board of Directors prior to the filing of this Information Statement with the SEC.

Conditions Precedent to the Closing of the Asset Sale

Conditions Precedent to Obligations of Amneal. The obligations of Amneal to complete the asset sale are subject to the satisfaction or waiver of each of the following closing conditions, among others:

§ No inquiry, action, suit or proceeding shall have been asserted, threatened or instituted (i) in which it is sought to restrain or prohibit the carrying out of the transactions contemplated by the asset purchase agreement or to challenge the validity of such transactions or (ii) which could reasonably be expected to have, if adversely determined, a Material Adverse Effect;

§ The Company and the Escrow Agent shall have entered into the Escrow Agreement;

§ Each representation and warranty of Company contained in the asset purchase agreement, the Disclosure Memorandum and in any schedule to the asset purchase agreement shall be true and correct in all respects (in the case of any representations or warranties containing any materiality or material adverse effect qualifiers) or in all material respects (in the case of any representations or warranties without any materiality or material adverse effect qualifiers) on and as of the date of the asset purchase agreement and on and as of the Closing Date, and each of the covenants and agreements in the asset purchase agreement on the part of Company to be complied with or performed on or before the Closing Date shall have been complied with and performed.

§ The Company shall have obtained and delivered to Amneal evidence of approval by the board of directors and the stockholders of each seller of the transactions contemplated by the asset purchase agreement and copies of all consents, approvals or permits required to be obtained for the consummation of the asset sale and no such consents or consents, approvals or permits shall have been withdrawn or suspended;

§ The DEA has issued to Amneal a controlled substances license for the facility at 75 Adams Avenue, Hauppauge, New York by July 16, 2008;

§ Amneal shall have received a non-disclosure, non-solicitation and non-competition agreement from each seller;

§ since December 31, 2007, there shall not have been (i) any change resulting in a material adverse effect on the sellers, their business or their ability to perform their obligations under the asset purchase agreement, or (ii) any damage, destruction or loss affecting the assets, properties, business, operations or condition of Company or any other seller or the Company's business, whether or not covered by insurance, which could reasonably be expected to result in a material adverse effect on the sellers, their business or their ability to perform their obligations under the asset purchase agreement, or (iii) any inspection of the Real Property by the FDA which discloses items that could reasonably be expected to materially and adversely effect Amneal's ability to manufacture at the Real Property any products which individually or in the aggregate, have resulted in revenues to the Company of in excess of $5 million in the twelve months prior to the closing and which have been approved by the FDA;

§ the Company shall have procured "tail-coverage" on the claims-made products liability insurance policies covering each seller on such terms as may be reasonably satisfactory to Amneal, and Amneal shall be named as additional insured thereon;

§ the Company shall have resolved, to Amneal's reasonable satisfaction, all violations raised by the U.S. Environmental Protection Agency in its Notice of Violation to Company dated October 4, 2007 with respect to its facility at 50 Horseblock Road in Yaphank, New York and any other real property owned or leased by any seller;

Each of the conditions listed above is solely for the benefit of Amneal and may be waived by Amneal without notice, liability or obligation to any person.

Conditions Precedent to Obligations of the Company. The Company's obligations to complete the asset sale are subject to the satisfaction or waiver of each of the following conditions at or prior to the closing of the transactions contemplated by the asset purchase agreement:

§ No inquiry, action, suit or proceeding shall have been asserted, threatened or instituted (i) in which it is sought to restrain or prohibit the carrying out of the transactions contemplated by the asset purchase agreement or to challenge the validity of such transactions, other than those asserted, threatened or instituted by the Sellers or Majority Stockholders;

§ Each representation and warranty of Amneal contained in the asset purchase agreement and in any schedule shall be true and correct in all respects (in the case of any representations or warranties containing any materiality or material adverse effect qualifiers) or in all material respects (in the case of any representations or warranties without any materiality or material adverse effect qualifiers) on and as of the date of the agreement and on and as of the Closing Date and Amneal shall have complied with and performed each of the covenants and agreements required by the sale agreements;

§ all material authorizations, consents, approvals, waivers and releases, if any, necessary for Amneal to consummate the transactions contemplated by the asset purchase agreement shall have been obtained by Amneal, including the resolution of all comments of the SEC to this Information Statement and the Company shall have mailed this Information Statement;

§ Amneal and the Escrow Agent shall have entered into the Escrow Agreement; and

§ the closing of the sale of the Real Property pursuant to the real estate contract shall have occurred.

Each of the conditions listed above is solely for the benefit of the Company and may be waived by the Company without notice, liability or obligation to any person.

Termination, Amendments and Waivers

At any time prior to the closing, the sale agreements may be terminated, among other things, by reason of the following:

• by mutual written consent of Amneal and the Company;

• by either party if the closing shall not have occurred on or before September 16, 2008; provided, however, that at the time of such notice the party exercising such termination right shall have complied in all material respects with its obligations under the sale agreements;

• by Amneal, upon written notice to Company, if any of Amneal's conditions to its obligations to close shall not have been fulfilled in all material respects at the time at which the closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice Amneal must have complied in all material respects with its obligations under the asset purchase agreement; and provided, further, that the Company shall have ten (10) days after the date such notice is sent by Amneal in which to fulfill such conditions not fulfilled unless satisfaction of such a condition is or becomes impossible;

• by the Company, upon written notice to Amneal, if any of the Company's conditions to its obligations to close shall not have been fulfilled in all material respects at the time at which the Closing would otherwise occur or if satisfaction of such a condition is or becomes impossible, provided that at the time of such notice the Company must have complied in all material respects with its obligations under the asset purchase agreement; and provided, further, that Amneal shall have ten (10) days after the date such notice is sent by the Company in which to fulfill such conditions not fulfilled unless satisfaction of such a condition is or becomes impossible;

§ by the Company, in connection with Company's entering into a definitive agreement to effect an Acquisition Proposal provided that Company has complied, with the terms of the asset purchase agreement regarding the Company's entertaining Acquisition Proposals described in the section entitled "No Solicitation of Alternative Transactions" above and provided, further, that an election by Company to terminate the asset agreement for such reason shall not be effective until Company shall have paid Amneal a Break-up Fee described below and reimbursed Amneal's out of pocket costs and expenses plus paid Amneal an amount equal to all advances made by Amneal to the Company under the loan agreement described in the section "Loan and Security Agreement" above.

§ by Amneal, if (i) Company enters into a definitive agreement to effect an Acquisition Proposal, (ii) the Company's Board of Directors recommends that Company's shareholders accept or approve any Acquisition Proposal or (iii) the Company's Board of Directors withdraws or modifies, in a manner material and adverse to the Company, its recommendation regarding the transactions contemplated by the asset purchase agreement, in any case, regardless of whether Company has complied with the provisions of the asset purchase agreement relating to the Company's entertaining Acquisition Proposals.

§ automatically, if a DEA controlled substances license for the facility at 75 Adams Avenue, Hauppauge, New York 11788 and the Real Property has not been issued to Amneal by July 16, 2008 and Amneal and the Company do not mutually agree to extend the closing date of the sale agreements or Amneal waives the condition that it be issued such a license prior to the closing.

The Company shall be required to immediately reimburse Amneal for all advances made by Amneal to Interpharm, Inc. under the loan and security agreement in the event of a termination of the asset purchase agreement (i) by Amneal due to a failure to satisfy all of Amneal's closing conditions, (ii) by either party if the closing does not occur on or prior to September 16, 2008, (iii) by mutual agreement of the parties, (iv) if a DEA controlled substances license for the facility at 75 Adams Avenue, Hauppauge, New York and the Real Property has not been issued to Amneal by July 16, 2008, and the Company and Amneal do not agree to extend the closing date or waive the condition, (v) if the real estate contract is terminated by Amneal in accordance with its terms and (vi) for any of the reasons set forth in the subsection entitled "Break-up Fee" immediately below.

In the event of any termination of the asset purchase agreement by the Company due to a failure to satisfy all of the Company's closing conditions after ten days prior notice to Amneal, all advances made by Amneal to Interpharm, Inc. under the loan and security agreement shall be retained as liquidated damages and the Company and Interpharm, Inc. shall have no further claims against any of the sellers under the sale agreements or arising from such agreements.

Break-up Fee

If the asset purchase agreement is terminated (a) by the Company because it enters into a definitive agreement to effect an Acquisition Proposal in accordance with the provisions set forth in the asset purchase agreement allowing it to respond to certain Acquisition Proposals, (b) by Amneal, if either the Company for any reason enters into a definitive agreement to effect an Acquisition Proposal, the Company's Board of Directors recommends that the Company's shareholders accept or approve any Acquisition Proposal or the Company's Board of Directors withdraws or modifies, in a manner material and adverse to the Company the Board of Directors' approval and recommendation of the asset sale agreements, or (c) by the Company because the sale agreements have has not been closed prior to

September 16, 2008 and within twelve months after such termination the Company enters into a definitive agreement with respect to, or consummates an Acquisition Proposal, then the Company must pay Amneal a break-up fee in an amount equal to 4% of the purchase price for the asset sale, reimburse Amneal's out of pocket costs and expenses plus pay Amneal an amount equal to all advances made by Amneal to the Company under the loan and security agreement. The foregoing amounts are payable immediately after the occurrence of the applicable event which triggers the termination of the asset purcase agreeent.

Indemnification and Escrow

The Company is obligated to indemnify the buyers and their representatives from, against and in respect of any and all Losses (defined as damages, losses, obligations, liabilities, claims, deficiencies, costs, taxes, penalties, fines, interest, monetary sanctions and expenses (including amounts paid in settlement and reasonable attorneys fees and costs) suffered, sustained, incurred or required to be paid by any of them by reason of or in the following circumstances:

§ any representation or warranty made by the Company in the sale agreements being untrue or incorrect in any respect;
§ any failure by the Company to observe or perform its covenants and agreements set forth in the sale agreements;

- any liability of any seller to the extent it is not assumed by the buyers;
- any taxes of any seller or with respect to the business for all periods prior to the closing date, and any tax liability of any seller or the Company's shareholders arising in connection with the transactions contemplated by the asset purchase agreement;
- any failure of any seller to have good, verified marketable title to the assets to be sold to Amneal free and clear of all liens (other than permitted liens);
- any challenge to the transactions contemplated by the asset purchase agreement by any shareholder of the Company;
- all reasonable attorneys fees and other losses in connection with pending litigation (other than litigation that Amneal agrees to assume) against the assets to be sold under the asset purchase agreement;
- any failure by an employee of the sellers or an agent, consultant or contractor or subcontractor involved in the development, support, customization, maintenance or modification of any intellectual property of the sellers to either (i) be a party to an enforceable arrangement or agreement with the sellers according sellers effective, exclusive and original ownership of all tangible and intellectual property arising or (ii) have executed appropriate instruments of assignment in favor of sellers conveying to sellers effective and exclusive ownership of all such property;
- brokers fees, commissions or similar payments to Greiner-Maltz Company of Long Island or any of its affiliates with respect to the sale of the Real Property or otherwise;
- any failure by the Company to pay costs required to be paid by the Company under the asset purchase agreement to remedy deficiencies which Amneal has notified the Company would be an impediment to the transfer to Amneal of the DEA controlled substances license for the facility at 75 Adams Avenue, Hauppauge, New York; and
- any costs of product recalls which occur within 180 days after the closing date for product lots which were manufactured prior to the closing date.

The Company will not be liable for any indemnification claims made by the buyers or their representatives unless the aggregate amount of Losses incurred by them is in excess of $250,000, in which case the Company is liable for the entire amount of the damages (i.e., from the first dollar).

Amneal is obligated to indemnify the Company and its Representatives from, against and in respect of any and all Losses suffered, sustained, incurred or required to be paid by any of them by reason of or in the following circumstances:

- any representation or warranty made by Amneal in or pursuant to the asset purchase agreement being untrue or incorrect in any respect;
- any failure by Company to observe or perform its covenants and agreements set forth in the asset purchase agreement or any other ancillary document;
- Amneal's failure to discharge any assumed liabilities;
- the operation of Amneal or the conduct of Amneal's business following the Closing, including, without limitation, any loss, liability, obligation, lien, damage, cost or expense arising from products produced or processed by Amneal after the Closing, provided that the act that gives rise to said Losses does not arise from a breach by any seller of any of the asset purchase agreement or ancillary documents.

The maximum amount of Losses incurred by a party for which any party shall be liable for indemnification under the sale agreements shall not exceed $3.5 million.

Escrow Agreement

Amneal, Kashiv, the Company, Interpharm, Inc. and Sovereign Bank, as a third-party escrow agent (the "Escrow Agent") will enter into an Escrow Agreement dated on or before the closing.

At the closing, $3.5 million of the purchase price (the "Escrow Fund") will be placed in escrow and held by the Escrow Agent for the purpose of securing the indemnification obligations of the Company and Interpharm, Inc. set forth in the asset purchase agreement and real estate contract. The Escrow Fund shall be held as trust funds and shall not be subject to any lien, attachment, trustee process or any other judicial process of any creditor of any party, and shall be held and disbursed solely for the purposes and in accordance with the terms of the Escrow Agreement.

Ancillary Agreements

Restrictive Covenant Agreement

It is a condition precedent to the closing of the asset sale that the Company and Interpharm, Inc. enter into a Restrictive Covenant Agreement (the "Noncompete Agreement"). Under the terms of the Noncompete Agreement, each of the Company and Interpharm, Inc. will agree that for a period of five years from the Closing Date of the asset purchase agreement, it shall not, without Amneal’s prior written consent, directly or indirectly (i) be Materially Interested in any business or activity which competes or endeavors to compete with the manufacture and sale of any of Products, (ii) in relation to any business or activity which is in competition with any of the Products, deal, negotiate or contract with any Client or Prospective Client, or canvass, solicit or endeavor to take away from the Buyer the business or custom of any Client or Prospective Client, or assist any third party to do so or (iii) endeavor to entice away from Amneal, or in any way seek to affect the terms of business on which Amneal deals with, any person who or which on the Closing Date of the asset purchase agreement or at any time during the 12 month period immediately preceding the Closing Date was an agent or distributor of any seller or a supplier of goods or services to any seller under the asset purchase agreement, or assist any third party to do so.

For purposes of the Noncompete Agreement, “Materially Interested” is defined as being directly or indirectly employed, appointed or engaged by or in any manner concerned or interested whether as partner, shareholder, member or otherwise, save for the ownership for investment purposes only of not more than 1% or less of any class of publicly traded equity and “products” is defined as having the same definition as the term in the asset purchase agreement, namely, all products of the sellers approved, pending approval and in development by any seller, whether or not discontinued or previously marketed.

In addition, under the Noncompete Agreement each of the Company and Interpharm, Inc. will agree that for a period of two years after the Closing Date of the asset purchase agreement, it shall not, without Amneal’s prior written consent, directly or indirectly, solicit or endeavor to entice away from Amneal, or employ or engage, any person who was on the Closing Date, or at any time during the 12 month period immediately preceding the Closing Date, a director or Employee (as such term is defined in the asset purchase agreement) of any seller and hired by Amneal on or after the Closing Date, or assist any third party to do so. In addition, each of the Company and Interpharm, Inc. will agree at all times from and after the Closing Date, it: (i) will at all times hold in strictest confidence all of the sellers’ proprietary and confidential information, (ii) will not, without Amneal’s prior written consent, directly or indirectly, use (other than as an employee of Amneal) or disclose to any person any such confidential information or (iii) make critical, negative or disparaging remarks about the sellers’ business or Amnel or its affiliates, or their respective officers, directors, shareholders, managers, members, partners employees or representatives.

Loan and Security Agreement

Simultaneously with the execution of the asset purchase agreement Amneal and Interpharm, Inc. entered into a loan and security agreement (the “loan and security agreement”) providing for Amneal to make an initial loan to Interpharm Inc. of $500,000 and up to 4 additional loans of $250,000 each on the last business day of each of the four weeks after the initial loan is made. Interest on the outstanding principal of the loans made pursuant to the loan agreement accrues at the rate of 6% per annum. The loans are secured by a security interest, subordinate to the security interest held by Wells Fargo and the holders of certain subordinated notes of the Company, in the accounts, equipment, inventory, general tangibles and all other assets of Interpharm, Inc. and the proceeds of such collateral. The loans are repayable after the termination of the asset purchase agreement, but if the asset sale is consummated, the outstanding principal and accrued interest on the loans shall be credited against the purchase price for the asset sale and the loans shall then be deemed discharged.

Interpharm, Inc. shall have no obligation to repay the loans if the asset purchase agreement is terminated by the Company due to a failure to satisfy the closing conditions of the sellers and in certain other situations.

As of May 27, 2008 Amneal had loaned an aggregate of $1,500,000 to Interpharm, Inc. under the loan agreement.

Proceeds Sharing Agreement

On May 1, 2008, Aisling Capital II, L.P. and Tullis-Dickerson Capital Focus III, L.P. (together, the "Series D-1 Holders"), Ravis Holdings I, LLC ("Ravis Holdings"), P&K Holdings, LLC ("P&K Holdings"), Dr. Maganlal K. Sutaria, Perry Sutaria, Raj Holdings I, LLC ("Raj Holdings", and together with Perry Sutaria, and Dr. Maganlal K. Sutaria, the "Series A-1 Holders", and the Series A-1 Holders together with the Series D-1 Holders, the "Preferred Holders"), Raj Sutaria, Ravi Sutari and Bhupatalal K. Sutaria, entered into an Amended and Restated Proceeds Sharing Agreement (the "Proceeds Sharing Agreement").

As a condition to entering into the Proceeds Sharing Agreement, each of the Majority Stockholders executed and delivered to the Company a signed written consent of stockholders approving the asset purchase agreement and the asset sale. In the Proceeds Sharing Agreement the Majority Stockholders also agreed to refrain from exercising any dissenter rights or rights of appraisal under applicable law with respect to the asset sale and vote in favor of the asset sale at any regular or special meeting of stockholders (or vote by written consent). In addition, under the Proceeds Sharing Agreement, each of the Series D-1 Holders agreed, severally and not jointly, that, if, as a result of the asset sale, it receives distributions from the Company based on its holdings of the Series D-1 Preferred Stock in excess of $6,500,000 (the “Excess Amount”), such Series D-1 Holder shall direct the Company to distribute or shall itself distribute, the Excess Amount to all holders of the Common Stock on a pro rata basis; provided, that, the Excess Amount distributed to the holders of Common Stock may not exceed $3,000,000.

Pursuant to the Proceeds Sharing Agreement, the Preferred Holders agreed, severally and not jointly, that, if, as a result of the asset sale, the Series D-1 Holders receive distributions from the Company based on their holdings of the Series D-1 Preferred Stock in excess of $2,000,000, each Preferred Holder shall pay to Bhupatlal K. Sutaria such Preferred Holder's pro rata share of $850,000, except that if Bhupatlal K. Sutaria receives aggregate proceeds with respect to his shares of common stock in an amount greater than $250,000, then any such excess amount shall reduce, dollar for dollar, the aggregate amount of $850,000 payable to him as described earlier in this sentence.

The Preferred Holders agreed, severally and not jointly, that, if, as a result of the asset sale, the Series D-1 Holders receive distributions from the Company based on their holdings of the Series D-1 Preferred Stock in excess of $2,000,000, each Preferred Holder shall pay to Raj Sutaria such Preferred Holder's pro rata share of $350,000, except that if Raj Sutaria receives aggregate proceeds with respect to his shares of common stock in an amount greater than $200,000, then any such excess amount shall reduce, dollar for dollar, the aggregate amount of $350,000 payable to him as described earlier in this sentence.

GOVERNMENTAL AND REGULATORY MATTERS

Except with respect to the expiration of the 20-calendar day period from the dissemination of this Information Statement to the Company's stockholders until the asset sale may be consummated, the parties are not aware of any governmental or regulatory approvals required in connection with the consummation of the asset sale.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material U.S. federal income tax consequences to the Company upon the asset sale. The discussion does not cover all aspects of U.S. federal income taxation and does not address state, local, foreign or other tax laws. The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

The asset sale does not generate any U.S. federal income tax consequences to the stockholders of the Company. The Company, on the other hand, will recognize gain or loss on the sale of its assets to Amneal. The Company's gain or loss with respect to each asset sold will equal the difference between the portion of the purchase price allocable to that asset and the Company's basis in that asset. The amount of purchase price generally allocated to each asset will be determined based on the fair market value of that particular asset.

Any ordinary income or capital gain recognized for federal income tax purposes may be offset by any available capital loss carryforwards. At December 31, 2007 the Company has remaining Federal net operating losses of $44,053,000 available through 2027. We believe that these net operating losses will be sufficient to offset any gains realized upon consummation of the asset sale.

ACCOUNTING TREATMENT OF THE ASSET SALE

The asset sale will be accounted for as a sale of assets transaction. At the closing of the asset sale, any excess in the purchase price received by the Company, less transaction expenses, if any, over the net book value of the net assets sold will be recognized as a gain.

STOCKHOLDER CONSENT TO THE ASSET SALE

Under Section 228 of the Delaware Law, unless otherwise provided in a corporation's certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action that may be taken at any annual or special meeting of stockholders, may be taken without a meeting, without prior notice and without a vote, if a written consent to that action is signed by stockholders having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares were present and vote.

As of May 2, 2008, there were (i) 66,738,426 shares of our Common Stock, (ii) 277,000 shares of Series C Preferred, (iii) 4,855,389 shares of Series A-1 Preferred and (iv) 20,825 shares of Series D-1 Preferred issued and outstanding. Under Delaware Law and the terms of our Certificate of Incorporation, as amended and as currently in effect, the asset sale requires the approval of the majority of the outstanding Common Stock and Voting Preferred Stock voting together as a single class. The holders of the Common Stock and Series C Preferred have one vote per share. The holders of Series D-1 have one vote per share of Common Stock into which such holders' shares of D-1 Preferred are then convertible. The shares of Series D-1 Preferred outstanding as of May 2, 2008 are convertible into 21,052,632 shares of Common Stock. Accordingly, the approval of holders of shares of Common Stock, Series C Preferred Stock and Series D-1 Preferred Stock entitled to cast 44,034,030 votes, voting together as a single class, is required to approve the asset sale. The Majority Stockholders, constituting the holders of a majority of the outstanding Common Stock and Voting Preferred Stock, voting together as a single class, have executed written consents approving the asset purchase agreement and the real estate contract and approving the transactions contemplated by each of those agreements in accordance with Section 228 of Delaware Law.

Accordingly, in accordance with Delaware Law and the Certificate of Incorporation of the Company, as amended and currently in effect, the holders of a majority of the outstanding shares of Common Stock and Voting Preferred Stock, voting as a single class, have approved the asset sale and the asset purchase agreement. The actions by written consent are sufficient to approve the sale and the other transactions contemplated by the asset purchase agreement and the real estate contract without any further action or vote of the stockholders of the Company. Accordingly, no other actions are necessary to approve the asset sale, and no such actions are being requested. The members of Amneal and Kashiv are not required to approve the asset sale.

Pursuant to Section 228 of the Delaware Law, the Company is delivering the accompanying notice of the stockholders' consent to all holders of the Company's common stock as of May 2, 2008 who did not participate in the action by written consent.

FINANCING OF THE ASSET SALE

The asset sale is not conditioned on any financing arrangements by Amneal and the consideration to be received by the Company at the closing will be immediately available funds.

OPINION OF HOULIHAN LOKEY

On May 7, 2008, Houlihan Lokey rendered a written opinion to the Board of Directors, to the effect that, as of May 7, 2008 and based upon and subject to the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion, the consideration to be received by the sellers in the asset sale was fair, from a financial point of view, to the sellers.

Houlihan Lokey's opinion was directed to the Board of Directors and only addressed the fairness from a financial point of view of the consideration to be received by the sellers in the asset sale and does not address any other aspect or implication of the asset sale. The summary of Houlihan Lokey's opinion in this information statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex C to this information statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Houlihan Lokey in preparing its opinion. We encourage our stockholders to read carefully the full text of Houlihan Lokey's written opinion. However, neither Houlihan Lokey's opinion nor the summary of its opinion and the related analyses set forth in this information are intended to be, and do not constitute advice or a recommendation to the Board of Directors or any stockholder as to how to act with respect to the asset sale or related matters.

In arriving at its opinion, Houlihan Lokey, among other things:

· reviewed the following agreements and documents:

– the original asset purchase agreement;

– the first amendment;

– the real estate contract;

· reviewed certain publicly available business and financial information relating to the Company that Houlihan Lokey deemed to be relevant;

· reviewed certain information relating to the current and future operations, financial condition and prospects of the Company made available to Houlihan Lokey by the Company, including (a) financial projections for the fiscal year ending June 30, 2009, prepared by the management of the Company, relating to the Company as a going concern, (b) cash flow projections for the thirteen week period ending June 20, 2008 (together, the "Projections") and (c) a liquidation analysis prepared by the management of the Company (the "Liquidation Analysis");

- spoke with certain members of the management of the Company regarding the business, operations, financial condition and prospects of the Company, the asset sale and related matters, including management's views of the operational and financial risks and uncertainties attendant with not pursuing the asset sale;

- reviewed the current and historical market prices and trading volume for Company Common Stock;

- reviewed a certificate addressed to Houlihan Lokey from senior management of the Company which contained, among other things, representations regarding the accuracy of the information, data and other materials (financial or otherwise) provided to Houlihan Lokey by or on behalf of the Company; and

- conducted such other financial studies, analyses and inquiries and considered such other information and factors as Houlihan Lokey deemed appropriate.

Houlihan Lokey relied upon and assumed, without independent verification, the accuracy and completeness of all data, material and other information furnished, or otherwise made available to it, or that it discussed or reviewed, or that was publicly available, and did not assume any responsibility with respect to such data, material and other information. In addition, management of the Company advised Houlihan Lokey, and Houlihan Lokey assumed, that the Projections and Liquidation Analysis reviewed by Houlihan Lokey were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management as to the future financial results and condition of the Company (or the future results of any liquidation thereof) and Houlihan Lokey expressed no opinion with respect to such projections, analysis or the assumptions on which they are based. Houlihan Lokey noted that the Projections and Liquidation Analysis are subject to significant uncertainty, particularly in light of the Company's recent financial performance, current financial condition, current and prospective access to capital, current and prospective liquidity and unfavorable future prospects. In this regard, Houlihan Lokey relied upon and assumed that the Company is unable to obtain financing in an amount or on terms that will allow the Company to continue as a going concern and therefore, absent the asset sale, the Company will have no alternative other than to seek protection under U.S. bankruptcy laws, which would likely result in a liquidation of the Company. Houlihan Lokey relied upon and assumed, without independent verification, that there had been no material change in the business, assets, liabilities, financial condition, results of operations, cash flows or prospects of the Company since the date of the most recent financial statements provided to Houlihan Lokey, and that there was no information or any facts that would make any of the information reviewed by Houlihan Lokey incomplete or misleading. Houlihan Lokey did not consider any aspect or implication of any transaction to which the Company or any of its security holders may be a party (other than as specifically described in its opinion with respect to the asset sale).

Houlihan Lokey relied upon and assumed, without independent verification, that (a) the representations and warranties of all parties to the agreements listed above and all other related documents and instruments that are referred to those agreements are true and correct, (b) each party to all such agreements and other related documents and instruments will fully and timely perform all of the covenants and agreements required to be performed by such party, (c) all conditions to the consummation of the asset sale will be satisfied without waiver thereof, and (d) the asset sale will be consummated in a timely manner in accordance with the terms described in the agreements and documents provided to Houlihan Lokey, without any amendments or modifications. Houlihan Lokey also relied upon and assumed, without independent verification, that (i) the asset sale will be consummated in a manner that complies in all respects with all applicable federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the asset sale will be obtained and that no delay, limitations, restrictions or conditions will be imposed or amendments, modifications or waivers made that would result in an adverse effect on the amount or timing of receipt of the consideration. The Company informed Houlihan Lokey that (i) it has very little or no unrestricted cash on hand, (ii) financial projections that represent the best currently available estimates and judgments of the Company management as to the future financial results and operations of the Company exist only through June 30, 2009, and (iii) as referred to above, the Company was unable to obtain financing sufficient to continue as a going concern. As a result, in reaching the conclusion in its opinion, Houlihan Lokey did not perform a discounted cash flow analysis. In addition, Houlihan Lokey reviewed data regarding publicly traded companies in the same industry as the Company and recent change of control transactions involving companies in the same industry as the Company. However, because of (i) the Company's lack of financing, (ii) the lack of publicly traded companies in the same industry as the Company facing similar going concern issues, and (iii) the lack of recent change of control transactions involving companies in the same industry as the Company facing similar going concern issues, Houlihan Lokey did not rely, in whole or in part, on either a comparable public companies analysis or a comparable mergers and acquisitions transaction analysis in reaching the conclusion set forth in its opinion.

Furthermore, in connection with its opinion, Houlihan Lokey was not requested to make, and did not make, any physical inspection or independent appraisal or evaluation of any of the assets, properties or liabilities (fixed, contingent, derivative, off-balance-sheet or otherwise) of any of the sellers or any other party, nor was Houlihan Lokey provided with any such appraisal or evaluation, other than (a) the Liquidation Analysis, and (b) certain appraisals relating to the Real Property and the machinery and equipment of the sellers (collectively, the "Appraisals"). Houlihan Lokey relied upon and assumed, without independent verification, the accuracy of the conclusions set forth in the Liquidation Analysis and the Appraisals, and assumed that the assumptions, estimates and conclusions contained in the Liquidation Analysis accurately reflect the outcome of an orderly liquidation of the sellers' assets. Houlihan Lokey is not a real estate, machinery or equipment appraisal firm, and did not express any opinion with respect to such subject matter. If the conclusions set forth in the Appraisals and the Liquidation Analysis are not accurate, the conclusion set forth in the Houlihan Lokey opinion could be materially affected. Houlihan Lokey did not estimate, and expressed no opinion regarding, the liquidation value of any entity or asset. Houlihan Lokey noted, however, that the Liquidation Analysis reflects the belief of management of the Company that the liquidation value of the Company's assets is substantially lower that the amount of the consideration. Houlihan Lokey did not undertake any independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims or other contingent liabilities, to which the Company is or may be a party or is or may be subject, or of any governmental investigation of any possible unasserted claims or other contingent liabilities to which any of the sellers is or may be a party or is or may be subject. Houlihan Lokey assumed, with the Company's consent, that the consideration will not be reduced pursuant to Schedule 2.3(c) of the asset purchase agreement by more than $5 million as a result of any liability assumed by the buyers related to pending litigation.

Houlihan Lokey was not requested to, and did not, (a) initiate or participate in any discussions or negotiations with, or solicit any indications of interest from, third parties with respect to the asset sale, the assets, businesses or operations of any of the sellers, or any alternatives to the asset sale, (b) negotiate the terms of the asset sale, or (c) advise the Board of Directors or any other party with respect to alternatives to the asset sale. In reaching its conclusion, Houlihan Lokey considered the status of the Company's ongoing negotiations with its lenders with respect to the Company's defaults on the covenants of its credit facilities and Houlihan Lokey's discussions with Company management as to the Company's financing alternatives and recent efforts to raise additional capital and seek other strategic alternatives, including a potential sale of the Company and/or its assets. The opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Houlihan Lokey as of, the date of the opinion. Houlihan Lokey did not undertake, and is under no obligation, to update, revise, reaffirm or withdraw this opinion, or otherwise comment on or consider events occurring after May 7, 2008.

Houlihan Lokey's opinion was furnished for the use and benefit of the Board of Directors in connection with the exercise of its fiduciary duties, and may not be relied on by any other person or used for any other purpose without Houlihan Lokey's prior written consent. The opinion should not be construed as creating any fiduciary duty on the part of Houlihan Lokey to any party. The opinion was not intended to be, and does not constitute, a recommendation to the Board of Directors, any security holder or any other person as to how to act with respect to any matter relating to the asset sale.

Houlihan Lokey was not requested to opine as to, and the opinion does not express an opinion as to or otherwise address: (i) the underlying business decision of any of the sellers, their respective security holders or any other party to proceed with or effect the asset sale, (ii) the terms of any arrangements, understandings, agreements or documents related to, or the form or any other portion or aspect of, the asset sale or otherwise (other than the consideration to the extent expressly specified in the opinion), including the terms of the Proceeds Sharing Agreement, (iii) the fairness of any portion or aspect of the asset sale to the holders of any class of securities, creditors or other constituencies of any of the sellers, or to any other party, including the terms of the Proceeds Sharing Agreement, except as set forth in the opinion, (iv) the relative merits of the asset sale as compared to any alternative business strategies that might exist for any of the sellers or any other party or the effect of any other transaction in which any of the sellers or any other party might engage, (v) the fairness of any portion or aspect of the asset sale to any one class or group of any of the sellers' or any other party's security holders vis-à-vis any other class or group of any of the sellers' or such other party's security holders (including without limitation (a) the allocation of any consideration amongst or within such classes or groups of security holders, whether pursuant to the Proceeds Sharing Agreement, or otherwise, (b) the allocation of the consideration amongst the sellers, or (c) the allocation of the consideration amongst the assets purchased in the asset sale), (vi) whether or not any of the sellers, their respective security holders or any other party is receiving or paying reasonably equivalent value in the asset sale, (vii) the solvency, creditworthiness or fair value of any of the sellers or any other participant in the asset sale under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters, or (viii) the fairness, financial or otherwise, of the amount or nature of any compensation to or consideration payable to or received by any officers, directors or employees of any party to the asset sale, any class of such persons or any other party, relative to the consideration or otherwise. Furthermore, no opinion, counsel or interpretation was intended by Houlihan Lokey in matters that require legal, regulatory, accounting, insurance, tax or other similar professional advice. Houlihan Lokey assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources. Furthermore, Houlihan Lokey relied, with the Company's consent, on the assessment by the Company and its advisers, as to all legal, regulatory, accounting, insurance and tax matters with respect to the sellers and the asset sale.

In preparing its opinion to the Board of Directors, Houlihan Lokey performed a variety of analyses, including those described below. The summary of Houlihan Lokey's analyses is not a complete description of the analyses underlying Houlihan Lokey's opinion. The preparation of a fairness opinion is a complex process involving various quantitative and qualitative judgments and determinations with respect to the financial, comparative and other analytical methods employed and the adaptation and application of these methods to the unique facts and circumstances presented. As a consequence, neither a fairness opinion nor its underlying analyses is readily susceptible to summary description. Houlihan Lokey arrived at its opinion based on the results of all analyses undertaken by it and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any individual analysis, methodology or factor. Accordingly, Houlihan Lokey believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, methodologies and factors or focusing on information presented in tabular format, without considering all analyses, methodologies and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Houlihan Lokey's analyses and opinion. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques.

In performing its analyses, Houlihan Lokey considered general business, economic, industry and market conditions, financial and otherwise, and other matters as they existed on, and could be evaluated as of, the date of the opinion. Houlihan Lokey's analyses involved judgments and assumptions with regard to industry performance, general business, economic, regulatory, market and financial conditions and other matters, many of which are beyond the control of the Company, such as the impact of competition on the business of the Company and on the industry generally, industry growth and the absence of any adverse material change in the financial condition and prospects of the Company or the industry or in the markets generally. No company, transaction or business used in Houlihan Lokey's analyses for comparative purposes is identical to the Company or the proposed asset saleand an evaluation of the results of those analyses is not entirely mathematical. Houlihan Lokey believes that mathematical derivations (such as determining average and median) of financial data are not by themselves meaningful and should be considered together with qualities, judgments and informed assumptions. While the results of each analysis were taken into account in reaching its overall conclusion with respect to fairness, Houlihan Lokey did not make separate or quantifiable judgments regarding individual analyses. The estimates contained in the Company's analyses and the sensitivity reference range indicated by Houlihan Lokey's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, any analyses relating to the value of assets, businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold, which may depend on a variety of factors, many of which are beyond the control of our company. Much of the information used in, and accordingly the results of, Houlihan Lokey's analyses are inherently subject to substantial uncertainty.

Neither Houlihan Lokey's opinion nor its analyses were determinative of the consideration or of the views of the Board of Directors or management with respect to the asset sale. The type and amount of consideration payable in the asset sale were determined through negotiation between the Company and Amneal, and the decision to enter into the asset sale was solely that of the Board of Directors.

The following is a summary of the material analyses performed by Houlihan Lokey in connection with Houlihan Lokey's opinion rendered on May 7, 2008. The order of the analyses does not represent relative importance or weight given to those analyses by Houlihan Lokey. The analyses summarized below include information presented in tabular format. The tables alone do not constitute a complete description of the analyses. Considering the data in the tables below without considering the full narrative description of the analyses, as well as the methodologies underlying, and the assumptions, qualifications and limitations affecting, each analysis, could create a misleading or incomplete view of Houlihan Lokey's analyses.

Review of Solicitation Process and Situational Factors

- Houlihan Lokey reviewed its understanding as to the solicitation process undertaken by the Company in exploring third party interest in a refinancing transaction, a capital infusion transaction and a strategic acquisition of the Company.

- Starting in January 2008, the Company approached 29 lenders regarding a refinancing of its Wells Fargo credit facilities, six private equity firms regarding a capital infusion and 13 strategic buyers regarding a sale of the Company.

- Five of 29 lenders contacted expressed initial interest in refinancing the Wells Fargo facilities, but all lenders subsequently declined to pursue a refinancing.

- Two of the six private equity firms contacted expressed interest regarding a capital infusion. Terms discussed with one of the firms were unacceptable to existing holders of Company preferred stock; other firm subsequently declined to pursue a capital infusion.

- Four of 13 strategic buyers contacted expressed initial interest regarding a sale of the business and the Company entered negotiations with the highest bidder, Amneal.

- Without the emergency working capital from Amneal, the Company would have been forced to declare bankruptcy within two weeks.

- If the Company is unable to consummate the asset sale with the Amneal, the Company will likely have no alternative other than to seek protection under the U.S. bankruptcy laws, which will likely result in a liquidation of the Company.

Review of Financial Analysis

Hypothetical Liquidation Analysis-Company Case. Houlihan Lokey reviewed a hypothetical liquidation analysis for the Company prepared by the Company, which was based in part on the Company's balance sheet as of March 31, 2008 (except for accounts receivable) and various assumed realization values. The Company's assumed recovery values are set forth below:

Type of Asset	Net Book Value as of 3/31/08	Estimated Liquidation Value (in millions)
Cash and Equivalents	$ 0.6	$ 0.6
Accounts Receivable (Net of Allowances) (as of 4/16/08)	13.8	7.0
Inventory - Raw Materials	2.4	0.6

Inventory - Work in Progress		2.4		0.0
Inventory - Finished Goods		2.9		0.1
Prepaid Expenses and Other Current Assets		1.0		0.0
Building - 50 Horseblock Road (including land)		11.9		20.3
Machinery & Equipment		17.5		2.6
Other Assets		1.7		1.7
Total	$	54.3	$	33.1

Hypothetical Liquidation Analysis-Sensitivity Case. Houlihan Lokey also sensitized the Company's liquidation analysis described above to account for more aggressive recovery assumptions regarding accounts receivables, inventory, real estate and certain machinery and equipment. This analysis indicated that in such events the high end of the recovery range for the Company's assets was approximately 25% below the estimated proceeds from the transaction. The sensitized assumed recovery reference range is set forth below:

	Book Value	Recovery %	Sensitivity Reference Range Low	Sensitivity Reference Range High
			(in millions)	
Cash and Equivalents	$ 0.6	100% - 100%	$ 0.6	$ 0.6
Accounts Receivable (Net of Allowances) (as of 4/16/08)	13.8	70% - 80%	9.7	11.0
Inventory - Raw Materials	2.4	50% - 75%	1.2	1.8
Inventory - Work in Progress	2.4	25% - 50%	0.6	1.2
Inventory - Finished Goods	2.9	50% - 75%	1.5	2.2
Prepaid Expenses and Other Current Assets	1.0	0% - 0%	0.0	0.0
Building - 50 Horseblock Road (including land)	11.9	143% - 188%	17.0	22.3
Machinery & Equipment	17.5	35% - 39%	6.2	6.8
Other Assets	1.7	100% - 100%	1.7	1.7
Total	$ 54.3		$ 38.5	$ 47.7

Selected Companies Analysis. Houlihan Lokey did not rely in whole or in part, on a comparable public companies analysis in reaching the conclusion set forth in its opinion because of the Company's lack of ability to obtain financing and the lack of publicly traded companies in the same industry as the Company facing similar going concern issues.

Selected Transactions Analysis. Houlihan Lokey did not rely, in whole or in part, on a comparable mergers and acquisitions transactions analysis is reaching the conclusion set forth in its opinion because of the Company's lack of ability to obtain financing and the lack of recent change of control transactions involving companies in the same industry as the Company facing similar going concern issues.

Discounted Cash Flow Analysis. For the reasons discussed above, Houlihan Lokey did not perform a discounted cash flow analysis.

Other Matters

Houlihan Lokey was engaged by the Company to provide an opinion to the Board of Directors regarding the fairness from a financial point of view of the consideration to be received by the sellers in the asset sale. We engaged Houlihan Lokey based on Houlihan Lokey's experience and reputation. Houlihan Lokey is regularly engaged to render financial opinions in connection with mergers, acquisitions, divestitures, leveraged buyouts, recapitalizations, and for other purposes. Pursuant to the engagement letter, the Company paid Houlihan Lokey a customary fee for its services, a portion of which became payable upon the execution of Houlihan Lokey's engagement letter and the balance of which became payable upon the delivery of Houlihan Lokey's opinion, regardless of the conclusion reached therein. No portion of Houlihan Lokey's fee is contingent upon the successful completion of the asset sale. The Company has also agreed to reimburse Houlihan Lokey for certain expenses and to indemnify Houlihan Lokey, its affiliates and certain related parties against certain liabilities and expenses, including certain liabilities under the federal securities laws arising out of or relating to Houlihan Lokey's engagement.

In the ordinary course of business, certain of Houlihan Lokey's affiliates, as well as investment funds in which they may have financial interests, may acquire, hold or sell, long or short positions, or trade or otherwise effect transactions, in debt, equity, and other securities and financial instruments (including loans and other obligations) of, or investments in, any of the sellers, the buyers or any other party that may be involved in the asset sale and their respective affiliates or any currency or commodity that may be involved in the asset sale. The Company has agreed to reimburse certain of Houlihan Lokey's expenses and to indemnify Houlihan Lokey and certain related parties for certain liabilities arising out of its engagement.

Houlihan Lokey and its affiliates may provide investment banking, financial advisory and other financial services to any of the sellers, the buyers and other participants in the asset sale and their respective affiliates in the future, for which Houlihan Lokey and such affiliates may receive compensation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of May 6, 2008, certain information with respect to the beneficial ownership of our voting securities by (i) any person known by us to be the beneficial owner of more than 5% of our voting securities, (ii) each director, (iii) each executive officer, and (iv) all directors and executive officers as a group.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Maganlal K. Sutaria 75 Adams Avenue Hauppauge, NY 11788	Common Stock	1,243,500(2)	1.84%
Raj Holdings I, LLC(3) 75 Adams Avenue Hauppauge, NY 11788	Common Stock	15,526,100(3)	23.26%
Bhupatlal K. Sutaria 75 Adams Avenue Hauppauge, NY 11788	Common Stock	452,970(4)	*
Rametra Holdings I, LLC 75 Adams Avenue Hauppauge, NY 11788	Common Stock	8,014,930(5)	12.01%
David Reback 75 Adams Avenue Hauppauge, NY 11788	Common Stock	61,000(6)	*
Stewart Benjamin 75 Adams Avenue Hauppauge, NY 11788	Common Stock	46,000(7)	*
Ravi Holdings I, LLC 75 Adams Avenue Hauppauge, NY 11788	Common Stock	10,518,645(8)	15.76%

Perry Sutaria 75 Adams Avenue Hauppauge, NY 11788	Common Stock	44,093,769(9)	66.07%
Kennith C. Johnson 75 Adams Avenue Hauppauge, NY 11788	Common Stock	50,000(10)	*
Cameron Reid 75 Adams Avenue Hauppauge, NY 11788	Common Stock	5,924,298(11)	8.17%
P&K Holdings, LLC 75 Adams Avenue Hauppauge, NY 11788	Common Stock	8,014,928(12)	12.01%
Richard J. Miller 75 Adams Avenue Hauppauge, NY 11788	Common Stock	25,000(13)	*
Joan P. Neuscheler c/o Tullis Dickerson Co., Inc. Two Greenwich Plaza Greenwich, Connecticut 06830	Common Stock	14,586,088(14)	18.5%
Tullis-Dickerson Capital Focus III, L.P. Two Greenwich Plaza Greenwich, Connecticut 06830	Common Stock	14,561,088(15)	18.5%