

ELITE PHARMACEUTICALS INC /DE/  
Form DEFA14A  
September 09, 2002

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Soliciting Material Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No.)

Filed by the Registrant  [X]

Filed by a Party other than the Registrant  [ ]

Check the appropriate box:

- [ ] Preliminary Consent Statement
- [ ] Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))
- [ ] Definitive Consent Revocation Statement
- [ ] Definitive Additional Materials
- [X] Soliciting Material Pursuant to Rule 14a-12

ELITE PHARMACEUTICALS, INC.  
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(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Consent Revocation Statement, if  
other than Registrant)

Payment of Filing Fee (Check the appropriate box):

- [X] No fee required.
- [ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

N/A

(2) Aggregate number of securities to which transaction applies:

N/A

(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):

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N/A

[ ] Fee paid previously with preliminary materials.

[ ] Check box if 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:

N/A

(2) Form, Schedule or Registration Statement No.:

N/A

(3) Filing Party:

N/A

(4) Date Filed:

N/A

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[Elite Letterhead]

September 9, 2002

FREEDMAN GROUP SEEKS "VALUE" ONLY FOR ITSELF

Dear Stockholder:

Harris Freedman, Sharon Will, Michael H. Freedman and the other entities that they control (the "Freedman Group") have initiated a disruptive and costly solicitation contest to remove -- without cause --- all of the independent members of your Board of Directors and to install themselves in their place. The Freedman Group refers to themselves as the "Elite Value Committee", but the Freedman Group is not affiliated with your Company, and its members do not seek "value" for anyone other than themselves.

WE CAUTION YOU NOT TO SIGN ANY CONSENT CARD YOU MAY RECEIVE FROM THE FREEDMAN GROUP BEFORE YOU CONSIDER ALL OF THE PERTINENT INFORMATION.

Your Board of Directors is writing this letter to correct some of the numerous mistakes and omissions from the Freedman Group's solicitation materials and to provide you with information that should be considered before you decide how to vote.

Your Board of Directors believes that the real purpose of the Freedman Group's solicitation is to extend the term of warrants, a substantial portion of which are held by members of the Freedman Group, thereby increasing the value of their warrants, at a significant cost to other stockholders. In the opinion of two independent outside accounting firms, extending the warrants as contemplated by the Freedman Group would result in a charge of at least \$1,000,000, nearly as much as the Company's total revenues during fiscal 2002. Your Board of Directors believes that the Freedman Group, which has no experience in the management and

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operation of a pharmaceutical discovery and development company, is not interested in the business and prospects of the Company.

The Freedman Group attempts to disguise their real objective by calling on the Company to take various actions, many of which are already being considered by your Board of Directors. When boiled down to its essential elements, the Freedman Group's solicitation is nothing more than a blatant attempt to take control of your company so that the members of the Freedman Group can enrich themselves at the expense of other stockholders.

### WHAT YOU SHOULD KNOW

Your Board of Directors has already addressed most of the "proposals" made by the Freedman Group:

| Freedman Group "Proposal"   | Company Action   |
|---|--|
| Increase management depth by appointing qualified business development, operating and financial personnel | For more than six months, the Company has been searching for a qualified business development executive with relevant industry experience. The Company has a qualified chief financial officer in place. If and when the Company's operations grow |

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|  |  |
|--|--|
|  | to a point that the services of a full-time CFO are required, the Company will hire one. Similarly, the Company plans to hire a full-time operations person once the Company's operations have grown to a level that justifies the position. |
| Expand the expertise of the Board of Directors | The Company has been and continues to be open to expanding the Board of Directors to include qualified, truly independent candidates whose skills complement those of the existing members of your Board.                                    |
| Retain an investment bank                      | The Company has met with representatives from numerous investment banks and has entered into discussions regarding the potential engagement of a financial advisor.  |

The Freedman Group's solicitation materials are misleading and hide Mr. Freedman's true agenda. The Company has instituted litigation against the members of the Freedman Group and certain related parties in the United States District Court for the District of New Jersey.

The Freedman Group's solicitation materials contain numerous omissions and mistakes, including the following:

| What the Freedman Group Says  | What They Don't Tell You  |
|---|---|
| Extending the term of the warrants will provide substantial capital resources to Elite if its stock | The Freedman Group will profit from the extension of the warrants even if the warrants are never exercised. |

price rises.

The Freedman Group would have no obligation to exercise their warrants and can sell them in the open market, thereby enriching themselves with no benefit to the Company.

Extending the warrants will cause the Company to incur a charge of more than \$1,000,000, thereby potentially negatively impacting the stock price.

Depending on the price of the Company's stock, additional capital, if needed, could be raised more cheaply through other methods, such as a rights offering to existing stockholders or a secondary offering to the public.

Members of the Freedman Group have extensive experience in private and public investment and business management.

Harris Freedman was convicted of securities fraud.

Harris Freedman was convicted of directly misleading investors.

Harris Freedman was barred from associating with

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a broker dealer because of securities law violations, including misleading investors.

Harris Freedman has served as a "promoter" of a number of companies.

Harris Freedman has been sued by investors of companies he promoted for securities fraud.

No member of the Freedman Group has experience in the operations or management of a pharmaceutical discovery and development company.

Entities affiliated with Harris Freedman and Sharon Will provided financial consulting and investor relations services to the Company

The consulting arrangements with Mr. Freedman and Ms. Will were terminated as a result of poor performance and concern over Mr. Freedman's and Ms. Will's prior activities and motivations.

The Freedman Group is committed to maximizing stockholder value.

The Freedman Group's only real interest is in enriching themselves at the expense of other stockholders by extending the terms of the warrants.

The Freedman Group has instituted a costly and unproductive consent solicitation two months before the

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Company's annual meeting rather than seek to have stockholders elect a new slate of directors at the annual meeting. According to the filed solicitation materials, the overall costs of the solicitation for both sides will be approximately \$300,000. Harris Freedman has stated that he will seek reimbursement from the Company for his expenses if his solicitation is successful.

Adopting all of the Freedman Group's proposals would result in significant charges and expenses for the Company at a time when the Company needs to husband its resources.

Harris Freedman has threatened to "wreck the Company" if his solicitation is unsuccessful.

The Freedman Group says that their nominees can do a better job of managing the Company than your independent, duly elected Board of Directors. However, over the past two years, Elite's stock price has outperformed that of two other companies Harris Freedman and Sharon Will have been associated with, Amplidyne, Inc. (AMPD) and Hemispherx Biopharma, Inc. (HEB). We urge you to examine the performance of these companies in your evaluation of the purported capabilities of the Freedman Group.

Are these the types of individuals you want running your company? Your current Board is fighting vigorously to ensure the future of Elite, but WE NEED YOUR HELP!

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On behalf of the Board of Directors, thank you for your continued interest and support in your company.

Very truly yours,

/s/ Atul M. Mehta

Atul M. Mehta, Ph.D.  
President and Chief Executive Officer  
For The Board of Directors

THIS LETTER IS NOT A CONSENT REVOCATION STATEMENT. THE BOARD OF DIRECTORS IS NOT SOLICITING ANY AUTHORIZATION, CONSENT OR REVOCATION THROUGH THIS LETTER. ON SEPTEMBER 4, 2002, THE COMPANY FILED A REVISED PRELIMINARY CONSENT REVOCATION STATEMENT WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC"). THE BOARD OF DIRECTORS EXPECTS TO FILE A DEFINITIVE CONSENT REVOCATION STATEMENT WITH THE SEC IN THE NEAR FUTURE. PLEASE READ THE DEFINITIVE CONSENT REVOCATION STATEMENT CAREFULLY WHEN IT IS AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.

YOU MAY OBTAIN FOR FREE A COPY OF THE REVISED PRELIMINARY CONSENT REVOCATION STATEMENT, THE DEFINITIVE CONSENT REVOCATION STATEMENT (WHEN IT IS AVAILABLE) AND ANY OTHER RELEVANT DOCUMENTS AT THE SEC'S WEB SITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). YOU ALSO MAY OBTAIN A FREE COPY OF THE DEFINITIVE CONSENT REVOCATION STATEMENT AND CONSENT REVOCATION (WHEN THEY ARE AVAILABLE) FROM THE COMPANY AT:

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GEORGESON SHAREHOLDER COMMUNICATIONS INC.  
17 STATE STREET, NEW YORK, NEW YORK 10004  
TOLL FREE TEL: 866-297-1267  
FAX: 212-440-9009.

INFORMATION REGARDING THE NAMES, AFFILIATIONS AND INTERESTS OF PERSONS WHO MAY BE DEEMED TO BE PARTICIPANTS IN OUR SOLICITATION OF CONSENT REVOCATIONS FROM THE COMPANY'S STOCKHOLDERS IS AVAILABLE IN THE REVISED PRELIMINARY CONSENT REVOCATION STATEMENT FILED WITH THE SEC ON SEPTEMBER 4, 2002.

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