

ELITE PHARMACEUTICALS INC /NV/  
 Form 4  
 May 21, 2015

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
 Expires: January 31, 2015  
 Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

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

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**NIGALAYE ASHOK G**

2. Issuer Name and Ticker or Trading Symbol  
**ELITE PHARMACEUTICALS INC /NV/ [ELTP]**

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
**C/O EPIC PHARMA, LLC, 227-15 NORTH CONDUIT AVENUE**  
 (Street)

3. Date of Earliest Transaction (Month/Day/Year)  
**05/21/2015**

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

**LAURELTON, NY 11413**

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

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

(City) (State) (Zip)

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

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned or Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
				Code V Amount (D) Price			
Common Stock	05/21/2015		C	2,000,000 A \$ 0.0625	40,442,232	D	

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

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SEC 1474 (9-02)

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

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
Warrants	\$ 0.0625	05/21/2015		C	2,000,000	04/25/2011 04/25/2018	Common Stock 2,000,000

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
NIGALAYE ASHOK G C/O EPIC PHARMA, LLC 227-15 NORTH CONDUIT AVENUE LAURELTON, NY 11413		X		

## Signatures

Ashok Nigalaye 05/21/2015  
 \*\*Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).  
 \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).  
 Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.  
 Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. !-- --> \$ \$(270)

HCP Acquisition Holdings, LLC

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$

Ivy Hill Asset Management, L.P.

\$ \$ \$ \$ \$ \$50,000 \$ \$ \$(23,798)

MVL Group, Inc.

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$

Orion Foods, LLC

\$ \$533 \$ \$ \$ \$ \$ \$ \$ \$1,126

PHL Investors, Inc., and PHL Holding Co.

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$

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Senior Secured Loan Fund LLC\*

\$228,676 \$329,693 \$ \$276,067 \$21,970 \$ \$26,176 \$ \$(81,057)

Startec Equity, LLC

\$ \$ \$ \$ \$ \$ \$ \$ \$ \$

The Step2 Company, LLC

\$ \$ \$ \$3,274 \$ \$ \$ \$ \$3,463

\*

Together with GE, the Company has co-invested through the SSLP. The SSLP has been capitalized as transactions are completed and all portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required); therefore, although the Company owns more than 25% of the voting securities of the SSLP, the Company does not believe that it has control over the SSLP (for purposes of the Investment Company Act or otherwise) because, among other things, these "voting securities" do not afford the Company the right to elect directors of the SSLP or any other special rights (see Note 4 to the consolidated financial statements).

- (9) Non-U.S. company or principal place of business outside the U.S. and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (10) Exception from the definition of investment company under Section 3(c) of the Investment Company Act and as a result is not a qualifying asset under Section 55(a) of the Investment Company Act. Under the Investment Company Act, the Company may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of the Company's total assets.
- (11) In the first quarter of 2011, the Staff informally communicated to certain BDCs the Staff's belief that certain entities, which would be classified as an "investment company" under the Investment Company Act but for the exception from the definition of "investment company" set forth in Rule 3a-7 promulgated under the Investment Company Act, could not be treated as eligible portfolio companies (as defined in Section 2(a)(46) under Investment Company Act) (i.e. not eligible to be included in a BDC's 70% "qualifying assets" basket). Subsequently, in August 2011 the Securities and Exchange Commission issued a concept release (the "Concept Release") which stated that "[a]s a general matter, the Commission presently does not believe that Rule 3a-7 issuers are the type of small, developing and financially troubled businesses in which the U.S. Congress intended BDCs primarily to invest" and requested comment on whether or not a 3a-7 issuer should be considered an "eligible portfolio company". The Company provided a comment letter in respect of the Concept Release and continues to believe that the language of Section 2(a)(46) of the Investment Company Act permits a BDC to treat as "eligible portfolio companies" entities that rely on the 3a-7 exception. However, given the current uncertainty in this area (including the language in the Concept Release) and subsequent discussions with the Staff, the Company has, solely for purposes of calculating the composition of its portfolio pursuant to Section 55(a) of the Investment Company Act, identified such entities, which include the SSLP, as "non-qualifying assets" should the Staff ultimately disagree with the Company's position. Pursuant to Section 55(a) of the Investment Company Act (using the Staff's methodology described above solely for this purpose), 25% of the Company's total assets are represented by investments at fair value and other assets that are considered "non-qualifying assets" as of December 31, 2015.
- (12) Variable rate loans to the Company's portfolio companies bear interest at a rate that may be determined by reference to either LIBOR or an alternate base rate (commonly based on the Federal Funds Rate or the Prime Rate), at the borrower's option, which reset annually (A), semi-annually (S), quarterly (Q), bi-monthly (B), monthly (M) or daily (D). For each such loan, the Company has provided the interest rate in effect on the date presented.
- (13) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 1.13% on \$13 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (14) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.00% on \$85 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (15) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.50% on \$62 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the

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Company into "first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(16)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 3.00% on \$48 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

(17)

In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 5.00% on \$19 million aggregate principal amount of a "first out" tranche of the portfolio company's senior term debt previously syndicated by the Company into

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"first out" and "last out" tranches, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.

- (18) In addition to the interest earned based on the stated interest rate of this security, the Company is entitled to receive an additional interest amount of 2.55% on \$42 million aggregate principal amount of a "first out" tranche of the portfolio company's first lien senior secured loans, whereby the "first out" tranche will have priority as to the "last out" tranche with respect to payments of principal, interest and any other amounts due thereunder.
- (19) The Company is entitled to receive a fixed fee upon the occurrence of certain events as defined in the credit agreement governing the Company's debt investment in the portfolio company. The fair value of such fee is included in the fair value of the debt investment.
- (20) Loan was on non-accrual status as of December 31, 2015.
- (21) Loan includes interest rate floor feature.
- (22) In addition to the interest earned based on the stated contractual interest rate of this security, the certificates entitle the holders thereof to receive a portion of the excess cash flow from the SSLP's loan portfolio, which may result in a return to the Company greater than the contractual stated interest rate.
- (23) As of December 31, 2015, no amounts were funded by the Company under this first lien senior secured revolving loan; however, there were letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (24) As of December 31, 2015, in addition to the amounts funded by the Company under this first lien senior secured revolving loan, there were also letters of credit issued and outstanding through a financial intermediary under the loan. See Note 7 to the consolidated financial statements for further information on letters of credit commitments related to certain portfolio companies.
- (25) As of December 31, 2015, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to issue letters of credit through a financial intermediary on behalf of certain portfolio companies. Such commitments are subject to the satisfaction of certain conditions set forth in the documents governing these loans and letters of credit and there can be no assurance that such conditions will be satisfied. See Note 7 to the consolidated financial statements for further information on revolving and delayed draw loan commitments, including commitments to issue letters of credit, related to certain portfolio companies.

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Portfolio Company	Total revolving and delayed draw loan commitments	Less: drawn commitments	Total undrawn commitments	Less: unavailable commitments		Total net adjusted undrawn revolving and delayed draw commitments
				Less: commitments substantially at discretion of the Company	due to borrowing base or other covenant restrictions	
Aimbridge Hospitality, LLC	\$ 2,466	\$	\$ 2,466	\$	\$	\$ 2,466
American Seafoods Group LLC	22,125		22,125			22,125
Athletic Club Holdings, Inc.	10,000		10,000			10,000
Batanga, Inc.	4,000	(3,000)	1,000			1,000
Benihana, Inc.	3,231	(969)	2,262			2,262
Brandtone Holdings Limited	4,539		4,539			4,539
CCS Intermediate Holdings, LLC	7,500	(5,250)	2,250			2,250
Chariot Acquisition, LLC(28)	1,000		1,000			1,000
CIBT Holdings, Inc.	26,440		26,440			26,440
Ciena Capital LLC	20,000	(14,000)	6,000	(6,000)		
Competitor Group, Inc.	6,250	(4,950)	1,300			1,300
Component Hardware Group, Inc.	3,734	(2,241)	1,493			1,493
Correctional Medical Group Companies, Inc.	163		163			163
Crown Health Care Laundry Services, Inc.	5,000	(1,272)	3,728			3,728
DCA Investment Holding, LLC	5,800	(145)	5,655			5,655
Directworks, Inc.	1,000		1,000			1,000
Eckler Industries, Inc.	4,000	(2,000)	2,000			2,000
EN Engineering, L.L.C.(28)	4,932		4,932			4,932
Everspin Technologies, Inc.	4,000		4,000			4,000
Faction Holdings, Inc.	2,000	(2,000)				
Garden Fresh Restaurant Corp.	5,000	(3,742)	1,258			1,258
Greenphire, Inc.	8,000		8,000			8,000
Harvey Tool Company, LLC	752		752			752
ICSH, Inc.	5,000	(703)	4,297			4,297
Infilaw Holding, LLC	25,000	(9,670)	15,330			15,330
iPipeline, Inc.	4,000		4,000			4,000
Itel Laboratories, Inc.	2,500		2,500			2,500
Javlin Three LLC	60,000	(50,960)	9,040			9,040
Joule Unlimited Technologies, Inc.	5,000		5,000			5,000
K2 Pure Solutions Nocal, L.P.	5,000	(5,000)				
KeyImpact Holdings, Inc.(28)	12,500		12,500			12,500
LBP Intermediate Holdings LLC	850	(54)	796			796
LSQ Funding Group, L.C.	10,000		10,000			10,000
Massage Envy, LLC	5,000		5,000			5,000
McKenzie Sports Products, LLC	12,000		12,000			12,000
Ministry Brands LLC	4,991		4,991			4,991
MW Dental Holding Corp.	17,250	(3,500)	13,750			13,750
My Health Direct, Inc.	1,000		1,000			1,000
Niagara Fiber Intermediate Corp.	1,881	(1,881)				
Nordco Inc(28)	11,250	(3,750)	7,500			7,500
OmniSYS Acquisition Corporation	2,500		2,500			2,500
OTG Management, LLC	19,369	(2,300)	17,069			17,069
Paper Source, Inc.	2,500		2,500			2,500
PerfectServe, Inc.	5,000		5,000			5,000
PIH Corporation	3,314	(621)	2,693			2,693
Regent Education, Inc.	2,000	(1,000)	1,000			1,000
RuffaloCODY, LLC	7,683		7,683			7,683
Severin Acquisition, LLC	2,900		2,900			2,900
Things Remembered, Inc.	5,000	(3,167)	1,833			1,833
TPTM Merger Corp.	2,500	(750)	1,750			1,750
TraceLink, Inc.	3,000		3,000			3,000
TWH Water Treatment Industries, Inc.	8,960		8,960			8,960
Urgent Cares of America Holdings I, LLC(28)	16,000		16,000			16,000
Zemax, LLC	3,000		3,000			3,000

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\$	418,880	\$	(122,925)	\$	295,955	\$	(6,000)	\$	289,955
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(26)

As of December 31, 2015, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

<b>Portfolio Company</b>	<b>Total private equity commitments</b>	<b>Less: funded private equity commitments</b>	<b>Total unfunded private equity commitments</b>	<b>Less: private equity commitments substantially at the discretion of the Company</b>	<b>Total net adjusted unfunded private equity commitments</b>
Imperial Capital Private Opportunities, LP	\$ 50,000	\$ (6,794)	\$ 43,206	\$ (43,206)	\$
Partnership Capital Growth Investors III, L.P.	5,000	(4,037)	963		963
PCG Ares Sidecar Investment, L.P. and PCG-Ares Sidecar Investment II, L.P.	50,000	(8,652)	41,348	(41,348)	
Piper Jaffray Merchant Banking Fund I, L.P.	2,000	(1,413)	587		587
	\$ 107,000	\$ (20,896)	\$ 86,104	\$ (84,554)	\$ 1,550

(27)

As of December 31, 2015, the Company had commitments to co-invest in the SSLP for its portion of the SSLP's commitment to fund delayed draw loans of up to \$32.6 million. See Note 4 to the consolidated financial statements for more information on the SSLP.

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Loan, or a portion of the loan, is included as part of a forward sale agreement. See Note 6 to the consolidated financial statements for more information on the forward sale agreement.

## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in thousands, except per share data)

(unaudited)

Common Stock	Shares	Amount	Capital in Excess of Par Value	Accumulated Overdistributed Net Investment Income	Accumulated Net Realized Gains (Losses) on Investments, Foreign Currency Transactions, Extinguishment of Debt and Other Assets	Net Unrealized Losses on Investments, Foreign Currency and Other Transactions	Total Stockholders' Equity
Balance at December 31, 2015	314,347	\$ 314	\$ 5,318,277	\$ (894)	\$ (53,013)	\$ (91,352)	\$ 5,173,332
Repurchases of common stock	(393)		(5,477)				(5,477)
Net increase in stockholders' equity resulting from operations				217,994	57,974	12,973	288,941
Dividends declared and payable (\$0.76 per share)				(238,755)			(238,755)
Balance at June 30, 2016	313,954	\$ 314	\$ 5,312,800	\$ (21,655)	\$ 4,961	\$ (78,379)	\$ 5,218,041

See accompanying notes to consolidated financial statements.

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## ARES CAPITAL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

(unaudited)

	For the Six Months Ended June 30,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Net increase in stockholders' equity resulting from operations	\$ 288,941	\$ 247,098
Adjustments to reconcile net increase in stockholders' equity resulting from operations:		
Net realized gains on investments and foreign currency transactions	(57,974)	(56,002)
Net unrealized (gains) losses on investments, foreign currency and other transactions	(12,973)	35,245
Realized losses on extinguishment of debt		3,839
Net accretion of discount on investments	(2,815)	(2,094)
Payment-in-kind interest and dividends	(19,850)	(12,230)
Collections of payment-in-kind interest and dividends	1,945	279
Amortization of debt issuance costs	7,396	8,720
Accretion of net discount on notes payable	4,194	8,097
Depreciation	358	364
Proceeds from sales and repayments of investments	1,256,210	1,870,041
Purchases of investments	(1,009,646)	(1,390,239)
Changes in operating assets and liabilities:		
Interest receivable	13,376	22,243
Other assets	1,684	2,571
Base management fees payable	319	(1,476)
Income based fees payable	(2,311)	(4,121)
Capital gains incentive fees payable	14,189	(20,531)
Accounts payable and other liabilities	(16,417)	(19,799)
Interest and facility fees payable	(13,925)	11,376
<b>Net cash provided by operating activities</b>	<b>452,701</b>	<b>703,381</b>
<b>FINANCING ACTIVITIES:</b>		
Borrowings on debt	4,235,000	714,370
Repayments and repurchases of debt	(4,572,000)	(1,064,750)
Debt issuance costs	(2,599)	(5,084)
Dividends paid	(238,755)	(243,392)
Repurchases of common stock	(5,477)	
<b>Net cash used in financing activities</b>	<b>(583,831)</b>	<b>(598,856)</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(131,130)</b>	<b>104,525</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>257,056</b>	<b>194,554</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 125,926</b>	<b>\$ 299,079</b>
<b>Supplemental Information:</b>		
Interest paid during the period	\$ 95,613	\$ 84,355
Taxes, including excise tax, paid during the period	\$ 14,488	\$ 9,814
Dividends declared and payable during the period	\$ 238,755	\$ 254,564

See accompanying notes to consolidated financial statements.



**ARES CAPITAL CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As of June 30, 2016**

**(unaudited)**

**(in thousands, except per share data, percentages and as otherwise indicated;  
for example, with the words "million," "billion" or otherwise)**

**1. ORGANIZATION**

Ares Capital Corporation (the "Company" or "ARCC") is a specialty finance company that is a closed-end, non-diversified management investment company incorporated in Maryland. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (together with the rules and regulations promulgated thereunder, the "Investment Company Act"). The Company has elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code") and operates in a manner so as to qualify for the tax treatment applicable to RICs.

The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments. The Company invests primarily in first lien senior secured loans (including "unitranche" loans, which are loans that combine both senior and mezzanine debt, generally in a first lien position), second lien senior secured loans and mezzanine debt, which in some cases includes an equity component. To a lesser extent, the Company also makes equity investments.

The Company is externally managed by Ares Capital Management LLC ("Ares Capital Management" or the Company's "investment adviser"), a subsidiary of Ares Management, L.P. ("Ares Management" or "Ares"), a publicly traded, leading global alternative asset manager, pursuant to an investment advisory and management agreement. Ares Operations LLC ("Ares Operations" or the Company's "administrator"), a subsidiary of Ares Management, provides certain administrative and other services necessary for the Company to operate.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP"), and include the accounts of the Company and its consolidated subsidiaries. The Company is an investment company following accounting and reporting guidance in Accounting Standards Codification ("ASC") 946. The consolidated financial statements reflect all adjustments and reclassifications that, in the opinion of management, are necessary for the fair presentation of the results of the operations and financial condition as of and for the periods presented. All significant intercompany balances and transactions have been eliminated.

Interim financial statements are prepared in accordance with GAAP for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Articles 6 or 10 of Regulation S-X. In the opinion of management, all adjustments, consisting solely of normal recurring accruals considered necessary for the fair presentation of financial statements for the interim period presented, have been included. The current period's results of operations will not necessarily be indicative of results that ultimately may be achieved for the fiscal year ending December 31, 2016.

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***Cash and Cash Equivalents***

Cash and cash equivalents include funds from time to time deposited with financial institutions and short-term, liquid investments in a money market account. Cash and cash equivalents are carried at cost which approximates fair value.

***Concentration of Credit Risk***

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in money market accounts may exceed the Federal Deposit Insurance Corporation insured limit.

***Investments***

Investment transactions are recorded on the trade date. Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment using the specific identification method without regard to unrealized gains or losses previously recognized, and include investments charged off during the period, net of recoveries. Unrealized gains or losses primarily reflect the change in investment values, including the reversal of previously recorded unrealized gains or losses when gains or losses are realized.

Investments for which market quotations are readily available are typically valued at such market quotations. In order to validate market quotations, the Company looks at a number of factors to determine if the quotations are representative of fair value, including the source and nature of the quotations. Debt and equity securities that are not publicly traded or whose market prices are not readily available (i.e., substantially all of the Company's investments) are valued at fair value as determined in good faith by the Company's board of directors, based on, among other things, the input of the Company's investment adviser, audit committee and independent third-party valuation firms that have been engaged at the direction of the Company's board of directors to assist in the valuation of each portfolio investment without a readily available market quotation at least once during a trailing 12-month period (with certain de minimis exceptions) and under a valuation policy and a consistently applied valuation process. The valuation process is conducted at the end of each fiscal quarter, and a minimum of 55% of the Company's portfolio at fair value is subject to review by an independent valuation firm each quarter. In addition, the Company's independent registered public accounting firm obtains an understanding of, and performs select procedures relating to, the Company's investment valuation process within the context of performing the integrated audit.

As part of the valuation process, the Company may take into account the following types of factors, if relevant, in determining the fair value of the Company's investments: the enterprise value of a portfolio company (the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time), the nature and realizable value of any collateral, the portfolio company's ability to make payments and its earnings and discounted cash flow, the markets in which the portfolio company does business, a comparison of the portfolio company's securities to any similar publicly traded securities, changes in the interest rate environment and the credit markets, which may affect the price at which similar investments would trade in their principal markets and other relevant factors. When an external event such as a purchase transaction, public offering or subsequent equity sale occurs, the Company considers the pricing indicated by the external event to corroborate its valuation.

Because there is not a readily available market value for most of the investments in its portfolio, the Company values substantially all of its portfolio investments at fair value as determined in good faith by its board of directors, as described herein. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's investments may differ significantly from the values that would have been used had a ready

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market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, the Company could realize significantly less than the value at which the Company has recorded it.

In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the valuations currently assigned.

The Company's board of directors undertakes a multi-step valuation process each quarter, as described below:

The Company's quarterly valuation process begins with each portfolio company or investment being initially valued by the investment professionals responsible for the portfolio investment in conjunction with the Company's portfolio management team.

Preliminary valuations are reviewed and discussed with the Company's investment adviser's management and investment professionals, and then valuation recommendations are presented to the Company's board of directors.

The audit committee of the Company's board of directors reviews these valuations, as well as the input of third parties, including independent third-party valuation firms, who review a minimum of 55% of the Company's portfolio at fair value.

The Company's board of directors discusses valuations and ultimately determines the fair value of each investment in the Company's portfolio without a readily available market quotation in good faith based on, among other things, the input of the Company's investment adviser, audit committee and, where applicable, independent third-party valuation firms.

See Note 8 for more information on the Company's valuation process.

### ***Interest and Dividend Income Recognition***

Interest income is recorded on an accrual basis and includes the accretion of discounts and amortization of premiums. Discounts from and premiums to par value on securities purchased are accreted/amortized into interest income over the life of the respective security using the effective yield method. The amortized cost of investments represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

Loans are generally placed on non-accrual status when principal or interest payments are past due 30 days or more or when there is reasonable doubt that principal or interest will be collected in full. Accrued and unpaid interest is generally reversed when a loan is placed on non-accrual status. Interest payments received on non-accrual loans may be recognized as income or applied to principal depending upon management's judgment regarding collectability. Non-accrual loans are restored to accrual status when past due principal and interest is paid and, in management's judgment, are likely to remain current. The Company may make exceptions to this policy if the loan has sufficient collateral value and is in the process of collection.

Dividend income on preferred equity securities is recorded as dividend income on an accrual basis to the extent that such amounts are payable by the portfolio company and are expected to be collected. Dividend income on common equity securities is recorded on the record date for private portfolio companies or on the ex-dividend date for publicly traded portfolio companies.

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***Payment-in-Kind Interest***

The Company has loans in its portfolio that contain payment-in-kind ("PIK") provisions. The PIK interest, computed at the contractual rate specified in each loan agreement, is added to the principal balance of the loan and recorded as interest income. To maintain the Company's status as a RIC, this non-cash source of income must be paid out to stockholders in the form of dividends, even though the Company has not yet collected the cash.

***Capital Structuring Service Fees and Other Income***

The Company's investment adviser seeks to provide assistance to its portfolio companies and in return the Company may receive fees for capital structuring services. These fees are generally only available to the Company as a result of the Company's underlying investments, are normally paid at the closing of the investments, are generally non-recurring and are recognized as revenue when earned upon closing of the investment. The services that the Company's investment adviser provides vary by investment, but generally include reviewing existing credit facilities, arranging bank financing, arranging equity financing, structuring financing from multiple lenders, structuring financing from multiple equity investors, restructuring existing loans, raising equity and debt capital, and providing general financial advice, which concludes upon closing of the investment. Any services of the above nature subsequent to the closing would generally generate a separate fee payable to the Company. In certain instances where the Company is invited to participate as a co-lender in a transaction and does not provide significant services in connection with the investment, a portion of loan fees paid to the Company in such situations will be deferred and amortized over the estimated life of the loan.

Other income includes fees for management and consulting services, loan guarantees, commitments, amendments and other services rendered by the Company to portfolio companies. Such fees are recognized as income when earned or the services are rendered.

***Foreign Currency Translation***

The Company's books and records are maintained in U.S. dollars. Any foreign currency amounts are translated into U.S. dollars on the following basis:

- (1) Fair value of investment securities, other assets and liabilities at the exchange rates prevailing at the end of the period.
- (2) Purchases and sales of investment securities, income and expenses at the exchange rates prevailing on the respective dates of such transactions, income or expenses.

Results of operations based on changes in foreign exchange rates are separately disclosed in the statement of operations, if any. Foreign security and currency translations may involve certain considerations and risks not typically associated with investing in U.S. companies and U.S. government securities. These risks include, but are not limited to, currency fluctuations and revaluations and future adverse political, social and economic developments, which could cause investments in foreign markets to be less liquid and prices more volatile than those of comparable U.S. companies or U.S. government securities.

***Derivative Instruments***

The Company does not utilize hedge accounting and as such values its derivatives at fair value with the unrealized gains or losses recorded in "net unrealized gains (losses) from foreign currency and other transactions" in the Company's consolidated statement of operations.

***Equity Offering Expenses***

The Company's offering costs, excluding underwriters' fees, are charged against the proceeds from equity offerings when received.

***Debt Issuance Costs***

Debt issuance costs are amortized over the life of the related debt instrument using the straight line method or the effective yield method, depending on the type of debt instrument.

***Income Taxes***

The Company has elected to be treated as a RIC under the Code and operates in a manner so as to qualify for the tax treatment applicable to RICs. To qualify as a RIC, the Company must (among other requirements) meet certain source-of-income and asset diversification requirements and timely distribute to its stockholders at least 90% of its investment company taxable income, as defined by the Code, for each year. The Company (among other requirements) has made and intends to continue to make the requisite distributions to its stockholders, which will generally relieve the Company from U.S. federal corporate-level income taxes.

Depending on the level of taxable income earned in a tax year, the Company may choose to carry forward taxable income in excess of current year dividend distributions from such current year taxable income into the next tax year and pay a 4% excise tax on such income, as required. To the extent that the Company determines that its estimated current year taxable income will be in excess of estimated dividend distributions for the current year, the Company accrues excise tax, if any, on estimated excess taxable income as such taxable income is earned.

Certain of the Company's consolidated subsidiaries are subject to U.S. federal and state corporate-level income taxes.

***Dividends to Common Stockholders***

Dividends and distributions to common stockholders are recorded on the ex-dividend date. The amount to be paid out as a dividend is determined by the Company's board of directors each quarter and is generally based upon the earnings estimated by management. Net realized capital gains, if any, are generally distributed, although the Company may decide to retain such capital gains for investment.

The Company has adopted a dividend reinvestment plan that provides for reinvestment of any distributions the Company declares in cash on behalf of its stockholders, unless a stockholder elects to receive cash. As a result, if the Company's board of directors authorizes, and the Company declares, a cash dividend, then the Company's stockholders who have not "opted out" of the Company's dividend reinvestment plan will have their cash dividends automatically reinvested in additional shares of the Company's common stock, rather than receiving the cash dividend. The Company intends to use primarily newly issued shares to implement the dividend reinvestment plan (so long as the Company is trading at a premium to net asset value). If the Company's shares are trading at a discount to net asset value and the Company is otherwise permitted under applicable law to purchase such shares, the Company may purchase shares in the open market in connection with the Company's obligations under the dividend reinvestment plan. However, the Company reserves the right to issue new shares of the Company's common stock in connection with the Company's obligations under the dividend reinvestment plan even if the Company's shares are trading below net asset value.

***Use of Estimates in the Preparation of Financial Statements***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of actual and contingent assets and

liabilities at the date of the financial statements and the reported amounts of income or loss and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of investments.

### ***Recent Accounting Pronouncements***

In April 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The new guidance modifies the requirements for reporting debt issuance costs. Under the amendments in ASU No. 2015-03, debt issuance costs related to a recognized debt liability will no longer be recorded as a separate asset, but will be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU No. 2015-03. In addition, in August 2015, the FASB issued ASU No. 2015-15, *Interest Imputation of Interest (Subtopic 835-30)*. The additional guidance reiterates that the Securities and Exchange Commission ("SEC") would not object to an entity deferring and presenting debt issuance costs related to a line of credit arrangement as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line of credit arrangement, regardless of whether there are any outstanding borrowings. ASU No. 2015-03 and ASU No. 2015-15 are required to be applied retrospectively for periods beginning after December 15, 2015. The Company adopted ASU No. 2015-03 as of March 31, 2016. Prior to ASU No. 2015-03, deferred debt issuance costs related to term debt were reported on the balance sheet as other assets and amortized as interest expense. The consolidated balance sheet as of December 31, 2015 has been adjusted to apply the change in accounting principle retrospectively. There is no effect on the statement of operations as a result of the change in accounting principle. Debt issuance costs related to term debt of \$24.5 million previously reported within other assets on the consolidated balance sheet as of December 31, 2015 were reclassified as a direct deduction from the carrying amount of the related debt liability. ASU No. 2015-03 had no impact on the presentation or amortization of the debt issuance costs related to the Company's revolving credit facilities.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The new guidance removed the requirement that investments for which net asset value is determined based on practical expedient reliance be reported utilizing the fair value hierarchy. ASU No. 2015-07 is required to be applied retrospectively for periods beginning after December 15, 2015. The Company adopted ASU No. 2015-07 as of March 31, 2016 and thereby removed any investments valued in this manner from the fair value disclosures. See Note 8 for more information regarding the impact on the fair value disclosures.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance in this ASU supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)*. Under the new guidance, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU No. 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations*, which clarifies the guidance in ASU No. 2014-09 and has the same effective date as the original standard. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, an update on identifying performance obligations and accounting for licenses of intellectual property. Additionally, in May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope*

*Improvements and Practical Expedients*, which includes amendments for enhanced clarification of the guidance. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for those leases previously classified as operating leases. The amendments in ASU No. 2016-02 are effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements.

### 3. AGREEMENTS

#### *Investment Advisory and Management Agreement*

The Company is party to an investment advisory and management agreement (the "investment advisory and management agreement") with Ares Capital Management. Subject to the overall supervision of the Company's board of directors, Ares Capital Management provides investment advisory and management services to the Company. For providing these services, Ares Capital Management receives fees from the Company consisting of a base management fee, a fee based on the Company's net investment income ("income based fee") and a fee based on the Company's net capital gains ("capital gains incentive fee"). The investment advisory and management agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

The base management fee is calculated at an annual rate of 1.5% based on the average value of the Company's total assets (other than cash or cash equivalents but including assets purchased with borrowed funds) at the end of the two most recently completed calendar quarters. The base management fee is payable quarterly in arrears.

The income based fee is calculated and payable quarterly in arrears based on the Company's net investment income excluding income based fees and capital gains incentive fees ("pre-incentive fee net investment income") for the quarter. Pre-incentive fee net investment income means interest income, dividend income and any other income (including any other fees such as commitment, origination, structuring, diligence and consulting fees or other fees that the Company receives from portfolio companies but excluding fees for providing managerial assistance) accrued during the calendar quarter, minus operating expenses for the quarter (including the base management fee, any expenses payable under the administration agreement, and any interest expense and dividends paid on any outstanding preferred stock, but excluding the income based fee and capital gains incentive fee accrued under GAAP). Pre-incentive fee net investment income includes, in the case of investments with a deferred interest feature such as market discount, debt instruments with PIK interest, preferred stock with PIK dividends and zero coupon securities, accrued income that the Company has not yet received in cash. The Company's investment adviser is not under any obligation to reimburse the Company for any part of the income based fees it received that was based on accrued interest that the Company never actually received.

Pre-incentive fee net investment income does not include any realized capital gains, realized capital losses, unrealized capital appreciation, unrealized capital depreciation or income tax expense related to realized gains and losses. Because of the structure of the income based fee, it is possible that the Company may pay such fees in a quarter where the Company incurs a loss. For example, if the Company receives pre-incentive fee net investment income in excess of the hurdle rate (as defined below) for a quarter, the Company will pay the applicable income based fee even if the Company has incurred a loss in that quarter due to realized and/or unrealized capital losses.

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Pre-incentive fee net investment income, expressed as a rate of return on the value of the Company's net assets (defined as total assets less indebtedness and before taking into account any income based fees and capital gains incentive fees payable during the period) at the end of the immediately preceding calendar quarter, is compared to a fixed "hurdle rate" of 1.75% per quarter. If market credit spreads rise, the Company may be able to invest its funds in debt instruments that provide for a higher return, which may increase the Company's pre-incentive fee net investment income and make it easier for the Company's investment adviser to surpass the fixed hurdle rate and receive an income based fee based on such net investment income. To the extent the Company has retained pre-incentive fee net investment income that has been used to calculate the income based fee, it is also included in the amount of the Company's total assets (other than cash and cash equivalents but including assets purchased with borrowed funds) used to calculate the 1.5% base management fee.

The Company pays its investment adviser an income based fee with respect to the Company's pre-incentive fee net investment income in each calendar quarter as follows:

no income based fee in any calendar quarter in which the Company's pre-incentive fee net investment income does not exceed the hurdle rate;

100% of the Company's pre-incentive fee net investment income with respect to that portion of such pre-incentive fee net investment income, if any, that exceeds the hurdle rate but is less than 2.1875% in any calendar quarter. The Company refers to this portion of its pre-incentive fee net investment income (which exceeds the hurdle rate but is less than 2.1875%) as the "catch-up" provision. The "catch-up" is meant to provide the Company's investment adviser with 20% of the pre-incentive fee net investment income as if a hurdle rate did not apply if this net investment income exceeded 2.1875% in any calendar quarter; and

20% of the amount of the Company's pre-incentive fee net investment income, if any, that exceeds 2.1875% in any calendar quarter.

These calculations are adjusted for any share issuances or repurchases during the quarter.

See Note 14 for information regarding a transaction support agreement entered into between the Company and Ares Capital Management in connection with the American Capital Acquisition (as defined below).

The capital gains incentive fee is determined and payable in arrears as of the end of each calendar year (or, upon termination of the investment advisory and management agreement, as of the termination date) and is calculated at the end of each applicable year by subtracting (a) the sum of the Company's cumulative aggregate realized capital losses and aggregate unrealized capital depreciation from (b) the Company's cumulative aggregate realized capital gains, in each case calculated from October 8, 2004 (the date the Company completed its initial public offering). Realized capital gains and losses include gains and losses on investments and foreign currencies, gains and losses on extinguishment of debt and from other assets, as well as any income tax expense related to realized gains and losses. If such amount is positive at the end of such year, then the capital gains incentive fee for such year is equal to 20% of such amount, less the aggregate amount of capital gains incentive fees paid in all prior years. If such amount is negative, then there is no capital gains incentive fee for such year.

The cumulative aggregate realized capital gains are calculated as the sum of the differences, if positive, between (a) the net sales price of each investment in the Company's portfolio when sold and (b) the accreted or amortized cost basis of such investment.

The cumulative aggregate realized capital losses are calculated as the sum of the amounts by which (a) the net sales price of each investment in the Company's portfolio when sold is less than (b) the accreted or amortized cost basis of such investment.

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The aggregate unrealized capital depreciation is calculated as the sum of the differences, if negative, between (a) the valuation of each investment in the Company's portfolio as of the applicable capital gains incentive fee calculation date and (b) the accreted or amortized cost basis of such investment.

Notwithstanding the foregoing, as a result of an amendment to the capital gains incentive fee under the investment advisory and management agreement that was adopted on June 6, 2011, if the Company is required by GAAP to record an investment at its fair value as of the time of acquisition instead of at the actual amount paid for such investment by the Company (including, for example, as a result of the application of the acquisition method of accounting), then solely for the purposes of calculating the capital gains incentive fee, the "accreted or amortized cost basis" of an investment shall be an amount (the "Contractual Cost Basis") equal to (1) (x) the actual amount paid by the Company for such investment plus (y) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the accretion of such investment plus (z) any other adjustments made to the cost basis included in the Company's financial statements, including PIK interest or additional amounts funded (net of repayments) minus (2) any amounts recorded in the Company's financial statements as required by GAAP that are attributable to the amortization of such investment, whether such calculated Contractual Cost Basis is higher or lower than the fair value of such investment (as determined in accordance with GAAP) at the time of acquisition.

The Company defers cash payment of any income based fees and capital gains incentive fees otherwise earned by the Company's investment adviser if during the most recent four full calendar quarter period ending on or prior to the date such payment is to be made the sum of (a) the aggregate distributions to the Company's stockholders and (b) the change in net assets (defined as total assets less indebtedness and before taking into account any income based fees and capital gains incentive fees payable during the period) is less than 7.0% of the Company's net assets (defined as total assets less indebtedness) at the beginning of such period. Any deferred income based fees and capital gains incentive fees are carried over for payment in subsequent calculation periods to the extent such payment is payable under the investment advisory and management agreement.

There was no capital gains incentive fee earned by the Company's investment adviser as calculated under the investment advisory and management agreement (as described above) for the three and six months ended June 30, 2016. However, in accordance with GAAP, the Company had cumulatively accrued a capital gains incentive fee of \$56,454 as of June 30, 2016, of which \$56,454 is not currently due under the investment advisory and management agreement. GAAP requires that the capital gains incentive fee accrual consider the cumulative aggregate unrealized capital appreciation in the calculation, as a capital gains incentive fee would be payable if such unrealized capital appreciation were realized, even though such unrealized capital appreciation is not permitted to be considered in calculating the fee actually payable under the investment advisory and management agreement. This GAAP accrual is calculated using the aggregate cumulative realized capital gains and losses and aggregate cumulative unrealized capital depreciation included in the calculation of the capital gains incentive fee plus the aggregate cumulative unrealized capital appreciation. If such amount is positive at the end of a period, then GAAP requires the Company to record a capital gains incentive fee equal to 20% of such cumulative amount, less the aggregate amount of actual capital gains incentive fees paid or capital gains incentive fees accrued under GAAP in all prior periods. As of June 30, 2016, the Company has paid capital gains incentive fees since inception totaling \$57,404. The resulting accrual for any capital gains incentive fee under GAAP in a given period may result in an additional expense if such cumulative amount is greater than in the prior period or a reversal of previously recorded expense if such cumulative amount is less than in the prior period. If such cumulative amount is negative, then there is no accrual. There can be no assurance that such unrealized capital appreciation will be realized in the future.

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For the three and six months ended June 30, 2016, base management fees were \$34,444 and \$69,203, respectively, income based fees were \$28,923 and \$58,045, respectively, and the capital gains incentive fees calculated in accordance with GAAP were \$10,427 and \$14,189, respectively. For the three and six months ended June 30, 2015, base management fees were \$33,021 and \$66,937, respectively, income based fees were \$28,949 and \$58,314, respectively, and the capital gains incentive fees calculated in accordance with GAAP were \$7,682 and \$3,462, respectively.

### *Administration Agreement*

The Company is party to an administration agreement, referred to herein as the "administration agreement", with its administrator, Ares Operations. Pursuant to the administration agreement, Ares Operations furnishes the Company with office equipment and clerical, bookkeeping and record keeping services at the Company's office facilities. Under the administration agreement, Ares Operations also performs, or oversees the performance of, the Company's required administrative services, which include, among other things, providing assistance in accounting, legal, compliance, operations, technology and investor relations, being responsible for the financial records that the Company is required to maintain and preparing reports to its stockholders and reports filed with the SEC. In addition, Ares Operations assists the Company in determining and publishing its net asset value, assists the Company in providing managerial assistance to its portfolio companies, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to its stockholders, and generally oversees the payment of its expenses and the performance of administrative and professional services rendered to the Company by others. Payments under the administration agreement are equal to an amount based upon its allocable portion of Ares Operations' overhead and other expenses (including travel expenses) incurred by Ares Operations in performing its obligations under the administration agreement, including the Company's allocable portion of the compensation of certain of its officers (including the Company's chief compliance officer, chief financial officer, chief accounting officer, general counsel, treasurer and assistant treasurer) and their respective staffs. The administration agreement may be terminated by either party without penalty upon 60 days' written notice to the other party.

For the three and six months ended June 30, 2016, the Company incurred \$3,342 and \$6,765, respectively, in administrative fees. As of June 30, 2016, \$3,342 of these fees were unpaid and included in "accounts payable and other liabilities" in the accompanying consolidated balance sheet. For the three and six months ended June 30, 2015, the Company incurred \$3,514 and \$6,970, respectively, in administrative fees.

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**4. INVESTMENTS**

As of June 30, 2016 and December 31, 2015, investments consisted of the following:

	As of			
	June 30, 2016		December 31, 2015	
	Amortized Cost(1)	Fair Value	Amortized Cost(1)	Fair Value
First lien senior secured loans	\$ 2,612,602	\$ 2,554,137	\$ 2,735,232	\$ 2,638,784
Second lien senior secured loans	2,830,800	2,766,025	2,944,551	2,861,294
Subordinated certificates of the SSLP(2)	1,938,446	1,899,754	1,935,401	1,884,861
Senior subordinated debt	716,744	714,238	663,003	654,066
Preferred equity securities	458,689	372,531	435,063	375,830
Other equity securities	423,527	593,692	434,396	640,526
Commercial real estate				135
<b>Total</b>	<b>\$ 8,980,808</b>	<b>\$ 8,900,377</b>	<b>\$ 9,147,646</b>	<b>\$ 9,055,496</b>

(1) The amortized cost represents the original cost adjusted for the accretion of discounts and amortization of premiums, if any.

(2) The proceeds from these certificates were applied to co-investments with General Electric Capital Corporation ("GECC") and GE Global Sponsor Finance LLC (collectively, "GE") to fund first lien senior secured loans to 32 and 41 different borrowers as of June 30, 2016 and December 31, 2015, respectively.

The industrial and geographic compositions of the Company's portfolio at fair value as of June 30, 2016 and December 31, 2015 were as follows:

Industry	As of	
	June 30, 2016	December 31, 2015
Investment Funds and Vehicles(1)	21.7%	21.2%
Healthcare Services	12.5	14.6
Other Services	10.0	9.0
Consumer Products	8.0	7.7
Business Services	6.7	5.3
Power Generation	6.7	6.3
Manufacturing	5.3	6.0
Financial Services	4.2	4.6
Restaurants and Food Services	4.2	3.5
Education	3.5	4.6
Oil and Gas	2.9	2.9
Containers and Packaging	2.8	2.8
Automotive Services	2.5	2.3
Food and Beverage	2.5	2.5
Commercial Real Estate Finance	1.1	1.1
Other	5.4	5.6
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(1)

Includes the Company's investment in the unconsolidated Delaware limited liability company, the Senior Secured Loan Fund LLC (d/b/a the "Senior Secured Loan Program" or the "SSLP"), which had made first lien senior secured loans to 32 and 41 different

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borrowers as of June 30, 2016 and December 31, 2015, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

<b>Geographic Region</b>	<b>As of</b>	
	<b>June 30, 2016</b>	<b>December 31, 2015</b>
West(1)	38.0%	37.9%
Midwest	21.2	23.8
Southeast	21.2	20.3
Mid Atlantic	14.9	13.7
Northeast	2.9	2.3
International	1.8	2.0
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

(1) Includes the Company's investment in the SSLP, which represented 21.3% and 20.8% of the total investment portfolio at fair value as of June 30, 2016 and December 31, 2015, respectively.

As of June 30, 2016, 1.3% of total investments at amortized cost (or 0.7% of total investments at fair value) were on non-accrual status. As of December 31, 2015, 2.6% of total investments at amortized cost (or 1.7% of total investments at fair value) were on non-accrual status.

### **Co-Investment Programs**

#### ***Senior Direct Lending Program***

In December 2015, the Company established a joint venture with Varagon Capital Partners ("Varagon") to make certain first lien senior secured loans, including certain stretch senior and unitranche loans, to U.S. middle-market companies. Varagon was formed in 2013 as a lending platform by American International Group, Inc. (NYSE:AIG) and other partners. The joint venture is called the Senior Direct Lending Program (the "SDLP"). It is expected that the SDLP will commit and hold individual loans of up to \$300 million. The Company may directly co-invest with the SDLP to accommodate larger transactions. The Company will provide capital to the SDLP in the form of subordinated certificates (the "SDLP Certificates"), and Varagon and its clients will provide capital to the SDLP in the form of senior notes, intermediate funding notes and SDLP Certificates. It is expected that the Company and a client of Varagon will own 87.5% and 12.5%, respectively, of any outstanding SDLP Certificates.

As of June 30, 2016, the Company and Varagon agreed to make capital available to the SDLP of \$2.9 billion in the aggregate, of which no amounts were funded. The SDLP will be capitalized as transactions are completed. All portfolio decisions and generally all other decisions in respect of the SDLP must be approved by an investment committee of the SDLP consisting of representatives of the Company and Varagon (with approval from a representative of each required). As of June 30, 2016, the Company agreed to make available to the SDLP (subject to the approval of the investment committee of the SDLP as described above) approximately \$591 million, of which no amounts were committed or funded. The SDLP Certificates will pay a coupon of LIBOR plus a stated spread and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the SDLP Certificates that is greater than the stated coupon. The SDLP Certificates are junior in right of payment to the senior notes and intermediate funding notes.

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See Note 6 for more information regarding a forward sale agreement between the Company and the SDLP. Also, see Note 16 for information on a subsequent event related to the SDLP.

### *Senior Secured Loan Program*

The Company and GE have co-invested in first lien senior secured loans of middle market companies through the SSLP. The SSLP has been capitalized as transactions are completed. All portfolio decisions and generally all other decisions in respect of the SSLP must be approved by an investment committee of the SSLP consisting of representatives of the Company and GE (with approval from a representative of each required). The Company has provided capital to the SSLP in the form of subordinated certificates (the "SSLP Certificates").

In August 2015, GE completed the sale of its U.S. Sponsor Finance business, through which GE had participated with the Company in the SSLP, to Canada Pension Plan Investment Board ("CPPIB"). This sale excluded GE's interest in the SSLP, and the Company and GE continue to operate the SSLP. The Company and GE no longer have an obligation to present senior secured lending investment opportunities to the SSLP and since June 30, 2015, the SSLP has not made any investments related to new portfolio companies; however, the Company and GE may provide capital to support the SSLP's funding of existing commitments (see below) and other amounts to its portfolio companies. On August 24, 2015, the Company was advised that GECC, as the holder of the senior notes of the SSLP (the "Senior Notes"), directed State Street Bank and Trust Company, as trustee of the Senior Notes and the SSLP Certificates, pursuant to the terms of the indenture governing the Senior Notes and the SSLP Certificates, to apply all principal proceeds received by the SSLP from its investments to the repayment of the outstanding principal amount of the Senior Notes until paid in full (prior to the distribution of any such principal proceeds to the holders of the SSLP Certificates, which includes the Company). GECC had previously elected to waive its right to receive priority repayments on the Senior Notes from principal proceeds in most circumstances. Prior to closing the sale to CPPIB, GE had announced its intention to provide the Company and CPPIB the opportunity to work together on the SSLP on a go-forward basis. GECC has also stated that if a mutual agreement between the Company and CPPIB to partner on the SSLP is not reached, it intends to retain its interest in the SSLP and the SSLP would be wound down in an orderly manner. The Company has been in dialogue with GE and CPPIB to determine if there is an opportunity to work together; however, to date there has been no agreement in respect of the SSLP as a result of these discussions and there can be no assurance that such discussions will continue or any such agreement will be reached. In addition to discussions with CPPIB and GECC, the Company is also exploring other options with respect to the SSLP's portfolio, although there can be no assurance that the Company will pursue any of them.

As of June 30, 2016 and December 31, 2015, the Company and GE had outstanding amounts funded of approximately \$7.1 billion and \$8.5 billion in aggregate principal amount, respectively, to the SSLP. As discussed above, the Company anticipates that no new investments will be made by the SSLP and that the Company and GE will only provide additional capital to support the SSLP's funding of existing commitments and other amounts to its portfolio companies. As of June 30, 2016 and December 31, 2015, the SSLP had commitments to fund delayed draw loans to certain of its portfolio companies of \$94.5 million and \$198.6 million, respectively, which had been approved by the investment committee of the SSLP as described above.

As of June 30, 2016 and December 31, 2015, the Company had outstanding amounts funded of approximately \$2.0 billion and \$2.0 billion in aggregate principal amount, respectively, to the SSLP. Additionally, as of June 30, 2016 and December 31, 2015, the Company had commitments to co-invest in the SSLP for its portion of the SSLP's commitments to fund delayed draw loans to portfolio companies of up to \$14.9 million and \$32.6 million, respectively. As discussed above, it is not anticipated that the Company will make new investments through the SSLP.

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As of June 30, 2016 and December 31, 2015, the SSLP had total assets of \$7.1 billion and \$8.5 billion, respectively. As of June 30, 2016 and December 31, 2015, GE's investment in the SSLP consisted of the Senior Notes of \$4.8 billion and \$6.2 billion, respectively, and SSLP Certificates of \$286.3 million and \$285.8 million, respectively. As of June 30, 2016 and December 31, 2015, the Company and GE owned 87.5% and 12.5%, respectively, of the outstanding SSLP Certificates.

The SSLP Certificates pay a weighted average coupon of LIBOR plus approximately 8.0% and also entitle the holders thereof to receive a portion of the excess cash flow from the loan portfolio, which may result in a return to the holders of the SSLP Certificates that is greater than the stated coupon. The SSLP Certificates are junior in right of payment to the Senior Notes held by GE. The Company expects that for so long as principal proceeds from SSLP repayments are directed entirely to repay the Senior Notes as discussed above, the yield on the SSLP Certificates will decline.

The SSLP's portfolio consisted of first lien senior secured loans to 32 and 41 different borrowers as of June 30, 2016 and December 31, 2015, respectively. As of June 30, 2016 and December 31, 2015, the portfolio was comprised of all first lien senior secured loans to U.S. middle-market companies. As of June 30, 2016 and December 31, 2015, none of these loans were on non-accrual status. As of June 30, 2016 and December 31, 2015, the largest loan to a single borrower in the SSLP's portfolio in aggregate principal amount was \$341.6 million and \$345.9 million, respectively, and the five largest loans to borrowers in the SSLP totaled \$1.5 billion and \$1.6 billion, respectively. The portfolio companies in the SSLP are in industries similar to the companies in the Company's portfolio.

The amortized cost and fair value of the SSLP Certificates held by the Company were each \$1.9 billion as of June 30, 2016, and each \$1.9 billion as of December 31, 2015. The Company's yield on its investment in the SSLP at fair value was 10.2% and 12.3% as of June 30, 2016 and December 31, 2015, respectively. For the three and six months ended June 30, 2016, the Company earned interest income of \$57.6 million and \$116.4 million, respectively, from its investment in the SSLP Certificates. For the three and six months ended June 30, 2015, the Company earned interest income of \$69.9 million and \$138.2 million, respectively, from its investment in the SSLP Certificates. The Company is also entitled to certain fees in connection with the SSLP. For the three and six months ended June 30, 2016, in connection with the SSLP, the Company earned capital structuring service, sourcing and other fees totaling \$5.7 million and \$11.4 million, respectively. For the three and six months ended June 30, 2015, in connection with the SSLP, the Company earned capital structuring service, sourcing and other fees totaling \$18.7 million and \$33.4 million, respectively.

The financial statements of the SSLP are attached as Exhibit 99.1 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2015.

### ***Ivy Hill Asset Management, L.P.***

Ivy Hill Asset Management, L.P. ("IHAM") is an asset management services company and an SEC-registered investment adviser. The Company has made investments in IHAM, its wholly owned portfolio company and previously made investments in certain vehicles managed by IHAM. As of June 30, 2016, IHAM had assets under management of approximately \$3.5 billion. As of June 30, 2016, IHAM managed 16 vehicles and served as the sub-manager/sub-servicer for three other vehicles (these vehicles managed or sub-managed/sub-serviced by IHAM are collectively referred to as the "IHAM Vehicles"). IHAM earns fee income from managing the IHAM Vehicles and has also invested in certain of these vehicles as part of its business strategy. As of June 30, 2016 and December 31, 2015, IHAM had total investments of \$208.0 million and \$233.0 million, respectively. For the three and six months ended June 30, 2016, IHAM had management and incentive fee income of \$4.0 million and \$8.0 million, respectively, and other investment-related income of \$6.0 million and \$11.0 million, respectively. For the three and six months ended June 30, 2015, IHAM had management and incentive fee income of \$6.0 million and \$10.0 million, respectively, and other investment-related income of \$5.0 million and \$10.0 million, respectively.

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The amortized cost and fair value of the Company's investment in IHAM was \$171.0 million and \$231.2 million, respectively, as of June 30, 2016, and \$171.0 million and \$235.5 million, respectively, as of December 31, 2015. For the three and six months ended June 30, 2016, the Company received distributions consisting entirely of dividend income from IHAM of \$10.0 million and \$20.0 million, respectively. For the three and six months ended June 30, 2015, the Company received distributions consisting entirely of dividend income from IHAM of \$10.0 million and \$30.0 million, respectively. The dividend income for the six months ended June 30, 2015, included additional dividends of \$10.0 million in addition to the quarterly dividends generally paid by IHAM.

From time to time, IHAM or certain IHAM Vehicles may purchase investments from, or sell investments to, the Company. For any such sales or purchases by the IHAM Vehicles to or from the Company, the IHAM Vehicles must obtain approval from third parties unaffiliated with the Company or IHAM, as applicable. During the six months ended June 30, 2016 and 2015, IHAM or certain of the IHAM Vehicles purchased \$101.1 million and \$300.8 million, respectively, of investments from the Company. Net realized gains of \$0.4 million and \$0.2 million were recorded by the Company on these transactions for the six months ended June 30, 2016 and 2015, respectively. During the six months ended June 30, 2016, the Company did not purchase any investments from the IHAM Vehicles. During the six months ended June 30, 2015, the Company purchased \$11.5 million of investments from the IHAM Vehicles.

IHAM is party to an administration agreement, referred to herein as the "IHAM administration agreement," with Ares Operations. Pursuant to the IHAM administration agreement, Ares Operations provides IHAM with, among other things, office facilities, equipment, clerical, bookkeeping and record keeping services, services relating to the marketing and sale of interests in vehicles managed by IHAM, services of, and oversight of, custodians, depositories, accountants, attorneys, underwriters and such other persons in any other capacity deemed to be necessary. Under the IHAM administration agreement, IHAM reimburses Ares Operations for all of the actual costs associated with such services, including Ares Operations' allocable portion of overhead and the cost of its officers, employees and respective staff in performing its obligations under the IHAM administration agreement.

See Note 14 for information related to IHAM's role in the American Capital Acquisition.

### 5. DEBT

In accordance with the Investment Company Act, with certain limited exceptions, the Company is only allowed to borrow amounts such that its asset coverage, calculated pursuant to the Investment Company Act, is at least 200% after such borrowing. On June 21, 2016, the Company, Ares Capital Management, Ares Venture Finance GP LLC and AVF LP received exemptive relief from the SEC allowing the Company to modify the Company's calculation of asset coverage requirements to exclude the SBA Debentures (defined below). As such, the Company's ratio of total consolidated assets to outstanding indebtedness may be less than 200%. This exemptive relief provides the Company with increased investment flexibility but also increases the Company's risk related to leverage. As of June 30, 2016 the Company's asset coverage was 234% (excluding the SBA Debentures).

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The Company's outstanding debt as of June 30, 2016 and December 31, 2015 were as follows:

	As of					
	June 30, 2016			December 31, 2015		
	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value	Total Aggregate Principal Amount Committed/ Outstanding(1)	Principal Amount Outstanding	Carrying Value
Revolving Credit Facility	\$ 1,265,000(2)	\$ 1,165,000	\$ 1,165,000	\$ 1,290,000	\$ 515,000	\$ 515,000
Revolving Funding Facility	540,000(3)	53,000	53,000	540,000	250,000	250,000
SMBC Funding Facility	400,000	122,000	122,000	400,000	110,000	110,000
SBA Debentures	75,000	25,000	24,446	75,000	22,000	21,491
February 2016 Convertible Notes				(4) 575,000	575,000	573,935(5)
June 2016 Convertible Notes				(4) 230,000	230,000	228,008(5)
2017 Convertible Notes	162,500	162,500	160,990(5)	162,500	162,500	159,958(5)
2018 Convertible Notes	270,000	270,000	265,694(5)	270,000	270,000	264,392(5)
2019 Convertible Notes	300,000	300,000	295,333(5)	300,000	300,000	294,479(5)
2018 Notes	750,000	750,000	744,084(6)	750,000	750,000	742,954(6)
2020 Notes	600,000	600,000	594,868(7)	600,000	600,000	594,201(7)
October 2022 Notes	182,500	182,500	178,189(8)	182,500	182,500	177,912(8)
2047 Notes	229,557	229,557	181,750(9)	229,557	229,557	181,604(9)
<b>Total</b>	<b>\$ 4,774,557</b>	<b>\$ 3,859,557</b>	<b>\$ 3,785,354</b>	<b>\$ 5,604,557</b>	<b>\$ 4,196,557</b>	<b>\$ 4,113,934</b>

- (1) Subject to borrowing base, leverage and other restrictions. Represents the total aggregate amount committed or outstanding, as applicable, under such instrument.
- (2) Provides for a feature that allows the Company, under certain circumstances, to increase the size of the Revolving Credit Facility (as defined below) to a maximum of \$1,897,500.
- (3) Provides for a feature that allows the Company and Ares Capital CP (as defined below), under certain circumstances, to increase the size of Revolving Funding Facility (as defined below) to a maximum of \$865,000.
- (4) See below for more information on the repayments of the February 2016 Convertible Notes and the June 2016 Convertible Notes (each as defined below).
- (5) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes (as defined below), the February 2016 Convertible Notes and the June 2016 Convertible Notes less unamortized debt issuance costs and the unaccreted discount recorded upon the issuances of such notes. As of June 30, 2016, the total unamortized debt issuance costs and the unaccreted discount for the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes (each as defined below) were \$1,510, \$4,306 and \$4,667, respectively. As of December 31, 2015, the total unamortized debt issuance costs and the unaccreted discount for the February 2016 Convertible Notes, the June 2016 Convertible Notes, the 2017 Convertible Notes, the 2018 Convertible Notes and the 2019

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Convertible Notes were \$1,065, \$1,992, \$2,542, \$5,608 and \$5,521, respectively.

(6)

Represents the aggregate principal amount outstanding of the 2018 Notes (as defined below) less unamortized debt issuance costs and plus the net unamortized premium that was recorded upon

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the issuances of the 2018 Notes. As of June 30, 2016 and December 31, 2015, the total unamortized debt issuance costs less the net unamortized premium were \$5,916 and \$7,046, respectively.

- (7) Represents the aggregate principal amount outstanding of the 2020 Notes (as defined below) less unamortized debt issuance costs and the net unaccreted discount recorded upon the issuances of the 2020 Notes. As of June 30, 2016 and December 31, 2015, the total unamortized debt issuance costs and the net unaccreted discount were \$5,132 and \$5,799, respectively.
- (8) Represents the aggregate principal amount outstanding of the October 2022 Notes (as defined below) less unamortized debt issuance costs. As of June 30, 2016 and December 31, 2015, the total unamortized debt issuance costs were \$4,311 and \$4,588, respectively.
- (9) Represents the aggregate principal amount outstanding of the 2047 Notes (as defined below) less the unaccreted purchased discount recorded as a part of the Allied Acquisition (as defined below). As of June 30, 2016 and December 31, 2015, the total unaccreted purchased discount was \$47,807 and \$47,953, respectively.

The weighted average stated interest rate and weighted average maturity, both on aggregate principal amount, of all the Company's outstanding debt as of June 30, 2016 were 3.9% and 5.2 years, respectively, and as of December 31, 2015 were 4.4% and 4.5 years, respectively.

### ***Revolving Credit Facility***

The Company is party to a senior secured revolving credit facility (as amended and restated, the "Revolving Credit Facility"), which allows the Company to borrow up to \$1,265,000 at any one time outstanding. For \$1,195,000 of the Revolving Credit Facility, the end of the revolving period and the stated maturity date are May 4, 2020 and May 4, 2021, respectively. For the remaining \$70,000 of the Revolving Credit Facility, the end of the revolving period and the stated maturity date are May 4, 2019 and May 4, 2020, respectively. The Revolving Credit Facility also provides for a feature that allows the Company, under certain circumstances, to increase in the size of the Revolving Credit Facility to a maximum of \$1,897,500. The Revolving Credit Facility generally requires payments of interest at the end of each LIBOR interest period, but no less frequently than quarterly, on LIBOR based loans, and monthly payments of interest on other loans. From the end of the revolving period to the stated maturity date, the Company is required to repay outstanding principal amounts under the Revolving Credit Facility on a monthly basis in an amount equal to 1/12th of the outstanding principal amount at the end of the revolving period.

Under the Revolving Credit Facility, the Company is required to comply with various covenants, reporting requirements and other customary requirements for similar revolving credit facilities, including, without limitation, covenants related to: (a) limitations on the incurrence of additional indebtedness and liens, (b) limitations on certain investments, (c) limitations on certain restricted payments, (d) maintaining a certain minimum stockholders' equity, (e) maintaining a ratio of total assets (less total liabilities other than indebtedness) to total indebtedness of the Company and its consolidated subsidiaries (subject to certain exceptions) of not less than 2.0:1.0, (f) limitations on pledging certain unencumbered assets, and (g) limitations on the creation or existence of agreements that prohibit liens on certain properties of the Company and certain of its subsidiaries. These covenants are subject to important limitations and exceptions that are described in the documents governing the Revolving Credit Facility. Amounts available to borrow under the Revolving Credit Facility (and the incurrence of certain other permitted debt) are also subject to compliance with a borrowing base that applies different advance rates to different types of assets in the Company's portfolio that are pledged as collateral. As of June 30, 2016, the Company was in compliance in all material respects with the terms of the Revolving Credit Facility.

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As of June 30, 2016 and December 31, 2015, there were \$1,165,000 and \$515,000 outstanding, respectively, under the Revolving Credit Facility. As of June 30, 2016, the Revolving Credit Facility also provides for a sub-limit for the issuance of letters of credit for up to an aggregate amount of \$150,000. As of June 30, 2016 and December 31, 2015, the Company had \$24,205 and \$24,111, respectively, in letters of credit issued through the Revolving Credit Facility. The amount available for borrowing under the Revolving Credit Facility is reduced by any letters of credit issued. As of June 30, 2016, there was \$75,795 available for borrowing (net of letters of credit issued) under the Revolving Credit Facility.

Since March 26, 2015, the interest rate charged on the Revolving Credit Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over an "alternate base rate" (as defined in the agreements governing the Revolving Credit Facility), in each case, determined monthly based on the total amount of the borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. As of June 30, 2016, the interest rate in effect was LIBOR plus 1.75%. Prior to and including March 25, 2015, the interest rate charged on the Revolving Credit Facility was based on an applicable spread of 2.00% over LIBOR or an applicable spread of 1.00% over an "alternate base rate." As of June 30, 2016, the one, two, three and six month LIBOR was 0.47%, 0.55%, 0.65% and 0.92%, respectively. As of December 31, 2015, the one, two, three and six month LIBOR was 0.43%, 0.51%, 0.61% and 0.85%, respectively. In addition to the stated interest expense on the Revolving Credit Facility, the Company is required to pay a commitment fee of 0.375% per annum on any unused portion of the Revolving Credit Facility. Since March 26, 2015, the Company is also required to pay a letter of credit fee of either 2.00% or 2.25% per annum on letters of credit issued, determined monthly based on the total amount of the borrowing base relative to the total commitments of the Revolving Credit Facility and other debt, if any, secured by the same collateral as the Revolving Credit Facility. Prior to and including March 25, 2015, the Company paid a letter of credit fee of 2.25% per annum on letters of credit issued.

The Revolving Credit Facility is secured by certain assets in the Company's portfolio and excludes investments held by Ares Capital CP under the Revolving Funding Facility, those held by ACJB under the SMBC Funding Facility and those held by AVF LP under the SBA Debentures, each as described below, and certain other investments.

For the three and six months ended June 30, 2016 and 2015, the components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Credit Facility were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Stated interest expense	\$ 5,226	\$ 1,346	\$ 10,145	\$ 80
Facility fees	419	1,346	906	2,647
Amortization of debt issuance costs	634	519	1,257	1,160
<b>Total interest and credit facility fees expense</b>	<b>\$ 6,279</b>	<b>\$ 1,865</b>	<b>\$ 12,308</b>	<b>\$ 3,887</b>
Cash paid for interest expense	\$ 5,426	\$ 9,722	\$ 177	
Average stated interest rate	2.24%	%	2.24%	2.19%
Average outstanding balance	\$ 932,473	\$ 906,648	\$ 6,575	

### *Revolving Funding Facility*

The Company's consolidated subsidiary, Ares Capital CP Funding LLC ("Ares Capital CP"), is party to a revolving funding facility (as amended, the "Revolving Funding Facility"), which allows Ares

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Capital CP to borrow up to \$540,000 at any one time outstanding. The Revolving Funding Facility is secured by all of the assets held by, and the membership interest in, Ares Capital CP. The end of the reinvestment period and the stated maturity date for the Revolving Funding Facility are May 14, 2017 and May 14, 2019, respectively. The Revolving Funding Facility also includes a feature that allows, under certain circumstances, for an increase in the Revolving Funding Facility to a maximum of \$865,000. See Note 14 for information regarding a potential amendment to the Revolving Funding Facility in connection with the American Capital Acquisition.

Amounts available to borrow under the Revolving Funding Facility are subject to a borrowing base that applies different advance rates to different types of assets held by Ares Capital CP. Ares Capital CP is also subject to limitations with respect to the loans securing the Revolving Funding Facility, including restrictions on sector concentrations, loan size, payment frequency and status, collateral interests, loans with fixed rates and loans with certain investment ratings, as well as restrictions on portfolio company leverage, which may also affect the borrowing base and therefore amounts available to borrow. The Company and Ares Capital CP are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the agreements governing the Revolving Funding Facility. As of June 30, 2016, the Company and Ares Capital CP were in compliance in all material respects with the terms of the Revolving Funding Facility.

As of June 30, 2016 and December 31, 2015, there was \$53,000 and \$250,000 outstanding, respectively, under the Revolving Funding Facility. The interest rate charged on the Revolving Funding Facility is based on an applicable spread ranging from 2.25% to 2.50% over LIBOR or ranging from 1.25% to 1.50% over a "base rate" (as defined in the agreements governing the Revolving Funding Facility) in each case, determined monthly based on the composition of the borrowing base relative to outstanding borrowings under the Revolving Funding Facility. As of June 30, 2016, the interest rate in effect was LIBOR plus 2.25%. Ares Capital CP is required to pay a commitment fee between 0.50% and 1.50% per annum depending on the size of the unused portion of the Revolving Funding Facility.

For the three and six months ended June 30, 2016 and 2015, the components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the Revolving Funding Facility were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Stated interest expense	\$ 861	\$ 33	\$ 1,894	\$ 453
Facility fees	568	1,110	1,075	2,335
Amortization of debt issuance costs	578	578	1,155	1,155
<b>Total interest and credit facility fees expense</b>	<b>\$ 2,007</b>	<b>\$ 1,721</b>	<b>\$ 4,124</b>	<b>\$ 3,943</b>
Cash paid for interest expense	\$ 1,033	\$ 419	\$ 1,700	\$ 2,062
Average stated interest rate	2.73%	2.44%	2.72%	2.42%
Average outstanding balance	\$ 126,330	\$ 5,429	\$ 139,379	\$ 37,221

### ***SMBC Funding Facility***

The Company's consolidated subsidiary, Ares Capital JB Funding LLC ("ACJB"), is party to a revolving funding facility (as amended, the "SMBC Funding Facility") with ACJB, as the borrower, and Sumitomo Mitsui Banking Corporation ("SMBC"), as the administrative agent, collateral agent, and lender, which allows ACJB to borrow up to \$400,000 at any one time outstanding. The SMBC Funding Facility is secured by all of the assets held by ACJB. The end of the reinvestment period and the stated

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maturity date for the SMBC Funding Facility are September 14, 2017 and September 14, 2022, respectively. The reinvestment period and the stated maturity date are both subject to two one-year extensions by mutual agreement.

Amounts available to borrow under the SMBC Funding Facility are subject to a borrowing base that applies an advance rate to assets held by ACJB. The Company and ACJB are also required to comply with various covenants, reporting requirements and other customary requirements for similar facilities. These covenants are subject to important limitations and exceptions that are described in the documents governing the SMBC Funding Facility. As of June 30, 2016, the Company and ACJB were in compliance in all material respects with the terms of the SMBC Funding Facility.

As of June 30, 2016 and December 31, 2015, there was \$122,000 and \$110,000 outstanding, respectively, under the SMBC Funding Facility. Since June 30, 2015, the interest rate charged on the SMBC Funding Facility is based on an applicable spread of either 1.75% or 2.00% over LIBOR or 0.75% or 1.00% over a "base rate" (as defined in the agreements governing the SMBC Funding Facility), in each case, determined monthly based on the amount of the average borrowings outstanding under the SMBC Funding Facility. As of June 30, 2016, the interest rate in effect was LIBOR plus 1.75%. Prior to and including June 30, 2015, the interest rate charged on the SMBC Funding Facility was based on an applicable spread of 2.00% over LIBOR or 1.00% over a "base rate." As of June 30, 2016 and December 31, 2015, the interest rate in effect was based on one month LIBOR, which was 0.47% and 0.43%, respectively. ACJB is required to pay a commitment fee of between 0.35% and 0.875% per annum depending on the size of the unused portion of the SMBC Funding Facility.

For the three and six months ended June 30, 2016 and 2015, the components of interest and credit facility fees expense, cash paid for interest expense, average stated interest rates (i.e., rate in effect plus the spread) and average outstanding balances for the SMBC Funding Facility were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Stated interest expense	\$ 692	\$	\$ 1,310	\$ 26
Facility fees	244	430	498	847
Amortization of debt issuance costs	287	283	575	567
<b>Total interest and credit facility fees expense</b>	<b>\$ 1,223</b>	<b>\$ 713</b>	<b>\$ 2,383</b>	<b>\$ 1,440</b>
Cash paid for interest expense	\$ 704	\$	\$ 1,362	\$ 90
Average stated interest rate	2.22%	%	2.21%	2.16%
Average outstanding balance	\$ 124,473	\$	\$ 118,747	\$ 2,398

### ***SBA Debentures***

In April 2015, the Company's wholly owned subsidiary, AVF LP, received a license from the Small Business Administration ("SBA") to operate as a Small Business Investment Company ("SBIC") under the provisions of Section 301(c) of the Small Business Investment Act of 1958, as amended. The SBA places certain limitations on the financing of investments by SBICs in portfolio companies, including regulating the types of financings, restricting investments to only include small businesses with certain characteristics or in certain industries, and requiring capitalization thresholds that may limit distributions to the Company.

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The license from the SBA allows AVF LP to obtain leverage by issuing SBA-guaranteed debentures (the "SBA Debentures"), subject to issuance of a capital commitment by the SBA and other customary procedures. Leverage through the SBA Debentures is subject to required capitalization thresholds. Current SBA regulations limit the amount that any SBIC may borrow to \$150,000 and as of June 30, 2016, the amount of the SBA Debentures committed to AVF LP by the SBA was \$75,000. The SBA Debentures are non-recourse to the Company, have interest payable semi-annually, have a 10-year maturity and may be prepaid at any time without penalty. As of June 30, 2016, AVF LP had \$25,000 of the SBA Debentures issued and outstanding, which mature between September 2025 and March 2026. As of June 30, 2016, AVF LP was in compliance in all material respects with SBA regulatory requirements.

The interest rate for the SBA Debentures is fixed at the time the SBA Debentures and other applicable SBA-guaranteed debentures can be pooled and sold to the public and is based on a spread over U.S. treasury notes with 10-year maturities. The pooling of newly issued SBA-guaranteed debentures occurs twice per year. The spread includes an annual charge as determined by the SBA (the "Annual Charge") as well as a market-driven component. Prior to the 10-year fixed interest rate being determined, the interim interest rate charged for the SBA-guarantee debentures is based on LIBOR plus an applicable spread of 0.30% and the Annual Charge. As of June 30, 2016, the weighted average interest rate in effect for the SBA Debentures was 3.48%.

For the three and six months ended June 30, 2016, the components of interest expense, cash paid for interest expense, average stated interest rate and average outstanding balances for the SBA Debentures were as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Stated interest expense	\$ 217	\$ 8	\$ 399	\$ 8
Amortization of debt issuance costs	70	38	139	38
<b>Total interest and credit facility fees expense</b>	<b>\$ 287</b>	<b>\$ 46</b>	<b>\$ 538</b>	<b>\$ 46</b>
Cash paid for interest expense	\$	\$	\$ 310	\$
Average stated interest rate	3.48%	1.34%	3.31%	1.34%
Average outstanding balance	\$ 25,000	\$ 2,473	\$ 24,110	\$ 2,473

### *Convertible Unsecured Notes*

The Company has issued \$162.5 million aggregate principal amount of unsecured convertible notes that mature on March 15, 2017 (the "2017 Convertible Notes"), \$270.0 million aggregate principal amount of unsecured convertible notes that mature on January 15, 2018 (the "2018 Convertible Notes") and \$300.0 million aggregate principal amount of unsecured convertible notes that mature on January 15, 2019 (the "2019 Convertible Notes" and together with the 2017 Convertible Notes and the 2018 Convertible Notes, the "Convertible Unsecured Notes"). The Convertible Notes mature upon their respective maturity dates unless previously converted or repurchased in accordance with their terms. The Company does not have the right to redeem the Convertible Unsecured Notes prior to maturity. The 2017 Convertible Notes, the 2018 Convertible Notes and the 2019 Convertible Notes bear interest at a rate of 4.875%, 4.750% and 4.375%, respectively, per year, payable semi-annually.

In certain circumstances, the Convertible Unsecured Notes will be convertible into cash, shares of the Company's common stock or a combination of cash and shares of its common stock, at the Company's election, at their respective conversion rates (listed below as of June 30, 2016) subject to customary anti-dilution adjustments and the requirements of their respective indenture (the "Convertible Unsecured Notes Indentures"). Prior to the close of business on the business day

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immediately preceding their respective conversion date (listed below), holders may convert their Convertible Unsecured Notes only under certain circumstances set forth in the Convertible Unsecured Notes Indentures. On or after their respective conversion dates until the close of business on the scheduled trading day immediately preceding their respective maturity date, holders may convert their Convertible Unsecured Notes at any time. In addition, if the Company engages in certain corporate events as described in their respective Convertible Unsecured Notes Indenture, holders of the Convertible Unsecured Notes may require the Company to repurchase for cash all or part of the Convertible Unsecured Notes at a repurchase price equal to 100% of the principal amount of the Convertible Unsecured Notes to be repurchased, plus accrued and unpaid interest through, but excluding, the required repurchase date.

Certain key terms related to the convertible features for each of the Convertible Unsecured Notes as of June 30, 2016 are listed below.

	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Conversion premium	17.5%	17.5%	15.0%
Closing stock price at issuance	\$16.46	\$16.91	\$17.53
Closing stock price date	March 8, 2012	October 3, 2012	July 15, 2013
Conversion price(1)	\$18.88	\$19.64	\$19.99
Conversion rate (shares per one thousand dollar principal amount)(1)	52.9678	50.9054	50.0292
Conversion dates	September 15, 2016	July 15, 2017	July 15, 2018

(1) Represents conversion price and conversion rate, as applicable, as of June 30, 2016, taking into account certain de minimis adjustments that will be made on the conversion date.

As of June 30, 2016, the principal amounts of each series of the Convertible Unsecured Notes exceeded the value of the underlying shares multiplied by the per share closing price of the Company's common stock.

The Convertible Unsecured Notes Indentures contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of the Convertible Unsecured Notes under certain circumstances. These covenants are subject to important limitations and exceptions that are described in the Convertible Unsecured Notes Indentures. As of June 30, 2016, the Company was in compliance in all material respects with the terms of the Convertible Unsecured Notes Indentures.

The Convertible Unsecured Notes are accounted for in accordance with ASC 470-20. Upon conversion of any of the other Convertible Unsecured Notes, the Company intends to pay the outstanding principal amount in cash and to the extent that the conversion value exceeds the principal amount, the Company has the option to pay in cash or shares of the Company's common stock (or a combination of cash and shares) in respect of the excess amount, subject to the requirements of the Convertible Unsecured Notes Indentures. The Company has determined that the embedded conversion options in the Convertible Unsecured Notes are not required to be separately accounted for as a derivative under GAAP. In accounting for the Convertible Unsecured Notes, the Company estimated at the time of issuance separate debt and equity components for each of the Convertible Unsecured Notes. An original issue discount equal to the equity components of the Convertible Unsecured Notes was recorded in "capital in excess of par value" in the accompanying consolidated balance sheet. Additionally, the issuance costs associated with the Convertible Unsecured Notes were allocated to the debt and equity components in proportion to the allocation of the proceeds and accounted for as debt issuance costs and equity issuance costs, respectively.

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The debt and equity component percentages, the issuance costs and the equity component amounts for each of the Convertible Unsecured Notes are listed below.

	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Debt and equity component percentages, respectively(1)	97.0% and 3.0%	98.0% and 2.0%	99.8% and 0.2%
Debt issuance costs(1)	\$4,813	\$5,712	\$4,475
Equity issuance costs(1)	\$149	\$116	\$9
Equity component, net of issuance costs(2)	\$4,724	\$5,243	\$582

(1) At time of issuance.

(2) At time of issuance and as of June 30, 2016.

In addition to the original issue discount equal to the equity components of the Convertible Unsecured Notes, the 2018 Convertible Notes and the 2019 Convertible Notes were each issued at a discount. The Company records interest expense comprised of both stated interest expense as well as accretion of any original issue discount.

As of June 30, 2016, the components of the carrying value of the Convertible Unsecured Notes, the stated interest rate and the effective interest rate were as follows:

	2017 Convertible Notes	2018 Convertible Notes	2019 Convertible Notes
Principal amount of debt	\$ 162,500	\$ 270,000	\$ 300,000
Debt issuance costs, net of amortization	(735)	(1,870)	(2,149)
Original issue discount, net of accretion	(775)	(2,436)	(2,518)
Carrying value of debt	\$ 160,990	\$ 265,694	\$ 295,333
Stated interest rate	4.875%	4.750%	4.375%
Effective interest rate(1)	5.5%	5.3%	4.7%

(1) The effective interest rate of the debt component of the Convertible Unsecured Notes is equal to the stated interest rate plus the accretion of original issue discount.

In February 2016, the Company repaid in full the \$575.0 million aggregate principal amount of unsecured convertible notes (the "February 2016 Convertible Notes") upon their maturity. In June 2016, the Company repaid in full the \$230.0 million aggregate principal amount of unsecured convertible notes (the "June 2016 Convertible Notes") upon their maturity.

For the three and six months ended June 30, 2016 and 2015, the components of interest expense and cash paid for interest expense for the Convertible Unsecured Notes are listed below. For the six months ended June 30, 2016 and 2015, and for the three months ended June 30, 2015, the following also includes components of interest expense and cash paid for interest expense on the February 2016 Convertible Notes and the June 2016 Convertible Notes. For the three months ended June 30, 2016,

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the following also includes components of interest expense and cash paid for interest expense on the June 2016 Convertible Notes.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Stated interest expense	\$ 10,433	\$ 19,681	\$ 24,603	\$ 39,361
Amortization of debt issuance costs	934	1,910	2,214	3,773
Accretion of original issue discount	1,475	3,959	4,030	7,851
<b>Total interest expense</b>	<b>\$ 12,842</b>	<b>\$ 25,550</b>	<b>\$ 30,847</b>	<b>\$ 50,985</b>
Cash paid for interest expense	\$ 5,894	\$ 5,894	\$ 39,361	\$ 39,361

### *Unsecured Notes*

#### *2018 Notes*

The Company had issued \$750,000 in aggregate principal amount of unsecured notes that mature on November 30, 2018 (the "2018 Notes"). The 2018 Notes bear interest at a rate of 4.875% per year, payable semi-annually and all principal is due upon maturity. The 2018 Notes may be redeemed in whole or in part at any time at the Company's option at a redemption price equal to par plus a "make whole" premium, as determined pursuant to the indenture governing the 2018 Notes, and any accrued and unpaid interest. \$600,000 in aggregate principal amount of the 2018 Notes were issued at a discount to the principal amount and \$150,000 in aggregate principal amount of the 2018 Notes were issued at a premium. The Company records interest expense comprised of both stated interest expense as well as any accretion of any original issue discount or premium.

#### *2020 Notes*

The Company had issued \$600,000 in aggregate principal amount of unsecured notes that mature on January 15, 2020 (the "2020 Notes"). The 2020 Notes bear interest at a rate of 3.875% per year, payable semi-annually and all principal is due upon maturity. The 2020 Notes may be redeemed in whole or in part at any time at the Company's option at a redemption price equal to par plus a "make whole" premium, if applicable, as determined pursuant to the indenture governing the 2020 Notes, and any accrued and unpaid interest. \$400,000 in aggregate principal amount of the 2020 Notes were issued at a discount to the principal amount and \$200,000 in aggregate principal amount of the 2020 Notes were issued at a premium. The Company records interest expense comprised of both stated interest expense as well as any accretion of any original issue discount or premium.

#### *October 2022 Notes*

The Company had issued \$182,500 in aggregate principal amount of unsecured notes that mature on October 1, 2022 (the "October 2022 Notes"). The October 2022 Notes bear interest at a rate of 5.875% per year, payable quarterly and all principal is due upon maturity. The October 2022 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest.

#### *2047 Notes*

As part of the acquisition of Allied Capital Corporation ("Allied Capital") in April 2010 (the "Allied Acquisition"), the Company assumed \$230,000 aggregate principal amount of unsecured notes due on April 15, 2047 (the "2047 Notes" and together with the 2018 Notes, the 2020 Notes and the October 2022 Notes, the "Unsecured Notes"). The 2047 Notes bear interest at a rate of 6.875%,

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payable quarterly and all principal is due upon maturity. The 2047 Notes may be redeemed in whole or in part at any time or from time to time at the Company's option, at a par redemption price of \$25.00 per security plus accrued and unpaid interest. As of June 30, 2016 and December 31, 2015, the outstanding principal was \$229,557 and \$229,557 respectively, and the carrying value was \$181,750 and \$181,604, respectively. The carrying value represents the outstanding principal amount of the 2047 Notes less the unaccrued purchased discount recorded as a part of the Allied Acquisition.

### *February 2022 Notes*

In March 2015, the Company redeemed the \$143,750 aggregate principal amount of unsecured notes that were scheduled to mature on February 15, 2022 (the "February 2022 Notes") in accordance with the terms of the indenture governing the February 2022 Notes. The February 2022 Notes bore interest at a rate of 7.00% per year, payable quarterly. The February 2022 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately \$144,616, which resulted in a realized loss on the extinguishment of debt of \$3,839.

### *2040 Notes*

In October 2015, the Company redeemed the \$200,000 aggregate principal amount of unsecured notes that were scheduled to mature on October 15, 2040 (the "2040 Notes") in accordance with the terms of the indenture governing the 2040 Notes. The 2040 Notes bore interest at a rate of 7.75% per year, payable quarterly. The 2040 Notes were redeemed at par plus accrued and unpaid interest for a total redemption price of approximately \$200,560, which resulted in a realized loss on the extinguishment of debt of \$6,572.

For the three and six months ended June 30, 2016 and 2015, the components of interest expense and cash paid for interest expense for the Unsecured Notes are listed below. For the three months ended June 30, 2015, the following also includes components of interest expense and cash paid for interest expense for the 2040 Notes. For the six months ended June 30, 2015, the following also includes components of interest expense and cash paid for interest expense for the 2040 Notes and the February 2022 Notes.

	<b>For the Three Months Ended June 30,</b>		<b>For the Six Months Ended June 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Stated interest expense	\$ 21,579	\$ 25,455	\$ 43,157	\$ 52,422
Amortization of debt issuance costs	1,035	995	2,056	2,027
Accretion of purchase discount	82	76	164	246
<b>Total interest expense</b>	<b>\$ 22,696</b>	<b>\$ 26,526</b>	<b>\$ 45,377</b>	<b>\$ 54,695</b>
Cash paid for interest expense	\$ 24,907	\$ 28,782	\$ 43,158	\$ 42,665

The Unsecured Notes contain certain covenants, including covenants requiring the Company to comply with Section 18(a)(1)(A) as modified by Section 61(a)(1) of the Investment Company Act and to provide financial information to the holders of such notes under certain circumstances. These covenants are subject to important limitations and exceptions set forth in the indentures governing such notes. As of June 30, 2016, the Company was in compliance in all material respects with the terms of the respective indentures governing each of the Unsecured Notes.

The Convertible Unsecured Notes and the Unsecured Notes are the Company's unsecured senior obligations and rank senior in right of payment to any future indebtedness that is expressly subordinated in right of payment to the Convertible Unsecured Notes and the Unsecured Notes; equal in right of payment to the Company's existing and future unsecured indebtedness that is not expressly

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subordinated; effectively junior in right of payment to any of its secured indebtedness (including existing unsecured indebtedness that the Company later secures) to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness (including trade payables) incurred by the Company's subsidiaries, financing vehicles or similar facilities.

### 6. DERIVATIVE INSTRUMENTS

The Company enters into forward currency contracts from time to time to help mitigate the impact that an adverse change in foreign exchange rates would have on the value of the Company's investments denominated in foreign currencies. As of June 30, 2016 and December 31, 2015, the counterparty to these forward currency contracts was Bank of Montreal. Net unrealized gains or losses on foreign currency contracts are included in "net unrealized gains (losses) from foreign currency and other transactions" and net realized gains or losses on forward currency contracts are included in "net realized gains (losses) from foreign currency transactions" in the accompanying consolidated statement of operations.

During the three months ended December 31, 2015, the Company entered into an agreement with the SDLP to sell certain of the Company's investments to the SDLP at a mutually agreed upon price on a future date. The value of the agreement with the SDLP will change as the fair value of the identified loans changes and as additional loans are added to such agreement. For the three and six months ended June 30, 2016, the unrealized gain related to this agreement was included in the "net unrealized gains (losses) from foreign currency and other transactions" in the accompanying consolidated statement of operations and as of June 30, 2016 in "other assets" in the accompanying consolidated balance sheet. See Note 16 for information on a subsequent event related to the SDLP.

Forward currency contracts and the forward sale agreement are considered undesignated derivative instruments.

Certain information related to the Company's derivative financial instruments is presented below as of June 30, 2016 and December 31, 2015.

As of June 30, 2016						
Description	Notional Amount	Maturity Date	Gross Amount of Recognized Assets	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Balance Sheet	Balance Sheet Location of Net Amounts
Foreign currency forward contract	CAD45,000	7/5/2016	\$	\$ 221	\$	Accounts payable and other liabilities
Foreign currency forward contract	€ 3,174	7/5/2016	109			Other Assets
Forward sale agreement	\$ 424,232		4,906			Other Assets
<b>Total</b>			<b>\$ 5,015</b>	<b>\$ 221</b>	<b>\$</b>	

As of December 31, 2015						
Description	Notional Amount	Maturity Date	Gross Amount of Recognized Assets	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Balance Sheet	Balance Sheet Location of Net Amounts
Foreign currency forward contract	CAD45,000	1/6/2016	\$ 1,112	\$	\$	Other Assets
Foreign currency forward contract	€ 3,820	1/6/2016	143			Other Assets
Forward sale agreement	\$ 316,201		2,602			Other Assets
<b>Total</b>			<b>\$ 3,857</b>	<b>\$</b>	<b>\$</b>	

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**7. COMMITMENTS AND CONTINGENCIES**

The Company has various commitments to fund investments in its portfolio as described below. As of June 30, 2016 and December 31, 2015, the Company had the following commitments to fund various revolving and delayed draw senior secured and subordinated loans, including commitments to fund which are at (or substantially at) the Company's discretion:

	As of	
	June 30, 2016	December 31, 2015
Total revolving and delayed draw loan commitments	\$ 383,674	\$ 418,880
Less: drawn commitments	(93,901)	(122,925)
Total undrawn commitments	289,773	295,955
Less: commitments substantially at discretion of the Company	(6,833)	(6,000)
Less: unavailable commitments due to borrowing base or other covenant restrictions		
Total net adjusted undrawn revolving and delayed draw loan commitments	\$ 282,940	\$ 289,955

Included within the total revolving and delayed draw loan commitments as of June 30, 2016 and December 31, 2015 were delayed draw loan commitments totaling \$146,965 and \$148,609, respectively. The Company's commitment to fund delayed draw loans is triggered upon the satisfaction of certain pre-negotiated terms and conditions. Generally, the most significant and uncertain term requires the borrower to satisfy a specific use of proceeds covenant. The use of proceeds covenant typically requires the borrower to use the additional loans for the specific purpose of a permitted acquisition or permitted investment, for example. In addition to the use of proceeds covenant, the borrower is generally required to satisfy additional negotiated covenants (including specified leverage levels).

Also included within the total revolving and delayed draw loan commitments as of June 30, 2016 were commitments to issue up to \$46,625 in letters of credit through a financial intermediary on behalf of certain portfolio companies. As of June 30, 2016, the Company had \$14,042 in letters of credit issued and outstanding under these commitments on behalf of portfolio companies. For all these letters of credit issued and outstanding, the Company would be required to make payments to third parties if the portfolio companies were to default on their related payment obligations. None of these letters of credit issued and outstanding are recorded as a liability on the Company's balance sheet as such letters of credit are considered in the valuation of the investments in the portfolio company. Of these letters of credit, \$2,882 expire in 2016 and \$11,160 expire in 2017.

The Company also has commitments to co-invest in the SSLP for the Company's portion of the SSLP's commitments to fund delayed draw loans to certain portfolio companies of the SSLP. See Note 4 for more information.

As of June 30, 2016 and December 31, 2015, the Company was party to subscription agreements to fund equity investments in private equity investment partnerships as follows:

	As of	
	June 30, 2016	December 31, 2015
Total private equity commitments	\$ 107,000	\$ 107,000
Less: funded private equity commitments	(21,183)	(20,896)
Total unfunded private equity commitments	85,817	86,104
Less: private equity commitments substantially at discretion of the Company	(84,520)	(84,554)
Total net adjusted unfunded private equity commitments	\$ 1,297	\$ 1,550

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In the ordinary course of business, the Company may sell certain of its investments to third party purchasers. In particular, in connection with the sale of certain controlled portfolio company equity investments (as well as certain other sales) the Company has, and may continue to do so in the future, agreed to indemnify such purchasers for future liabilities arising from the investments and the related sale transaction. Such indemnification provisions have given rise to liabilities in the past and may do so in the future.

### 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows ASC 825-10, which provides companies the option to report selected financial assets and liabilities at fair value. ASC 825-10 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities and to more easily understand the effect of the company's choice to use fair value on its earnings. ASC 825-10 also requires entities to display the fair value of the selected assets and liabilities on the face of the balance sheet. The Company has not elected the ASC 825-10 option to report selected financial assets and liabilities at fair value. With the exception of the line items entitled "other assets" and "debt," which are reported at amortized cost, all assets and liabilities approximate fair value on the balance sheet. The carrying value of the lines titled "interest receivable," "receivable for open trades," "payable for open trades," "accounts payable and other liabilities," "base management fees payable," "income based fees payable," "capital gains incentive fees payable" and "interest and facility fees payable" approximate fair value due to their short maturity.

The Company also follows ASC 820-10, which expands the application of fair value accounting. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosure of fair value measurements. ASC 820-10 determines fair value to be the price that would be received for an investment in a current sale, which assumes an orderly transaction between market participants on the measurement date. ASC 820-10 requires the Company to assume that the portfolio investment is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market, which may be a hypothetical market. Market participants are defined as buyers and sellers in the principal or most advantageous market that are independent, knowledgeable, and willing and able to transact. In accordance with ASC 820-10, the Company has considered its principal market as the market in which the Company exits its portfolio investments with the greatest volume and level of activity. ASC 820-10 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. In accordance with ASC 820-10, these inputs are summarized in the three broad levels listed below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In addition to using the above inputs in investment valuations, the Company continues to employ the net asset valuation policy approved by the Company's board of directors that is consistent with ASC 820-10 (see Note 2). Consistent with the Company's valuation policy, it evaluates the source of inputs, including any markets in which the Company's investments are trading (or any markets in which securities with similar attributes are trading), in determining fair value. The Company's valuation policy considers the fact that because there is not a readily available market value for most of the investments in the Company's portfolio, the fair value of the investments must typically be determined using unobservable inputs.

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The Company's portfolio investments (other than as described below in the following paragraph) are typically valued using two different valuation techniques. The first valuation technique is an analysis of the enterprise value ("EV") of the portfolio company. Enterprise value means the entire value of the portfolio company to a market participant, including the sum of the values of debt and equity securities used to capitalize the enterprise at a point in time. The primary method for determining EV uses a multiple analysis whereby appropriate multiples are applied to the portfolio company's EBITDA (generally defined as net income before net interest expense, income tax expense, depreciation and amortization). EBITDA multiples are typically determined based upon review of market comparable transactions and publicly traded comparable companies, if any. The Company may also employ other valuation multiples to determine EV, such as revenues or, in the case of certain portfolio companies in the power generation industry, kilowatt capacity. The second method for determining EV uses a discounted cash flow analysis whereby future expected cash flows of the portfolio company are discounted to determine a present value using estimated discount rates (typically a weighted average cost of capital based on costs of debt and equity consistent with current market conditions). The EV analysis is performed to determine the value of equity investments, the value of debt investments in portfolio companies where the Company has control or could gain control through an option or warrant security, and to determine if there is credit impairment for debt investments. If debt investments are credit impaired, an EV analysis may be used to value such debt investments; however, in addition to the methods outlined above, other methods such as a liquidation or wind-down analysis may be utilized to estimate enterprise value. The second valuation technique is a yield analysis, which is typically performed for non-credit impaired debt investments in portfolio companies where the Company does not own a controlling equity position. To determine fair value using a yield analysis, a current price is imputed for the investment based upon an assessment of the expected market yield for a similarly structured investment with a similar level of risk. In the yield analysis, the Company considers the current contractual interest rate, the maturity and other terms of the investment relative to risk of the company and the specific investment. A key determinant of risk, among other things, is the leverage through the investment relative to the enterprise value of the portfolio company. As debt investments held by the Company are substantially illiquid with no active transaction market, the Company depends on primary market data, including newly funded transactions, as well as secondary market data with respect to high yield debt instruments and syndicated loans, as inputs in determining the appropriate market yield, as applicable.

For other portfolio investments such as investments in the SSLP Certificates, discounted cash flow analysis is the primary technique utilized to determine fair value. Expected future cash flows associated with the investment are discounted to determine a present value using a discount rate that reflects estimated market return requirements.

The following tables summarize the significant unobservable inputs the Company used to value the majority of its investments categorized within Level 3 as of June 30, 2016 and December 31, 2015. The

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tables are not intended to be all-inclusive, but instead capture the significant unobservable inputs relevant to the Company's determination of fair values.

As of June 30, 2016

Asset Category	Fair Value	Primary Valuation Techniques	Unobservable Input Input	Unobservable Input Estimated Range	Weighted Average
First lien senior secured loans	\$ 2,554,137	Yield analysis	Market yield	5.1% - 21.8%	9.0%
Second lien senior secured loans	2,766,025	Yield analysis	Market yield	8.5% - 18.2%	10.7%
Subordinated certificates of the SSLP	1,899,754	Discounted cash flow analysis	Discount rate	9.3% - 10.3%	9.8%
Senior subordinated debt	714,238	Yield analysis	Market yield	8.3% - 14.5%	12.2%
Preferred equity securities	372,531	EV market multiple analysis	EBITDA multiple	3.8x - 14.8x	7.3x
Other equity securities and other	585,829	EV market multiple analysis	EBITDA multiple	5.5x - 16.5x	10.2x
<b>Total Investments</b>	<b>\$ 8,892,514</b>				
Derivatives	\$ 4,906	Yield analysis	Market yield	6.8% - 10.0%	7.6%
<b>Total Other Assets</b>	<b>\$ 4,906</b>				

As of December 31, 2015

Asset Category	Fair Value	Primary Valuation Techniques	Unobservable Input Input	Unobservable Input Estimated Range	Weighted Average
First lien senior secured loans	\$ 2,638,784	Yield analysis	Market yield	4.0% - 16.5%	9.2%
Second lien senior secured loans	2,861,294	Yield analysis	Market yield	8.5% - 19.5%	10.6%
Subordinated certificates of the SSLP	1,884,861	Discounted cash flow analysis	Discount rate	10.5% - 11.5%	11.0%
Senior subordinated debt	654,066	Yield analysis	Market yield	8.3% - 15.8%	12.2%
Preferred equity securities	375,830	EV market multiple analysis	EBITDA multiple	4.0x - 14.8x	7.2x
Other equity securities and other	630,026	EV market multiple analysis	EBITDA multiple	4.0x - 14.8x	10.2x
<b>Total Investments</b>	<b>\$ 9,044,861</b>				
Derivatives	\$ 2,602	Yield analysis	Market yield	7.0% - 7.6%	7.4%
<b>Total Other Assets</b>	<b>\$ 2,602</b>				

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Changes in market yields, discount rates or EBITDA multiples, each in isolation, may change the fair value of certain of the Company's investments. Generally, an increase in market yields or discount rates or decrease in EBITDA multiples may result in a decrease in the fair value of certain of the Company's investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's investments may differ significantly from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize. Further, such investments are generally subject to legal and other restrictions on resale or otherwise are less liquid than publicly traded securities. If the Company was required to liquidate a portfolio investment in a forced or liquidation sale, it could realize significantly less than the value at which the Company has recorded it.

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In addition, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the unrealized gains or losses reflected in the valuations currently assigned.

The following table presents fair value measurements of cash and cash equivalents, investments and derivatives as of June 30, 2016:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 125,926	\$ 125,926	\$	\$
Investments not measured at net asset value	\$ 8,894,200	\$ 1,686	\$	\$ 8,892,514
Investments measured at net asset value(1)	\$ 6,177			
<b>Total Investments</b>	<b>\$ 8,900,377</b>			
Derivatives	\$ 4,794	\$	\$ (112)	\$ 4,906

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

The following table presents fair value measurements of cash and cash equivalents, investments and derivatives as of December 31, 2015:

	Fair Value Measurements Using			
	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 257,056	\$ 257,056	\$	\$
Investments not measured at net asset value	\$ 9,048,233	\$ 3,372	\$	\$ 9,044,861
Investments measured at net asset value (1)	\$ 7,263			
<b>Total Investments</b>	<b>\$ 9,055,496</b>			
Derivatives	\$ 3,857	\$	\$ 1,255	\$ 2,602

- (1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheet.

Transfers between levels, if any, are recognized at the beginning of the quarter in which the transfers occur.

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The following table presents changes in investments that use Level 3 inputs as of and for the three and six months ended June 30, 2016:

	<b>As of and For the Three Months Ended June 30, 2016</b>	
Balance as of March 31, 2016	\$	9,057,159
Net realized gains		28,937
Net unrealized gains		24,361
Purchases		516,637
Sales		(161,436)
Redemptions		(586,300)
Payment-in-kind interest and dividends		11,673
Net accretion of discount on securities		1,483
Net transfers in and/or out of Level 3		
Balance as of June 30, 2016	\$	8,892,514

	<b>As of and For the Six Months Ended June 30, 2016</b>	
Balance as of December 31, 2015	\$	9,044,861
Net realized gains		54,070
Net unrealized gains		20,589
Purchases		1,009,706
Sales		(288,483)
Redemptions		(964,919)
Payment-in-kind interest and dividends		19,850
Net accretion of discount on securities		2,815
Net transfers in and/or out of Level 3		(5,975)
Balance as of June 30, 2016	\$	8,892,514

As of June 30, 2016, the net unrealized depreciation on the investments that use Level 3 inputs was \$85,683. For the six months ended June 30, 2016, the net transfers out of Level 3 were due to privately held equity investments converting to publicly traded stock.

The following table presents changes in derivatives that use Level 3 inputs as of and for the three and six months ended June 30, 2016:

	<b>As of and For the Three Months Ended June 30, 2016</b>	
Balance as of March 31, 2016	\$	4,019
Net unrealized gains		887
Balance as of June 30, 2016	\$	4,906

	<b>As of and For the Six Months Ended June 30, 2016</b>	
Balance as of December 31, 2015	\$	2,602

Explanation of Responses:

Net unrealized gains		2,304
Balance as of June 30, 2016	\$	4,906

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As of June 30, 2016, the net unrealized appreciation on the derivatives that use Level 3 inputs was \$4,906.

For the three and six months ended June 30, 2016, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of June 30, 2016, and reported within the net unrealized gains (losses) from investments, foreign currency and other transactions in the Company's consolidated statement of operations was \$45,027 and \$44,694, respectively.

The following table presents changes in investments that use Level 3 inputs as of and for the three and six months ended June 30, 2015:

	<b>As of and For the Three Months Ended June 30, 2015</b>	
Balance as of March 31, 2015	\$	8,468,594
Net realized gains		24,531
Net unrealized losses		14,323
Purchases		815,048
Sales		(351,483)
Redemptions		(415,153)
Payment-in-kind interest and dividends		4,104
Net accretion of discount on securities		996
Net transfers in and/or out of Level 3		(1,101)
Balance as of June 30, 2015	\$	8,559,859

	<b>As of and For the Six Months Ended June 30, 2015</b>	
Balance as of December 31, 2014	\$	9,016,437
Net realized gains		51,758
Net unrealized losses		(34,694)
Purchases		1,388,870
Sales		(812,559)
Redemptions		(1,063,176)
Payment-in-kind interest and dividends		12,230
Net accretion of discount on securities		2,094
Net transfers in and/or out of Level 3		(1,101)
Balance as of June 30, 2015	\$	8,559,859

As of June 30, 2015, the net unrealized appreciation on the investments that use Level 3 inputs was \$111,229. For the three and six months ended June 30, 2015, the net transfers out of Level 3 were due to privately held equity investments converting to publicly traded stock.

For the three and six months ended June 30, 2015, the total amount of gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to the Company's Level 3 assets still held as of June 30, 2015, and reported within the net unrealized gains (losses) from investments, foreign currency and other transactions in the Company's consolidated statement of operations was \$19,035 and \$(8,330), respectively.

Following are the carrying and fair values of the Company's debt obligations as of June 30, 2016 and December 31, 2015. Fair value is estimated by discounting remaining payments using applicable

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current market rates, which take into account changes in the Company's marketplace credit ratings, or market quotes, if available.

	As of			
	June 30, 2016		December 31, 2015	
	Carrying value(1)	Fair value	Carrying value(1)	Fair value
Revolving Credit Facility	\$ 1,165,000	\$ 1,165,000	\$ 515,000	\$ 515,000
Revolving Funding Facility	53,000	53,000	250,000	250,000
SMBC Funding Facility	122,000	122,000	110,000	110,000
SBA Debentures	24,446	25,000	21,491	22,000
February 2016 Convertible Notes (principal amount outstanding of \$0 and \$575,000, respectively)		(2)	573,935(3)	575,058
June 2016 Convertible Notes (principal amount outstanding of \$0 and \$230,000, respectively)		(2)	228,008(3)	230,058
2017 Convertible Notes (principal amount outstanding of \$162,500)	160,990(3)	166,512	159,958(3)	164,206
2018 Convertible Notes (principal amount outstanding of \$270,000)	265,694(3)	280,181	264,392(3)	270,877
2019 Convertible Notes (principal amount outstanding of \$300,000)	295,333(3)	312,063	294,479(3)	299,061
2018 Notes (principal amount outstanding of \$750,000)	744,084(4)	782,318	742,954(4)	777,405
2020 Notes (principal amount outstanding of \$600,000)	594,868(5)	623,472	594,201(5)	607,128
October 2022 Notes (principal amount outstanding of \$182,500)	178,189(6)	186,170	177,912(6)	182,009
2047 Notes (principal amount outstanding of \$229,557)	181,750(7)	231,183	181,604(7)	230,228
	\$ 3,785,354(8)	\$ 3,946,899	\$ 4,113,934(8)	\$ 4,233,030

- (1) The Revolving Credit Facility, the Revolving Funding Facility and the SMBC Funding Facility carrying values are the same as the principal amounts outstanding.
- (2) See Note 5 for more information on the repayments of the February 2016 Convertible Notes and the June 2016 Convertible Notes.
- (3) Represents the aggregate principal amount outstanding of the Convertible Unsecured Notes less unamortized debt issuance costs and the unaccreted discount recorded upon the issuances of such notes.
- (4) Represents the aggregate principal amount outstanding of the 2018 Notes less unamortized debt issuance costs plus the net unamortized premium that was recorded upon the issuances of the 2018 Notes.
- (5) Represents the aggregate principal amount outstanding of the 2020 Notes less unamortized debt issuance costs and the net unaccreted discount recognized on the issuances of the 2020 Notes.
- (6) Represents the aggregate principal amount outstanding of the October 2022 Notes less unamortized debt issuance costs.
- (7) Represents the aggregate principal amount outstanding of the 2047 Notes less the unaccreted purchased discount.
- (8) Total principal amount of debt outstanding totaled \$3,859,557 and \$4,196,557 as of June 30, 2016 and December 31, 2015, respectively.



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The following table presents fair value measurements of the Company's debt obligations as of June 30, 2016 and December 31, 2015:

Fair Value Measurements Using	As of	
	June 30, 2016	December 31, 2015
Level 1	\$ 417,353	\$ 412,237
Level 2	3,529,546	3,820,793
Total	\$ 3,946,899	\$ 4,233,030

### 9. STOCKHOLDERS' EQUITY

There were no sales of the Company's equity securities for the six months ended June 30, 2016 and 2015. See Note 11 for information regarding shares of common stock issued or purchased in accordance with the Company's dividend reinvestment plan.

#### *Stock Repurchase Program*

In September 2015, the Company's board of directors approved a stock repurchase program authorizing the Company to repurchase up to \$100 million in the aggregate of its outstanding common stock in the open market at certain thresholds below its net asset value per share, in accordance with the guidelines specified in Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The timing, manner, price and amount of any share repurchases will be determined by the Company, in its discretion, based upon the evaluation of economic and market conditions, stock price, applicable legal and regulatory requirements and other factors. The program will be in effect until February 28, 2017, unless extended or until the approved dollar amount has been used to repurchase shares. The program does not require the Company to repurchase any specific number of shares and it cannot assure stockholders that any shares will be repurchased under the program. The program may be suspended, extended, modified or discontinued at any time. As of June 30, 2016, the Company had repurchased a total of 515 shares of its common stock in the open market under the stock repurchase program since its inception in September 2015, at an average price of \$13.92 per share, including commissions paid, leaving approximately \$92.8 million available for additional repurchases under the program.

In May 2016, the Company suspended its stock repurchase program pending the completion of the American Capital Acquisition (see Note 14 for more information). During the six months ended June 30, 2016, the Company repurchased a total of 393 shares of the Company's common stock in the open market for \$5,477 under the stock repurchase program. The shares were repurchased at an average price of \$13.94 per share, including commissions paid.

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**10. EARNINGS PER SHARE**

The following information sets forth the computations of basic and diluted net increase in stockholders' equity resulting from operations per share for the three and six months ended June 30, 2016 and 2015:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2016	2015	2016	2015
Net increase in stockholders' equity resulting from operations available to common stockholders	\$ 157,400	\$ 146,522	\$ 288,941	\$ 247,098
Weighted average shares of common stock outstanding basic and diluted	313,954	314,469	314,124	314,289
Basic and diluted net increase in stockholders' equity resulting from operations per share	\$ 0.50	\$ 0.47	\$ 0.92	\$ 0.79

For the purpose of calculating diluted net increase in stockholders' equity resulting from operations per share, the average closing price of the Company's common stock for the three and six months ended June 30, 2016 was less than the conversion price for each of the Convertible Unsecured Notes outstanding as of June 30, 2016 and 2015. For the three and six months ended June 30, 2015, the average closing price of the Company's common stock was less than the conversion price for each the Convertible Unsecured Notes outstanding as well as the February 2016 Convertible Notes and the June 2016 Convertible Notes. Therefore, for all periods presented in the financial statements, the underlying shares for the intrinsic value of the embedded options in the Convertible Unsecured Notes, the February 2016 Convertible Notes and the June 2016 Convertible Notes have no impact on the computation of diluted net increase in stockholders' equity resulting from operations per share.

**11. DIVIDENDS AND DISTRIBUTIONS**

The following table summarizes the Company's dividends declared and payable during the six months ended June 30, 2016 and 2015:

Date declared	Record date	Payment date	Per share amount	Total amount
May 4, 2016	June 15, 2016	June 30, 2016	\$ 0.38	\$ 119,303
February 26, 2016	March 15, 2016	March 31, 2016	0.38	119,452
Total declared and payable for the six months ended June 30, 2016			\$ 0.76	\$ 238,755
May 4, 2015	June 15, 2015	June 30, 2015	\$ 0.38	\$ 119,498
February 26, 2015	March 13, 2015	March 31, 2015	0.38	119,361
February 26, 2015	March 13, 2015	March 31, 2015	0.05(1)	15,705
Total declared and payable for the six months ended June 30, 2015			\$ 0.81	\$ 254,564

(1) Represents an additional dividend.

The Company has a dividend reinvestment plan, whereby the Company may buy shares of its common stock in the open market or issue new shares in order to satisfy dividend reinvestment requests. When the Company issues new shares in connection with the dividend reinvestment plan, the

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issue price is equal to the closing price of its common stock on the dividend payment date. Dividend reinvestment plan activity for the six months ended June 30, 2016 and 2015, was as follows:

	For the Six Months Ended	
	June 30,	
	2016	2015
Shares issued		361
Average issue price per share	\$	\$ 17.17
Shares purchased by plan agent to satisfy dividends declared and payable during the period for stockholders	765	302
Average purchase price per share	\$ 14.55	\$ 16.51

### 12. RELATED PARTY TRANSACTIONS

In accordance with the investment advisory and management agreement, the Company bears all costs and expenses of the operation of the Company and reimburses its investment adviser or its affiliates for certain of such costs and expenses incurred in the operation of the Company. For the three and six months ended June 30, 2016, the Company's investment adviser or its affiliates incurred such expenses totaling \$1,096 and \$2,707, respectively. For the three and six months ended June 30, 2015, the Company's investment adviser or its affiliates incurred such expenses totaling \$1,267 and \$2,834, respectively.

The Company is party to office leases pursuant to which it is leasing office facilities from third parties. For certain of these office leases, the Company has also entered into separate subleases with Ares Management LLC, the sole member of Ares Capital Management, and IHAM, pursuant to which Ares Management LLC and IHAM sublease a portion of these leases. For the three and six months ended June 30, 2016, amounts payable to the Company under these subleases totaled \$1,638 and \$3,303, respectively. For the three and six months ended June 30, 2015, amounts payable to the Company under these subleases totaled \$1,053 and \$2,210, respectively.

Ares Management LLC has also entered into separate subleases with the Company, pursuant to which the Company subleases certain office spaces from Ares Management LLC. For the three and six months ended June 30, 2016, amounts payable to Ares Management LLC under these subleases totaled \$160 and \$325, respectively. For the three and six months ended June 30, 2015, amounts payable to Ares Management LLC under these subleases totaled \$187 and \$374, respectively.

The Company has also entered into agreements with Ares Management LLC and IHAM, pursuant to which Ares Management LLC and IHAM are entitled to use the Company's proprietary portfolio management software. For the three and six months ended June 30, 2016, amounts payable to the Company under these agreements totaled \$25 and \$50, respectively. For the three and six months ended June 30, 2015, amounts payable to the Company under these agreements totaled \$25 and \$50, respectively.

See Notes 3, 4, 6 and 14 for descriptions of other related party transactions.

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**13. FINANCIAL HIGHLIGHTS**

The following is a schedule of financial highlights as of and for the six months ended June 30, 2016 and 2015

Per Share Data:	As of and For the Six Months Ended June 30,	
	2016	2015
Net asset value, beginning of period(1)	\$ 16.46	\$ 16.82
Net investment income for period(2)	0.69	0.73
Net realized and unrealized gains for period(2)	0.23	0.06
Net increase in stockholders' equity	0.92	0.79
Total distributions to stockholders(3)	(0.76)	(0.81)
Net asset value at end of period(1)	\$ 16.62	\$ 16.80
Per share market value at end of period	\$ 14.20	\$ 16.46
Total return based on market value(4)	4.98%	10.63%
Total return based on net asset value(5)	5.54%	4.73%
Shares outstanding at end of period	313,954	314,469
Ratio/Supplemental Data:		
Net assets at end of period	\$ 5,218,041	\$ 5,282,441
Ratio of operating expenses to average net assets(6)(7)	10.28%	10.13%
Ratio of net investment income to average net assets(6)(8)	8.42%	8.74%
Portfolio turnover rate(6)	23%	32%

(1) The net assets used equals the total stockholders' equity on the consolidated balance sheet.

(2) Weighted average basic per share data.

(3) Includes an additional dividend of \$0.05 per share for the three months ended March 31, 2015.

(4) For the six months ended June 30, 2016, the total return based on market value equaled the decrease of the ending market value at June 30, 2016 of \$14.20 per share from the ending market value at December 31, 2015 of \$14.25 per share plus the declared and payable dividends of \$0.76 per share for the six months ended June 30, 2016, divided by the market value at December 31, 2015. For the six months ended June 30, 2015, the total return based on market value equaled the increase of the ending market value at June 30, 2015 of \$16.46 per share from the ending market value at December 31, 2014 of \$15.61 per share plus the declared and payable dividends of \$0.81 per share for the six months ended June 30, 2015, divided by the market value at December 31, 2014. The Company's shares fluctuate in value. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

(5) For the six months ended June 30, 2016, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.76 per share for the six months ended June 30, 2016, divided by the beginning net asset value for the period. For the six months ended June 30, 2015, the total return based on net asset value equaled the change in net asset value during the period plus the declared and payable dividends of \$0.81 per share for the six months ended June 30, 2015, divided by the beginning net asset value for the period. These calculations are adjusted for shares issued in connection with the dividend reinvestment plan, the issuance of common stock in connection with any equity offerings and the equity components of any convertible notes issued during the period. The Company's performance changes over time and currently may be different than that shown. Past performance is no guarantee of future results.

- (6) The ratios reflect an annualized amount.
- (7) For the six months ended June 30, 2016, the ratio of operating expenses to average net assets consisted of 2.67% of base management fees, 2.79% of income based fees and capital gains incentive fees, 3.69% of the cost of borrowing and 1.13% of other operating expenses. For the six months ended June 30, 2015, the ratio of operating expenses to average net assets consisted of 2.55% of base management fees, 2.35% of income based fees and capital gains incentive fees, 4.37% of the cost of borrowing and 0.86% of other operating expenses.
- (8) The ratio of net investment income to average net assets excludes income taxes related to realized gains and losses.

#### 14. AMERICAN CAPITAL ACQUISITION

On May 23, 2016, the Company entered into a definitive agreement (the "Merger Agreement") to acquire American Capital, Ltd. ("American Capital"), a Delaware corporation, in a cash and stock transaction (the "American Capital Acquisition"). As of May 20, 2016, the last full trading day prior to the announcement of the American Capital Acquisition, the transaction had an implied value of approximately \$4.0 billion, or \$17.40 per fully diluted share of American Capital common stock. As of June 30, 2016, the transaction had an implied value of approximately \$3.9 billion, or \$16.92 per fully diluted share of American Capital common stock.

Upon the completion of the American Capital Acquisition, each share of American Capital common stock issued and outstanding immediately prior to the effective time of the American Capital Acquisition will be converted into the right to receive from the Company, in accordance with the Merger Agreement, (i) \$6.41 per share in cash consideration, (ii) stock consideration at the fixed exchange ratio of 0.483 shares, par value \$0.001 per share, of the Company's common stock (subject to certain limited exceptions) (the "Exchange Ratio") and (iii) (A) if the closing occurs after the record date with respect to the Company's dividend payable with respect to the fourth quarter of 2016, 37.5% of the Exchange Ratio times the Company's dividend for such quarter, plus (B) if the closing occurs after the record date with respect to the Company's dividend payable with respect to the first quarter of 2017, 75% of the Exchange Ratio times the Company's dividend for such quarter, plus (C) if the closing occurs after the record date with respect to the Company's dividend for any subsequent quarter, 100% of the Exchange Ratio times the Company's dividend for such quarter. The Exchange Ratio was fixed on the date of the Merger Agreement, and is not subject to adjustment based on changes in the trading price of the Company's or American Capital's common stock before the closing of the American Capital Acquisition. Based on the number of shares of American Capital common stock outstanding on the date of the Merger Agreement, the above would result in approximately 110.8 million of the Company's shares being exchanged for approximately 229.3 million outstanding shares of American Capital common stock, subject to adjustment in certain limited circumstances.

Additionally, in accordance with the Merger Agreement, each share of American Capital common stock issued and outstanding immediately prior to the effective time of the American Capital Acquisition will have the right to receive (i) \$1.20 per share in cash from Ares Capital Management, acting solely on its own behalf (see Transaction Support Agreement discussed below) and (ii) \$2.45 per share in cash, which amount represents the per share cash consideration paid to American Capital pursuant to the sale by American Capital of American Capital Mortgage Management, LLC, a wholly owned subsidiary of American Capital Asset Management, LLC ("ACAM"), a wholly owned portfolio company of American Capital, to American Capital Agency Corp.

In connection with the American Capital Acquisition, ACAM will merge with and into IHAM, with IHAM as the surviving entity.

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The completion of the American Capital Acquisition is subject to certain conditions, including, among others, American Capital stockholder approval, Ares Capital stockholder approval, required regulatory approvals (including expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended), receipt of certain third party consents, including third party consents from certain investment funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016 and other customary closing conditions. While there can be no assurances as to the exact timing, or that the American Capital Acquisition will be completed at all, the Company expects to complete the American Capital Acquisition as early as the first week of January 2017.

Additionally, on May 23, 2016, the Company entered into an agreement with Ares Capital Management, its investment adviser (the "Transaction Support Agreement") in connection with the American Capital Acquisition. Under the terms of the Transaction Support Agreement, the Company's investment adviser will (i) provide \$275 million of cash consideration, or \$1.20 per share of American Capital common stock, payable to American Capital stockholders in accordance with the terms and conditions set forth in the Merger Agreement at closing and (ii) waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the American Capital Acquisition, the lesser of (x) \$10 million of income based fees and (y) the amount of income based fees for such quarter, in each case, to the extent earned and payable by the Company in such quarter pursuant to and as calculated under the Company's investment advisory and management agreement. The financial support contemplated by the Transaction Support Agreement is conditioned upon completion of the American Capital Acquisition, which is subject to the closing conditions described above.

The American Capital Acquisition is expected to be accounted for as an asset acquisition in accordance with the asset acquisition method of accounting as detailed in ASC 805-50, *Business Combinations - Related Issues*. The fair value of the merger consideration paid by the Company is allocated to the assets acquired and liabilities assumed based on their relative fair values as of the date of acquisition and will not give rise to goodwill. If the fair value of the net assets acquired exceeds the fair value of the merger consideration paid by the Company, then the Company would recognize a deemed contribution from Ares Capital Management in an amount up to the cash consideration to be paid by Ares Capital Management described above. If the fair value of the net assets acquired exceeds the fair value of the aggregate merger consideration paid by the Company and by Ares Capital Management, then the Company would recognize a purchase accounting gain. Alternatively, if the fair value of the net assets acquired is less than the fair value of the merger consideration paid by the Company, then Ares Capital would recognize a purchase accounting loss.

Also in connection with the American Capital Acquisition, Ares Capital CP received commitments from certain lenders to provide \$460.0 million in new commitments under the Revolving Funding Facility, which would bring the total commitments of the Revolving Funding Facility to \$1.0 billion. The new commitments are conditioned upon completion of the American Capital Acquisition, which is subject to certain closing conditions described above, and also are subject to final documentation of the amendment to the Revolving Funding Facility.

In May 2016, in connection with the American Capital Acquisition, the Company suspended its stock repurchase program pending the completion of the American Capital Acquisition.

### 15. LITIGATION

On or about June 24, 2016, Larry Sutton filed a putative shareholder class action allegedly on behalf of holders of the common stock of American Capital against the members of American Capital's board of directors in the Circuit Court for Montgomery County, Maryland in connection with the American Capital Acquisition. The action alleges that the American Capital's directors failed to

adequately discharge their fiduciary duties to the public shareholders of American Capital by failing to take steps necessary to obtain for the shareholders the highest value available in the marketplace for their shares in the proposed American Capital Acquisition. The complaint further alleges that the directors exacerbated this failure by including deal protection devices in the proposed merger with the Company that precluded other bidders from making a higher offer to American Capital. A purported claim is asserted against the Company for aiding and abetting American Capital's directors' alleged breaches of their fiduciary duties. The complaint seeks to enjoin the shareholder vote on the proposed American Capital Acquisition until American Capital adopts a process to obtain a transaction providing the best available terms for the shareholders. In the event that the proposed American Capital Acquisition is completed, the complaint seeks to recover compensatory damages for all losses resulting from the alleged breaches of fiduciary duty. See Note 16 for information on three additional lawsuits filed after June 30, 2016 with respect to the American Capital Acquisition. The Company believes that this claim is without merit and intends to vigorously defend against it. See Note 14 for information regarding the American Capital Acquisition.

On May 20, 2013, the Company was named as one of several defendants in an action (the "Action") filed in the United States District Court for the Eastern District of Pennsylvania (the "Pennsylvania Court") by the bankruptcy trustee of DSI Renal Holdings LLC and two related companies. On March 17, 2014, the Action was transferred to the United States District Court for the District of Delaware (the "Delaware Court") pursuant to a motion filed by the defendants and granted by the Pennsylvania Court. On May 6, 2014, the Delaware Court referred the Action to the United States Bankruptcy Court for the District of Delaware. The complaint in the Action alleges, among other things, that each of the named defendants participated in a purported "fraudulent transfer" involving the restructuring of a subsidiary of DSI Renal Holdings LLC. Among other things, the complaint seeks, jointly and severally from all defendants, (1) damages of approximately \$425 million, of which the complaint states the Company's individual share is approximately \$117 million, and (2) punitive damages. The Company is currently unable to assess with any certainty whether it may have any exposure in the Action. The Company believes the plaintiff's claims are without merit and intends to vigorously defend itself in the Action.

Additionally, the Company is party to certain lawsuits in the normal course of business. In addition, Allied Capital was involved in various legal proceedings that the Company assumed in connection with the Allied Acquisition. Furthermore, third parties may try to seek to impose liability on the Company in connection with the activities of its portfolio companies. While the outcome of any such legal proceedings cannot at this time be predicted with certainty, the Company does not expect that these legal proceedings will materially affect its business, financial condition or results of operations.

## 16. SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through the date of issuance of the consolidated financial statements included herein. There have been no subsequent events that occurred during such period that would require disclosure in this Form 10-Q or would be required to be recognized in the consolidated financial statements as of and for the six months ended June 30, 2016, except as disclosed below.

In July 2016, the Company and Varagon and its clients completed the initial funding of the SDLP. As part of the initial funding, pursuant to the forward sale agreement described in Note 6 above, the Company sold \$529 million of investment commitments to the SDLP, including \$55 million of unfunded commitments, and recorded no realized gains or losses. Varagon and its clients sold \$503 million of investment commitments to the SDLP, including \$51 million of unfunded commitments. Immediately following these sales to the SDLP, the funded SDLP portfolio totaled \$926 million and was comprised of 10 first lien senior secured loans to U.S. middle-market companies and the unfunded commitments

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to fund delayed draw loans to certain of its portfolio companies totaled \$106 million. To support the acquisition of the initial funded portfolio by the SDLP, clients of Varagon provided \$704 million of capital to the SDLP in the form of notes and \$28 million in the form of SDLP Certificates, while the Company provided \$194 million of capital in the form of SDLP Certificates. The Company and a client of Varagon own 87.5% and 12.5%, respectively, of the outstanding SDLP Certificates. The Company estimates that the initial yield on its investment in the SDLP Certificates will be at least 13.5%. Following this initial funding, the SDLP will make first lien senior secured loans directly to U.S. middle-market companies.

On or about July 12, 2016, Renee J. Bercury, Renee J. Bercury IRA, William T. Bercury, William T. Bercury IRA, Atha P. Bercury, John G. Bercury, and Bercury Homes, Ltd. filed a putative shareholder class action allegedly on behalf of holders of the common stock of American Capital against the members of American Capital's board of directors in the Circuit Court for Montgomery County, Maryland. The action alleges that American Capital's directors failed to adequately discharge their fiduciary duties to the public shareholders of American Capital by failing to take steps necessary to obtain for the shareholders the highest value available in the marketplace for their shares in the proposed American Capital Acquisition. The complaint further alleges that the proposed American Capital Acquisition was the product of a flawed sales process due to the directors' conflicts of interest and use of deal protection devices in the proposed American Capital Acquisition that precluded other bidders from making a higher offer to American Capital. A purported claim is asserted against the Company for aiding and abetting American Capital's directors' alleged breaches of their fiduciary duties. The complaint seeks to enjoin the shareholder vote on the proposed American Capital Acquisition until American Capital adopts a process to obtain a transaction providing the best available terms for the shareholders. In the event that the proposed American Capital Acquisition is completed, the complaint seeks to recover compensatory damages for all losses resulting from the alleged breaches of fiduciary duty. The Company believes that this claim is without merit and intends to vigorously defend against it.

On or about July 21, 2016, Garry Tischler filed a putative shareholder class action allegedly on behalf of all shareholders of American Capital against the members of American Capital's board of directors in the Circuit Court for Montgomery County, Maryland. The action alleges that the American Capital directors failed to adequately discharge their fiduciary duties to the shareholders of American Capital by failing to take steps necessary to obtain for the shareholders the highest value available in the marketplace for their shares in the proposed American Capital Acquisition. The complaint further alleges that American Capital's directors exacerbated this failure by including deal protection devices in the proposed American Capital Acquisition that precluded other bidders from making a higher offer to American Capital and by relying upon guidance from a conflicted financial advisor that owned common stock in the Company and stood to directly benefit from the proposed American Capital Acquisition. A purported claim is asserted against the Company for aiding and abetting the American Capital directors' alleged breaches of their fiduciary duties. The complaint seeks to enjoin the proposed American Capital Acquisition, including the shareholder vote on the proposed American Capital Acquisition. In the alternative, the complaint seeks to amend or enjoin the deal protection devices as necessary to ensure a fair sales process. In the event that the American Capital Acquisition is completed, the complaint seeks to recover compensatory damages for all losses resulting from the alleged breaches of fiduciary duty. The Company believes that this claim is without merit and intends to vigorously defend against it.

On or about July 27, 2016, Paul Barba filed a putative shareholder class action allegedly on behalf of holders of the common stock of American Capital against the members of American Capital's board of directors in the Circuit Court for Montgomery County, Maryland. The action alleges that the directors failed to adequately discharge their fiduciary duties to the public shareholders of American Capital by engaging in a flawed sales process that commenced due to the board's manipulation by a

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major shareholder, Elliott Management Corp ("Elliott"). The complaint also alleges that the directors then failed to obtain for the shareholders the highest value available in the marketplace for their shares in the proposed American Capital Acquisition. The complaint alleges that the proposed American Capital Acquisition was the product of a flawed sales process due to Elliott's continued manipulation of the directors, the use of deal protection devices in the proposed American Capital Acquisition that precluded other bidders from making a higher offer to American Capital, and the directors' reliance on conflicted financial advisors with ties to the Company or Elliott. A purported claim is asserted against the Company for aiding and abetting American Capital's directors' alleged breaches of their fiduciary duties. The complaint seeks to enjoin the proposed American Capital Acquisition. In the event that the proposed American Capital Acquisition is completed, the complaint seeks to recover compensatory damages for all losses resulting from the alleged breaches of fiduciary duty. The Company believes that these claims are without merit and intends to vigorously defend against them.

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of American Capital, Ltd.

We have audited American Capital, Ltd.'s internal control over financial reporting as of December 31, 2015 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). American Capital, Ltd.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, American Capital, Ltd. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of American Capital, Ltd., including the consolidated schedules of investments, as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2015, and the consolidated financial highlights for each of the five years in the period ended December 31, 2015 and our report dated February 16, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 16, 2016

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**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of American Capital, Ltd.

We have audited the accompanying consolidated balance sheets of American Capital, Ltd., including the consolidated schedules of investments, as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, changes in net assets, and cash flows for each of the three years in the period ended December 31, 2015, and the consolidated financial highlights for each of the five years in the period ended December 31, 2015. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements, financial highlights, and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements, financial highlights, and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included verification by examination of securities held by custodians and brokers as of December 31, 2015, and confirmation of securities not held by the custodian by correspondence with brokers, or by other appropriate auditing procedures when replies from brokers were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the consolidated financial position of American Capital, Ltd. at December 31, 2015 and 2014, and the consolidated results of its operations, comprehensive income, changes in its net assets and its cash flows for each of the three years in the period ended December 31, 2015, and its consolidated financial highlights for each of the five years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), American Capital, Ltd.'s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 16, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia  
February 16, 2016

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)

	December 31,	
	2015	2014
<b>Assets</b>		
Investments at fair value		
Non-Control/Non-Affiliate investments (cost of \$2,368 and \$3,846, respectively)	\$ 2,097	\$ 3,472
Affiliate investments (cost of \$35 and \$29, respectively)	77	26
Control investments (cost of \$2,502 and \$2,542, respectively)	2,824	2,782
Total investments at fair value (cost of \$4,905 and \$6,417, respectively)	4,998	6,280
Cash and cash equivalents	483	676
Restricted cash and cash equivalents	46	167
Interest and dividend receivable	48	46
Deferred tax asset, net	198	354
Trade date settlement receivable	373	4
Other	98	113
Total assets	\$ 6,244	\$ 7,640
<b>Liabilities and Shareholders' Equity</b>		
Debt (\$204 and \$5 due within one year, respectively)	\$ 1,257	\$ 1,703
Trade date settlement liability	2	191
Long term incentive plan liability	34	82
Other	129	192
Total liabilities	1,422	2,168
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Undesignated preferred stock, \$0.01 par value, 5.0 shares authorized, 0 issued and outstanding		
Common stock, \$0.01 par value, 1,000.0 shares authorized, 247.3 and 271.1 issued and 242.6 and 266.9 outstanding, respectively	2	3
Capital in excess of par value	5,847	6,246
Cumulative translation adjustment, net of tax	(101)	(38)
Distributions in excess of net realized earnings	(879)	(505)
Net unrealized depreciation of investments	(47)	(234)
Total shareholders' equity	4,822	5,472
Total liabilities and shareholders' equity	\$ 6,244	\$ 7,640
<b>Net Asset Value Per Common Share Outstanding</b>	<b>\$ 19.88</b>	<b>\$ 20.50</b>

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

	Year Ended December 31,		
	2015	2014	2013
<b>Operating Revenue</b>			
Interest and dividend income			
Non-Control/Non-Affiliate investments	\$ 316	\$ 153	\$ 162
Affiliate investments	3	(3)	40
Control investments	288	263	221
Total interest and dividend income	607	413	423
Fee income			
Non-Control/Non-Affiliate investments	15	13	11
Affiliate investments		3	1
Control investments	49	42	52
Total fee income	64	58	64
Total operating revenue	671	471	487
<b>Operating Expenses</b>			
Interest	79	54	44
Salaries, benefits and stock-based compensation	137	168	156
European Capital management fees	13	5	
General and administrative	64	61	55
Total operating expenses	293	288	255
<b>Net Operating Income Before Income Taxes</b>	<b>378</b>	<b>183</b>	<b>232</b>
Tax provision	(125)	(66)	(76)
<b>Net Operating Income</b>	<b>253</b>	<b>117</b>	<b>156</b>
Net realized gain (loss)			
Non-Control/Non-Affiliate investments	(308)	39	(52)
Affiliate investments		(32)	11
Control investments	(388)	256	(63)
Foreign currency transactions	(18)	(17)	3
Derivative agreements and other	(4)	(41)	(14)
Tax benefit (provision)	91	(53)	60
Total net realized (loss) gain	(627)	152	(55)
Net unrealized appreciation (depreciation)			
Portfolio company investments	211	149	49
Foreign currency translation	27	(74)	52
Derivative agreements and other	67	35	19
Tax (provision) benefit	(118)	55	(37)
Total net unrealized appreciation	187	165	83
Total net (loss) gain	(440)	317	28

<b>Net (Decrease) Increase in Net Assets Resulting from Operations ("Net (Loss) Earnings")</b>	\$ (187)	\$ 434	\$ 184
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**Net Operating Income Per Common Share**

Basic	\$ 0.95	\$ 0.44	\$ 0.53
Diluted	\$ 0.95	\$ 0.42	\$ 0.51

**Net (Loss) Earnings Per Common Share**

Basic	\$ (0.70)	\$ 1.62	\$ 0.63
Diluted	\$ (0.70)	\$ 1.55	\$ 0.61

**Weighted Average Shares of Common Stock Outstanding**

Basic	267.2	268.2	291.6
Diluted	267.2	280.7	303.9

See accompanying notes.

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AMERICAN CAPITAL, LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Net (loss) earnings	\$ (187)	\$ 434	\$ 184
Other comprehensive income (loss):			
Cumulative translation adjustment, net of tax of \$(1), \$(7) and \$0, respectively	(63)	(38)	
Comprehensive (loss) income	\$ (250)	\$ 396	\$ 184

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(in millions, except per share data)

	Year Ended December 31,		
	2015	2014	2013
<b>Operations</b>			
Net operating income, net of tax	\$ 253	\$ 117	\$ 156
Net realized (loss) gain, net of tax	(627)	152	(55)
Net unrealized appreciation, net of tax	187	165	83
Net (loss) earnings	(187)	434	184
<b>Capital Share Transactions</b>			
Proceeds from issuance of common stock upon exercise of stock options	89	38	31
Repurchase of common stock	(526)	(137)	(561)
Stock-based compensation	31	42	32
Cumulative translation adjustment, net of tax	(63)	(38)	
Other	6	7	11
Net decrease in net assets resulting from capital share transactions	(463)	(88)	(487)
Total (decrease) increase in net assets	(650)	346	(303)
Net assets at beginning of period	5,472	5,126	5,429
Net assets at end of period	\$ 4,822	\$ 5,472	\$ 5,126
Net asset value per common share outstanding	\$ 19.88	\$ 20.50	\$ 18.97
Common shares outstanding at end of period	242.6	266.9	270.2

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Year Ended December 31,		
	2015	2014	2013
<b>Operating Activities</b>			
Net (loss) earnings	\$ (187)	\$ 434	\$ 184
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:			
Net unrealized appreciation of investments before income taxes	(305)	(110)	(120)
Net realized loss (gain) on investments before income taxes	718	(205)	115
Effects on exchange rate changes on assets and liabilities denominated in foreign currencies	4	(8)	
Accrued PIK interest and dividends on investments	(104)	(67)	(100)
Stock-based compensation	26	48	32
Increase in interest and dividend receivable	(2)	(20)	(4)
Decrease in deferred tax asset, net	160	60	52
(Increase) decrease in other assets	(16)	1	7
Increase in other liabilities	12	9	27
Payment of Long Term Incentive Plan Liability	(46)		
Other	10	3	
Net cash provided by operating activities	270	145	193
<b>Investing Activities</b>			
Purchases and originations of investments	(3,409)	(3,206)	(1,028)
(Fundings on) repayments from portfolio company revolving credit facility investments, net	(7)	(4)	72
Principal repayments on debt investments	915	755	645
Proceeds from loan syndications and loan sales	2,357	98	14
Payment of accrued PIK notes and dividend and accreted original issue discounts	61	389	187
Proceeds from equity investments	388	1,523	362
Decrease (increase) in cash collateral on total return swaps	100	(35)	(55)
Other	10	(24)	(24)
Net cash provided by (used in) investing activities	415	(504)	173
<b>Financing Activities</b>			
(Payments on) proceeds from revolving credit facilities	(305)	777	
(Payments on) proceeds from secured term loan	(138)		24
Payments on secured borrowings		(5)	(174)
Proceeds from unsecured borrowings			342
Payments on notes payable from asset securitizations			(178)
Decrease (increase) in debt service escrows	13	(15)	124
Proceeds from issuance of common stock upon exercise of stock options	89	38	31
Repurchase of common stock	(526)	(137)	(561)
Other	3	5	10
Net cash (used in) provided by financing activities	(864)	663	(382)
Effect of currency rate changes on cash and cash equivalents	(14)		
Net (decrease) increase in cash and cash equivalents	(179)	304	(16)
Cash and cash equivalents at beginning of period	676	315	331
Increase in cash due to consolidation of European Capital		57	
Cash and cash equivalents at end of period	\$ 483	\$ 676	\$ 315

**Supplemental Disclosures**

Cash paid for interest	\$	68	\$	47	\$	33
Cash paid (received) from taxes	\$	1	\$	(9)	\$	3

**Non-cash Investing Activities**

Equity investment received related to the management agreement of American Capital Equity III, LP	\$		\$	22	\$	
Equity investment received from the contribution of Structured Products investments	\$		\$		\$	25

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

(in millions, except per share data)

	Year Ended December 31,				
	2015	2014	2013	2012	2011
<b>Per Share Data</b>					
Net asset value at beginning of the period	\$ 20.50	\$ 18.97	\$ 17.84	\$ 13.87	\$ 10.71
Loss on extinguishment of debt, net of tax(1)				(0.01)	
Net operating income(1)	0.95	0.44	0.53	1.24	1.30
Net realized (loss) gain, net of tax(1)	(2.35)	0.57	(0.18)	(0.84)	(0.90)
Net unrealized appreciation, net of tax(1)	0.70	0.61	0.28	3.16	2.43
Net (loss) earnings(1)	(0.70)	1.62	0.63	3.55	2.83
Issuance of common stock from stock compensation plans	(0.56)	(0.23)	(0.20)	(0.24)	(0.05)
Repurchase of common stock	0.75	0.16	0.66	0.77	0.32
Cumulative translation adjustment, net of tax	(0.26)	(0.14)			
Other, net(2)	0.15	0.12	0.04	(0.11)	0.06
Net asset value at end of period	\$ 19.88	\$ 20.50	\$ 18.97	\$ 17.84	\$ 13.87
<b>Ratio/Supplemental Data</b>					
Per share market value at end of period	\$ 13.79	\$ 14.61	\$ 15.64	\$ 12.02	\$ 6.73
Total investment (loss) return(3)	(5.61)%	(6.59)%	30.12%	78.61%	(10.98)%
Shares of common stock outstanding at end of period	242.6	266.9	270.2	304.4	329.1
Net assets at end of period	\$ 4,822	\$ 5,472	\$ 5,126	\$ 5,429	\$ 4,563
Average net assets(4)	\$ 5,297	\$ 5,284	\$ 5,444	\$ 5,152	\$ 4,181
Average debt outstanding(5)	\$ 2,157	\$ 1,091	\$ 694	\$ 960	\$ 1,662
Average debt outstanding per common share(1)	\$ 8.07	\$ 4.07	\$ 2.38	\$ 3.00	\$ 4.83
Portfolio turnover rate	52.90%	50.55%	21.23%	9.47%	5.39%
Ratio of operating expenses to average net assets	5.53%	5.45%	4.68%	5.10%	6.89%
Ratio of operating expenses, net of interest expense, to average net assets	4.04%	4.43%	3.88%	3.96%	4.74%
Ratio of interest expense to average net assets	1.49%	1.02%	0.81%	1.15%	2.15%
Ratio of net operating income to average net assets	4.78%	2.21%	2.87%	7.71%	10.72%

(1) Weighted average basic per share data.

(2) Represents the impact of (i) the other components in the changes in net assets, including other capital transactions such as the purchase of common stock held in deferred compensation trusts, stock-based compensation, income tax deductions related to the exercise of stock options and distribution of stock awards in excess of U.S. GAAP expense credited to additional paid-in capital and (ii) the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end.

(3) Total investment return is based on the change in the market value of our common stock taking into account dividends, if any, reinvested in accordance with the terms of our dividend reinvestment plan.

(4) Based on the quarterly average of net assets as of the beginning and end of each period presented.

(5)

Based on a daily weighted average balance of debt outstanding, excluding discounts, during the period.

See accompanying notes.

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**AMERICAN CAPITAL, LTD.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2015**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
<b>AMERICAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
2 TransAm LLC(7)	Real Estate	First Lien Senior Debt(6)	5.4%	N/A	1/18		\$ 6.1	\$ 6.1	\$ 6.1
AmWINS Group, LLC	Insurance	Second Lien Senior Debt	9.5%	N/A	9/20		46.0	45.0	45.7
Bensussen Deutsch & Associates, LLC	Distributors	Second Lien Senior Debt(6)	12.0%	2.0%	9/19		44.0	42.0	44.8
		Common Stock(4)				1,224,089		2.2	12.9
								44.2	57.7
BeyondTrust Software, Inc.	Software	First Lien Senior Debt(6)	8.0%	N/A	9/19		31.9	31.9	31.9
Blue Wolf Capital Fund II, L.P.(7)	Capital Markets	Limited Partnership Interest(4)						9.0	8.0
BRG Sports, Inc.	Leisure Products	Redeemable Preferred Stock(4)				2,009		2.5	3.0
		Common Units(4)				6,566,655		0.7	3.0
								3.2	3.0
Buena Vida CRP 17, LP	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	10/18		3.8	3.8	3.8
CAMP International Holding Company	Transportation Infrastructure	Second Lien Senior Debt(6)	8.3%	N/A	11/19		15.0	15.0	14.6
Cast & Crew Payroll, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		36.0	35.7	35.5
CGSC of Delaware Holdings Corporation(7)	Insurance	Second Lien Senior Debt(6)	8.3%	N/A	10/20		2.0	2.0	1.9
Chariot Acquisition, LLC	Distributors	First Lien Senior Debt(6)	7.3%	N/A	9/21		29.9	29.6	29.6
Compusearch Software Systems, Inc.	Software	Second Lien Senior Debt(6)	9.8%	N/A	11/21		51.0	51.0	51.0
Convergint Technologies, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.0%	N/A	12/17 - 12/20		94.0	94.0	94.0
CPI Buyer, LLC	Trading Companies & Distributors	Second Lien Senior Debt(6)	8.5%	N/A	8/22		25.0	24.7	23.7
Crossroads Equity Holdings LLC	Real Estate	First Lien Senior Debt(6)	5.7%	N/A	6/18		3.2	3.2	3.2
Datapipe, Inc.	IT Services	Second Lien Senior Debt(6)	8.5%	N/A	9/19		29.5	29.1	28.8
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt(6)	N/A	13.5%	7/21		1.4	1.4	0.9
Denver II Hospitality, LLC	Real Estate	First Lien Senior Debt(6)	5.2%	N/A	7/18		12.0	12.0	12.0
DiversiTech Corporation	Building Products	Second Lien Senior Debt(6)	9.0%	N/A	11/22		9.5	9.4	9.4
Electronic Warfare Associates, Inc.	IT Services	First Lien Senior Debt(6)	13.0%	N/A	2/19		15.0	15.0	15.0
		Common Stock Warrants(4)				863,887		0.8	0.8
								15.8	15.8
Exchange South Owner, LLC(7)	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	1/18		8.6	8.6	8.6
	Building Products	Warrants(4)							

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Financière									
OFIC S.A.S.(7)						3,047,200			2.8
Flexera	Software	Second Lien Senior			4/21				
Software LLC		Debt(6)	8.0%	N/A			5.0	5.0	4.7
FXI Holdings, Inc.	Household Durables	Common Stock(4)							
						3,163			0.6
				F-223					

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Galls, LLC	Specialty Retail	Second Lien Senior Debt(6)	9.5%	N/A	6/17 - 8/21		26.0	26.0	26.0
The Gordian Group, Inc.	Internet Software & Services	First Lien Senior Debt(6)	5.4%	N/A	7/19		40.4	40.4	39.6
HHG Stone Oak Hotel, LLC	Real Estate	First Lien Senior Debt(6)	5.2%	N/A	9/18		10.4	10.4	10.4
Hyland Software, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	7/23		10.0	10.0	9.4
Industrial Container Services, LLC	Containers & Packaging	First Lien Senior Debt(6)	6.8%	N/A	12/18		49.9	49.9	49.9
		Second Lien Senior Debt(6)	10.2%	N/A	12/19		10.0	9.9	9.9
								59.8	59.8
Infogix Parent Corporation	IT Services	First Lien Senior Debt(6)	7.8%	N/A	12/21		155.0	151.6	151.6
		Redeemable Preferred Stock(6)				2,475		2.5	2.5
								154.1	154.1
Inmar, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.0%	N/A	1/22		20.0	19.8	18.9
Iotum Global Holdings, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	N/A	10.0%	5/17		1.5	1.5	1.5
iParadigms, LLC	Internet Software & Services	Second Lien Senior Debt(6)	8.3%	N/A	7/22		39.5	39.3	38.7
Jazz Acquisition, Inc.	Aerospace & Defense	Second Lien Senior Debt(6)	7.8%	N/A	6/22		25.0	24.9	22.5
Kele Holdco, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	7.0%	N/A	10/20 - 10/22		71.3	71.3	71.3
		Common Stock(4)(6)				30,000		3.0	3.0
								74.3	74.3
Landslide Holdings, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	2/21		9.0	9.0	8.3
Lenox Park C-F Owner, LLC	Real Estate	First Lien Senior Debt(6)	5.0%	N/A	4/18		17.0	17.0	17.0
LTG Acquisition, Inc.	Communications Equipment	Second Lien Senior Debt(6)	9.0%	N/A	10/20		46.0	46.0	42.9
		Common Stock(4)(6)				5,000		5.0	4.1
								51.0	47.0
Mitchell International, Inc.	Software	Second Lien Senior Debt(6)	8.5%	N/A	10/21		17.0	16.9	16.3
M-IV Lake Center LLC(7)	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	12/17		7.0	7.0	7.0
Novetta Solutions, LLC	IT Services	First Lien Senior Debt(6)	6.0%	N/A	10/22		13.0	12.9	12.7
		Second Lien Senior Debt(6)	9.5%	N/A	10/23		31.0	30.7	30.8
								43.6	43.5
OnCourse Learning Corporation	Diversified Consumer Services	First Lien Senior Debt(6)	8.5%	N/A	2/19		19.6	19.5	19.5
Osmose Utility Services, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		34.0	33.7	33.9
Park Place Technologies, LLC	IT Services	Second Lien Senior Debt(6)	10.0%	N/A	12/22		41.5	41.5	41.5
Parmenter Woodland Park Plaza, LLC	Consumer Finance	First Lien Senior Debt(6)	5.2%	N/A	9/18		16.9	16.9	16.9
Photonis Technologies	Aerospace & Defense	First Lien Senior Debt(6)	8.5%	N/A	9/19		29.8	29.5	28.6

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SAS(7)								
Qualium I(7)	Capital Markets	Common Stock(4)				247,939	5.2	4.8
Ranpak Corp.	Containers & Packaging	Second Lien Senior Debt(6)	8.3%	N/A	10/22	25.0	25.0	24.8
Sage Products Holdings III, LLC	Health Care Equipment & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	6/20	20.6	20.7	20.7
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Severin Acquisition, LLC	Software	Second Lien Senior Debt(6)	9.4%	N/A	7/22		25.5	25.1	25.1
Sparta Systems, Inc.	IT Services	First Lien Senior Debt(6)	6.5%	N/A	7/20		24.7	24.5	24.8
		Convertible Preferred Stock(6)				743		0.8	0.8
		Common Stock(4)				308,224			0.4
								25.3	26.0
Systems Maintenance Services Holding, Inc.	IT Services	Second Lien Senior Debt(6)	9.3%	N/A	10/20		35.0	34.8	34.8
TA THI Parent, Inc.	Auto Components	Second Lien Senior Debt(6)	9.8%	N/A	1/21		41.5	41.0	41.9
		Convertible Preferred Stock(4)(6)				25,000		2.5	3.3
								43.5	45.2
Teasdale Foods, Inc.	Food & Staples Retailing	Second Lien Senior Debt(6)	8.8%	N/A	10/21		31.5	31.5	31.5
Tyche Holdings, LLC	IT Services	Second Lien Senior Debt(6)	9.0%	N/A	11/22		35.0	34.9	34.4
Tyden Cayman Holdings Corp.(7)	Electronic Equipment, Instruments & Components	Convertible Preferred Stock(4)(6)				46,276		0.1	0.1
		Common Stock(4)(6)				5,521,203		5.5	3.8
								5.6	3.9
W3 Co.	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	9/20		8.9	8.8	5.0
WP CPP Holdings, LLC	Aerospace & Defense	Second Lien Senior Debt(6)	8.8%	N/A	4/21		19.7	19.6	17.9
WRH, Inc.	Life Sciences Tools & Services	Mezzanine Debt(6)	9.0%	6.2%	8/18		102.8	102.5	98.5
<b>EUROPEAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt	N/A	13.5%	7/21		7.4	7.4	5.4
Financière Newglass S.A.S.(7)	Building Products	Convertible Preferred Stock				15,000,000		17.3	14.0
Modacin France S.A.S.(7)	Specialty Retail	Mezzanine Debt(5)	%	4.3%	11/19		21.7	11.3	
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt	0.8%	N/A	10/17 - 12/17		2.3	2.1	2.0
Zodiac Marine and Pool S.A.(7)	Marine	Second Lien Senior Debt(5)	%	4.0%	3/17		35.5	24.8	
		Mezzanine Debt(5)	%	8.3%	9/17		76.1	38.9	
								63.7	
<b>SENIOR FLOATING RATE LOANS</b>									
Advantage Sales & Marketing Inc.	Professional Services	Second Lien Senior Debt(6)	7.5%	N/A	7/22		0.8	0.7	0.7
Aquilex LLC	Commercial Services & Supplies	First Lien Senior Debt(6)	5.0%	N/A	12/20		2.0	1.9	1.9
BarBri, Inc.	Diversified Consumer Services	First Lien Senior Debt(6)	4.5%	N/A	7/19		5.0	5.0	4.2
CT Technologies Intermediate Holdings, Inc.	Health Care Technology	First Lien Senior Debt(6)	5.3%	N/A	12/21		0.5	0.5	0.5

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Drew Marine Group Inc.	Chemicals	First Lien Senior Debt(6)	4.3%	N/A	11/20	1.9	1.9	1.8
Hudson Products Holdings Inc.	Energy Equipment & Services	First Lien Senior Debt(6)	5.0%	N/A	3/19	5.0	5.0	4.3
Immucor, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	5.0%	N/A	8/18	6.3	6.4	6.1
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Indra Holdings Corp.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	5.3%	N/A	5/21		3.0	3.0	2.8
Mitchell International, Inc.	Software	First Lien Senior Debt(6)	4.5%	N/A	10/20		9.2	9.2	8.7
Opal Acquisition, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	5.0%	N/A	11/20		9.3	9.3	7.7
Southwire Company, LLC	Electrical Equipment	First Lien Senior Debt(6)	3.3%	N/A	2/21		12.6	12.6	12.3
STS Operating, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	4.8%	N/A	2/21		2.0	2.0	1.9
Wesco Aircraft Hardware Corp.(7)	Aerospace & Defense	First Lien Senior Debt(6)	3.3%	N/A	2/21		4.7	4.7	4.5
<b>AMERICAN CAPITAL CMBS INVESTMENTS</b>									
CD 2007-CD4 Commercial Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	12/49		16.0	1.1	3.8
CD 2007-CD5 Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.1%	N/A	12/17		8.8	3.6	0.8
Citigroup Commercial Mortgage Securities Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	7/17		45.4	15.9	9.3
Credit Suisse Commercial Mortgage Trust Series 2007-C4(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	8/17		5.9	2.2	1.8
LB-UBS Commercial Mortgage Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.1%	N/A	8/17		4.9		1.8
Wachovia Bank Commercial Mortgage Trust 2007-C31(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.8%	N/A	5/17		20.0	10.6	1.0
Wachovia Bank Commercial Mortgage Trust, Series 2007-C32(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	10/17		60.5	10.5	7.0
Wachovia Bank Commercial Mortgage Trust, Series 2007-C34(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	10/17		5.2	5.2	5.1
<b>AMERICAN CAPITAL CLO INVESTMENTS</b>									
ACAS CLO 2007-1, Ltd.(7)		Secured Notes(6)			4/21		8.5	8.4	8.3
		Subordinated Notes(6)			4/21		25.9	10.8	12.6
								19.2	20.9
Apidos CLO XVIII, Ltd.(7)		Subordinated Notes(6)			7/26		39.4	33.3	21.2
Apidos CLO XXI(7)		Subordinated Notes(6)			6/27		12.4	11.8	9.7
Ares IIIR/IVR CLO Ltd.(7)		Subordinated Notes(6)			4/21		20.0	11.0	5.2
Babson CLO Ltd. 2006-II(7)		Income Notes(4)(6)			10/20		15.0	2.9	
Babson CLO Ltd. 2013-II(7)		Income Notes(6)			1/25		5.0	3.9	2.9
Babson CLO Ltd. 2014-I(7)		Subordinated Notes(6)			7/25		8.5	6.4	4.0
Babson CLO Ltd. 2014-II(7)		Subordinated Notes(6)			9/26		25.0	20.7	10.7

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Blue Hill CLO, Ltd.(7)	Subordinated Notes(6)	1/26	10.6	17.8	6.7
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Carlyle Global Market Strategies CLO 2013-3, Ltd.(7)		Subordinated Notes(6)			7/25		5.0	3.5	3.1
Carlyle Global Market Strategies CLO 2015-3, Ltd.(7)		Subordinated Notes(6)			7/28		28.2	25.4	22.9
Cent CDO 12 Limited(7)		Income Notes(6)			11/20		26.4	12.7	29.0
Cent CLO 22 Limited(7)		Subordinated Notes(6)			11/26		45.4	38.1	19.6
Cent CLO 24 Limited(7)		Subordinated Notes(6)			10/26		28.0	25.9	22.7
Centurion CDO 8 Limited(7)		Subordinated Notes(4)(6)			3/17		5.0	0.2	
CoLTs 2005-1 Ltd.(7)		Preference Shares(4)(6)			3/16	360		1.7	0.1
CoLTs 2005-2 Ltd.(7)		Preference Shares(4)(6)			12/18	34,170,000		11.1	0.4
CREST Exeter Street Solar 2004-1(7)		Preferred Securities(4)(6)			6/39	3,500,000		3.2	
Dryden 40 Senior Loan Fund(7)		Subordinated Notes(6)			8/28		9.5	8.2	7.0
Eaton Vance CDO X plc(7)		Secured Subordinated Notes(6)			2/27		15.0	11.3	5.6
Flagship CLO V(7)		Deferrable Notes(6)			9/19		1.7	1.5	1.7
		Subordinated Securities(6)			9/19	15,000		7.3	1.1
								8.8	2.8
Galaxy III CLO, Ltd(7)		Subordinated Notes(4)			8/16		4.0	0.2	
GoldenTree Loan Opportunities VII, Limited(7)		Subordinated Notes(6)			4/25		35.3	31.7	22.7
Halcyon Loan Advisors Funding 2014-1 Ltd.(7)		Subordinated Notes(6)			2/26		1.3	1.0	0.5
Halcyon Loan Advisors Funding 2015-2, Ltd.(7)		Subordinated Notes(6)			7/27		21.7	20.3	18.0
Herbert Park B.V.(7)		Subordinated Notes(6)			10/26		24.0	25.9	19.9
LightPoint CLO IV, LTD(7)		Income Notes(4)(6)			4/18		6.7	3.6	
LightPoint CLO VII, Ltd.(7)		Subordinated Notes(6)			5/21		9.0	2.6	1.4
Madison Park Funding XII, Ltd.(7)		Subordinated Notes(6)			7/26		10.0	8.6	7.1
Madison Park Funding XIII, Ltd.(7)		Subordinated Notes(6)			1/25		30.9	25.5	19.8
Mayport CLO Ltd.(7)		Income Notes			2/20		14.0	7.8	0.1
NYLIM Flatiron CLO 2006-1 LTD.(7)		Subordinated Securities(6)			8/20	10,000		4.4	2.4
Och Ziff Loan Management XIII, Ltd.(7)		Subordinated Notes(6)			7/27		15.0	14.2	12.3
Octagon Investment Partners XVIII, Ltd.(7)		Subordinated Notes(6)			12/24		16.4	12.9	9.4
Octagon Investment Partners XIX, Ltd.(7)		Subordinated Notes(6)			4/26		25.0	18.8	14.7
OHA Credit Partners XI, Ltd.(7)		Subordinated Notes(6)			10/28		33.5	29.7	27.9

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Sapphire Valley CDO I, Ltd.(7)		Subordinated Notes(6)			12/22		14.0	16.7	11.6
THL Credit Wind River 2014-2 CLO Ltd.(7)		Income Notes			7/26		15.0	10.1	7.4
Vitesse CLO, Ltd.(7)		Preferred Securities(4)(6)			8/20	20,000,000		11.9	
Voya CLO 2014-4, Ltd.(7)		Subordinated Notes(6)			10/26		26.7	23.2	17.0
<b>Subtotal Non-Control / Non-Affiliate Investments (42% of total investments at fair value)</b>								<b>\$ 2,367.6</b>	<b>\$ 2,096.7</b>
<b>AMERICAN CAPITAL AFFILIATE INVESTMENTS</b>									
IS Holdings I, Inc.	Software	Common Stock(4)(6)				2,000,000		\$ 5.2	\$ 13.7
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt(6)	2.2%	N/A	12/17		\$ 4.0	3.8	3.4
		Convertible Preferred Stock(4)(6)				28,317,268		9.0	21.0
		Redeemable Preferred Stock(4)(6)				25,751,312		7.3	24.0
								20.1	48.4
Primrose Holding Corporation	Diversified Consumer Services	Common Stock(6)				7,227			6.5
Roark Money Mailer, LLC	Media	Common Membership Units(4)				6.0%		0.7	1.7
<b>EUROPEAN CAPITAL AFFILIATE INVESTMENTS</b>									
Blue Topco GmbH(7)	Commercial Services & Supplies	First Lien Senior Debt	2.9%	N/A	6/16 - 6/18		2.3	2.0	2.0
		Mezzanine Debt(5)	N/A	3.2%	12/18		8.0	6.9	4.9
								8.9	6.9
<b>Subtotal Affiliate Investments (2% of total investments at fair value)</b>								<b>\$ 34.9</b>	<b>\$ 77.2</b>
<b>AMERICAN CAPITAL CONTROL INVESTMENTS</b>									
ACAS Real Estate Holdings Corporation	Real Estate	Mezzanine Debt(5)(6)	N/A	15.0%	5/16		\$ 6.5	\$ 3.9	\$ 4.5
		Common Stock(6)				100%		6.2	24.5
								10.1	29.0
ACEI Singapore Holdings Private LTD(7)	Electric Utilities	Common Stock(4)(6)				7,055,706		7.1	7.1
American Capital Asset Management, LLC	Capital Markets	Mezzanine Debt(6)	5.0%	N/A	9/16		35.0	35.0	35.0
		Common Membership Interest(6)				100%		499.1	1,030.0
								534.1	1,065.0
American Driveline Systems, Inc.	Diversified Consumer Services	Mezzanine Debt(6)	N/A	11.0%	3/21		47.7	47.7	47.7
						7,121		83.5	20.2

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Redeemable Preferred Stock(4)(6)			
Common Stock(4)(6)	289,215		18.2
Common Stock	233,603		9.8
Warrants(4)(6)			

							159.2	67.9
ASAP Industries Holdings, LLC	Energy Equipment & Services	Mezzanine Debt(5)(6)	N/A	14.0%	12/18		22.7	19.5
		Membership Units(4)(6)				106,911		30.3
								49.8
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
BMR Energy LLC(7)	Independent Power & Renewable Electricity Producers	Preferred Units(6)				32,481		34.5	34.5
		Common Units(4)(6)				85			17.5
								34.5	52.0
Capital.com, Inc.	Diversified Financial Services	Common Stock(4)(6)				8,500,100		0.9	
CML Pharmaceuticals, LLC	Life Sciences Tools & Services	First Lien Senior Debt(6)	6.5%	N/A	3/17 - 10/20		97.9	97.1	97.9
		Mezzanine Debt(6)	7.2%	6.0%	10/20		141.0	139.9	141.0
		Redeemable Preferred Stock(4)(6)				84,936		61.0	10.0
								298.0	248.9
ECA Acquisition Holdings, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	10.0%	N/A	3/16		8.9	8.9	8.9
		Mezzanine Debt(5)(6)	13.0%	3.5%	7/16		18.7	12.6	11.1
		Redeemable Preferred Stock(4)(6)				1,550		1.6	
		Common Stock(4)(6)				1,000		14.9	
								38.0	20.0
eLynx Holdings, Inc.	IT Services	Convertible Preferred Stock(6)				11,728		34.6	39.7
		Redeemable Preferred Stock(4)(6)				30,162		12.4	
		Common Stock(4)(6)				16,087		1.1	
		Common Stock Warrants(4)(6)				1,026,321		5.5	
								53.6	39.7
EXPL Pipeline Holdings LLC(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	8.1%	N/A	1/17		41.9	41.6	43.7
		Common Membership Units(4)(6)				100,000		60.6	37.2
								102.2	80.9
FAMS Acquisition, Inc.	Diversified Financial Services	Mezzanine Debt(6)	12.3%	2.7%	2/16		38.8	38.8	31.1
FPI Holding Corporation	Food Products	First Lien Senior Debt(5)(6)	N/A	20.0%	1/16		0.4	0.4	
Group Montana, Inc.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	6.3%	N/A	1/17		5.6	5.6	5.6
		Convertible Preferred Stock(4)(6)				4,000		4.0	5.1
		Common Stock(4)(6)				100%		12.5	
								22.1	10.7
Halex Holdings, Inc.	Construction Materials	Second Lien Senior Debt(5)(6)	8.5%	N/A	1/18		15.6	15.6	15.6
		Common Stock(4)(6)				51,853		9.3	11.7
								24.9	27.3
HALT Medical, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(5)(6)	N/A	22.0%	6/16		96.0	61.2	23.3
Hard 8 Games, LLC	Hotels, Restaurants & Leisure	First Lien Convertible Senior Debt	N/A	6.6%	3/16		34.9	34.9	34.9
		Membership Units(4)				2		24.0	23.1
								58.9	58.0

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Hollyhock Limited(7)	Independent Power & Renewable Electricity Producers	Common Stock(4)(6)				34,000,000		34.0	33.2
LLSC Holdings Corporation	Personal Products	Convertible Preferred Stock(4)(6)				9,000		10.9	18.8
		Common Stock(4)(6)				1,000			0.4
		Common Stock				675			0.3
		Warrants(4)(6)							
								10.9	19.5
Montgomery Lane, LLC(7)	Diversified Financial Services	Common Membership Units(4)(6)				100			6.4
MW Acquisition Corporation	Health Care Providers & Services	Mezzanine Debt(6)	14.4%	1.0%	2/19		24.2	24.2	24.2
		Redeemable Preferred Stock(6)				2,485		2.7	2.8
		Convertible Preferred Stock(6)				88,084		50.1	63.2
		Common Stock(4)(6)				110,720			5.7
								77.0	95.9
NECCO Holdings, Inc.	Food Products	First Lien Senior Debt(5)(6)	6.5%	N/A	11/16		19.1	16.2	14.0
		Second Lien Senior Debt(5)(6)	N/A	18.0%	11/16		7.7	3.1	
		Common Stock(4)(6)				860,189		0.1	
								19.4	14.0
NECCO Realty Investments, LLC	Real Estate	First Lien Senior Debt(5)(6)	2.8%	11.2%	12/17		75.4	32.8	24.9
		Common Membership Units(4)(6)				7,450		4.9	
								37.7	24.9
PHC Sharp Holdings, Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	12.5%	N/A	1/18		1.4	1.4	1.4
		Mezzanine Debt(6)	N/A	17.0%	1/18		11.6	11.6	11.6
		Mezzanine Debt(5)(6)	N/A	19.0%	1/18		30.3	20.2	20.5
		Common Stock(4)(6)				631,049		4.2	
								37.4	33.5
RD Holdco Inc.	Household Durables	Second Lien Senior Debt(6)	11.3%	N/A	12/18		16.9	15.4	16.6
		Common Stock(4)(6)				458,596		23.6	13.9
		Common Stock				56,372		2.9	1.7
		Warrants(4)(6)							
								41.9	32.2
Rebellion Media Group Corp.(7)	Internet Software & Services	First Lien Senior Debt(5)(6)	N/A	12.0%	4/16		20.3	12.3	3.9
Scanner Holdings Corporation	Technology Hardware, Storage & Peripherals	Mezzanine Debt(6)	14.0%	N/A	6/22		16.6	16.6	16.6
		Convertible Preferred Stock(6)				66,424,135		8.7	11.2
		Common Stock				167,387		0.1	
								25.4	27.8
SEHAC Holding Corporation	Diversified Consumer Services	Convertible Preferred Stock(6)				14,850		14.8	158.5
		Common Stock(4)(6)				150		0.2	1.6
								15.0	160.1
	Professional Services				1/18 - 12/18				

Explanation of Responses:

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Soil Safe Acquisition Corp.	First Lien Senior						
	Debt(6)	8.0%	N/A		21.7	21.7	21.7
	Second Lien Senior	10.8%	N/A	7/19	12.7	12.7	12.7
	Debt(6)						
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Mezzanine Debt(6)	8.6%	7.5%	12/19		72.3	72.2	72.3
		Common Stock(4)				810		9.0	15.3
								115.6	122.0
Taiba Wind Energy, LLC(7)	Independent Power & Renewable Electricity Producers	Membership Units(4)(6)				100%		1.3	1.3
Warner Power, LLC	Electrical Equipment	Mezzanine Debt(5)(6)	N/A	14.6%	1/16		11.2	3.1	0.9
		Redeemable Preferred Membership Units(4)(6)				6,512,000		3.0	
		Common Membership Units(4)(6)				47,000		1.9	
								8.0	0.9
WIS Holding Company, Inc.	Commercial Services & Supplies	Convertible Preferred Stock(4)(6)				1,206,598		115.3	84.5
		Common Stock(4)(6)				301,650		16.0	
								131.3	84.5
<b>EUROPEAN CAPITAL CONTROL INVESTMENTS</b>									
Bellotto Holdings Limited(7)	Household Durables	Redeemable Preferred Stock				7,300,610	2.3	40.0	41.8
		Common Stock(4)				2,697,010		95.5	123.7
								135.5	165.5
Columbo TopCo Limited(7)	Commercial Services & Supplies	Redeemable Preferred Stock(4)				34,179,330	23.5	74.2	47.3
		Common Stock(4)				757,743		1.1	
								75.3	47.3
European Capital Private Debt LP(7)	Diversified Financial Services	Partnership Interest				1,650		80.5	84.9
European Capital UK SME Debt LP(7)	Diversified Financial Services	Partnership Interest				500		12.5	12.3
Financière Tarmac S.A.S.(7)	Commercial Services & Supplies	First Lien Senior Debt	4.0%	N/A	12/20		3.8	3.1	3.8
		Mezzanine Debt	N/A	4.0%	12/21		73.5	62.0	64.1
		Convertible Preferred Stock(4)				15,500,000		9.4	
		Redeemable Preferred Stock(4)					5.3	7.3	
								81.8	67.9
HCV1 S.A.S(7)	Machinery	First Lien Senior Debt	6.0%	7.7%	2/20		3.4	3.4	3.4
		Common Stock(4)				14,569,412		25.2	
								28.6	3.4
Holding Saint Augustine S.A.S.(7)	Air Freight & Logistics	First Lien Senior Debt	N/A	N/A	9/19		4.4	4.4	
Miles 33 Limited(7)	Software	First Lien Senior Debt	4.0%	1.3%	12/17 - 9/18		7.5	7.5	7.5
		Mezzanine Debt(5)	5.0%	5.0%	9/21		16.9	13.4	13.4
								20.9	20.9
<b>AMERICAN CAPITAL CONTROL CLO INVESTMENT</b>									
ACAS Wachovia Investments, L.P.(7)	Diversified Financial Services	Partnership Interest(4)				90%		1.9	0.5

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<b>Subtotal Control Investments (56% of total investments at fair value)</b>	<b>\$ 2,502.4</b>	<b>\$ 2,823.7</b>
<b>Total Investment Assets</b>	<b>\$ 4,904.9</b>	<b>\$ 4,997.6</b>

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Counterparty	Instrument	Interest Rate(2)	Expiration Date(2)	# of Contracts	Notional	Cost	Fair Value
<b>DERIVATIVE AGREEMENTS</b>							
Citibank, N.A.	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	5/16 - 7/17	2	\$ 27.5	\$	\$ (2.3)
BNP Paribas	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.7%/LIBOR	7/17	1	22.3		(2.1)
Wells Fargo Bank, N.A	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	8/16	1	11.9		(0.4)
<b>Total Derivative Agreements</b>						<b>\$</b>	<b>\$ (4.8)</b>

Funds	Cost	Fair Value
<b>MONEY MARKET FUNDS(3)</b>		
JPMorgan Prime Money Market Fund	\$ 22.0	\$ 22.0
BlackRock Liquidity Funds TempFund Institutional Shares(6)	15.0	15.0
BofA Funds Series Trust BofA Money Market Reserves(6)	15.0	15.0
Fidelity Institutional Money Market Prime Money Market Portfolio Institutional CL(6)	15.0	15.0
Heritage Money Market Fund(6)	15.0	15.0
Deutsche Global Liquidity Managed Sterling Fund	5.6	5.6
<b>Total Money Market Funds</b>	<b>\$ 87.6</b>	<b>\$ 87.6</b>

- (1) Certain of the securities are issued by affiliate(s) of the listed portfolio company.
- (2) Interest rates represent the weighted average annual stated interest rate on loans and debt securities in effect on the date presented, which are presented by the nature of indebtedness by a single issuer. Some loans and debt securities bear interest at variable rates, primarily the three-month London Interbank Offered Rate ("LIBOR"), with interest rate floors. Payment-in-kind interest ("PIK") represents contractually deferred interest that is typically compounded into the principal balance of the loan or debt security, if not paid on a current basis. PIK interest may be prepaid by the portfolio company's election, but generally is paid upon a change of control transaction or maturity. The maturity date represents the latest date in which the loan or debt security is scheduled to terminate.
- (3) Included in cash and cash equivalents and restricted cash and cash equivalents on our consolidated balance sheets.
- (4) Some or all of the securities are non-income producing.
- (5) Loan is on non-accrual status and therefore considered non-income producing.
- (6) All or a portion of the investments or instruments are pledged as collateral under various secured financing arrangements.
- (7) Investments that are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2015, non-qualifying assets were approximately \$1.2 billion, or 25% of net assets.



**AMERICAN CAPITAL, LTD.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2014**  
(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
<b>AMERICAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
2 TransAm LLC	Real Estate	First Lien Senior Debt(6)	5.4%	N/A	1/18		\$ 5.6	\$ 5.6	\$ 5.6
Aderant North America, Inc.	Software	Second Lien Senior Debt(6)	10.0%	N/A	6/19		16.0	15.8	16.2
American Acquisition, LLC(7)	Capital Markets	First Lien Senior Debt(6)	19.3%	N/A	3/15		2.7	2.7	2.7
AmWINS Group, LLC	Insurance	Second Lien Senior Debt	9.5%	N/A	9/20		46.0	44.8	45.1
Bensussen Deutsch & Associates, LLC	Distributors	Second Lien Senior Debt(6)	12.0%	2.0%	9/19		45.3	42.9	42.8
		Common Stock(4)				1,224,089		2.5	4.7
								45.4	47.5
BeyondTrust Software, Inc.	Software	First Lien Senior Debt(6)	8.0%	N/A	9/19		27.6	27.6	27.6
Blue Wolf Capital Fund II, L.P.(7)	Capital Markets	Limited Partnership Interest(4)						8.8	8.6
BRG Sports, Inc.	Leisure Products	Redeemable Preferred Stock(4)				1,171		1.2	1.8
		Common Units(4)				3,830,068		0.7	
								1.9	1.8
CAMP International Holding Company	Transportation Infrastructure	Second Lien Senior Debt(6)	8.3%	N/A	11/19		15.0	15.0	15.1
CGSC of Delaware Holdings Corporation(7)	Insurance	Second Lien Senior Debt(6)	8.3%	N/A	10/20		2.0	2.0	1.8
Convergint Technologies, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.0%	N/A	12/17 - 12/20		75.0	75.0	75.0
CPI Buyer, LLC	Trading Companies & Distributors	Second Lien Senior Debt(6)	8.5%	N/A	8/22		25.0	24.6	24.7
Datapipe, Inc.	IT Services	Second Lien Senior Debt(6)	8.5%	N/A	9/19		29.5	29.1	28.5
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	6.5%	3.3%	12/16		15.3	15.2	13.9
		Mezzanine Debt(5)(6)	N/A	11.0%	12/22		2.1	1.8	0.4
								17.0	14.3
Exchange South Owner, LLC(7)	Real Estate	First Lien Senior Debt(6)	7.7%	N/A	1/19		6.9	6.9	6.9
Flexera Software LLC	Software	Second Lien Senior Debt(6)	8.0%	N/A	4/21		5.0	5.0	4.8
FXI Holdings, Inc.	Household Durables	Common Stock(4)							
		Common Stock				2,708			0.6
		Warrants(4)(6)				7,067			0.2
									0.8
Inmar, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.0%	N/A	1/22		20.0	19.8	19.6
Iotum Global Holdings, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	N/A	10.0%			2.4	2.4	2.4
iParadigms, LLC	Internet Software & Services	Second Lien Senior Debt(6)	8.3%	N/A	7/22		27.0	26.8	26.6

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Jazz Acquisition, Inc.	Aerospace & Defense	Second Lien Senior Debt(6)	7.8%	N/A	6/22	25.0	24.9	24.5
Landslide Holdings, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	2/21	9.0	9.0	8.8

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
LTG Acquisition, Inc.	Communications Equipment	Second Lien Senior Debt(6)	9.0%	N/A	10/20		46.0	46.0	45.6
		Common Stock(4)(6)				5,000		5.0	7.3
								51.0	52.9
Mitchell International, Inc.	Software	Second Lien Senior Debt(6)	8.5%	N/A	10/21		7.0	6.9	7.0
M-IV Lake Center LLC(7)	Real Estate	First Lien Senior Debt(6)	5.4%	N/A	12/17		6.1	6.1	6.1
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt(6)	2.4%	N/A	12/17		4.3	4.0	3.6
		Redeemable Preferred Stock(4)(6)				5,234,743		0.5	1.2
								4.5	4.8
Parts Holding Coöperatief U.A(7)	Distributors	Membership Entitlements(4)				173,060		6.4	1.7
Qualium I(7)	Capital Markets	Common Stock(4)				247,939		6.9	6.9
Ranpak Corp.	Containers & Packaging	Second Lien Senior Debt(6)	8.3%	N/A	10/22		25.0	25.0	25.0
Roark Money Mailer, LLC	Media	Common Membership Units				3.5%			0.8
Sage Products Holdings III, LLC	Health Care Equipment & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	6/20		22.8	22.9	22.6
Sparta Systems, Inc.	IT Services	First Lien Senior Debt(6)	6.3%	1.5%	7/20		24.9	24.7	24.7
		Convertible Preferred Stock(6)				743		0.8	0.8
								25.5	25.5
Systems Maintenance Services Holding, Inc.	IT Services	Second Lien Senior Debt(6)	9.3%	N/A	10/20		28.0	27.8	27.8
TA THI Parent, Inc.	Auto Components	Second Lien Senior Debt(6)	9.8%	N/A	1/21		41.5	40.9	40.9
		Convertible Preferred Stock(4)(6)				25,000		2.5	2.5
								43.4	43.4
Teasdale Foods, Inc.	Food & Staples Retailing	Second Lien Senior Debt(6)	8.8%	N/A	10/21		31.5	31.5	31.5
Tyche Holdings, LLC	IT Services	Second Lien Senior Debt(6)	9.0%	N/A	11/22		27.0	26.9	26.7
Tyden Cayman Holdings Corp.(7)	Electronic Equipment, Instruments & Components	Convertible Preferred Stock(4)(6)				26,977		0.1	0.1
		Common Stock(4)(6)				3,218,667		3.8	2.3
								3.9	2.4
W3 Co.	Health Care Equipment & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	9/20		17.0	16.8	16.4
WP CPP Holdings, LLC	Aerospace & Defense	Second Lien Senior Debt(6)	8.8%	N/A	4/21		40.0	39.8	38.2
WRH, Inc.(8)	Life Sciences Tools & Services	Mezzanine Debt(6)	9.3%	5.9%	8/18		95.8	95.6	92.5
		Convertible Preferred Stock(4)(6)				2,008,575		200.9	96.9
		Common Stock(4)(6)				502,144		49.8	



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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
<b>EUROPEAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	First Lien Senior Debt	6.5%	2.0%	12/16		89.4	89.4	84.2
		Mezzanine Debt(5)	N/A	11.0%	12/22		12.2	10.5	2.4
								99.9	86.6
Financière OFIC S.A.S.(7)	Building Products	Warrants(4)				1,574,600			2.8
Financière Poult S.A.S.(7)	Food Products	Mezzanine Debt	5.0%	5.3%	6/22		16.2	16.2	15.9
Financière Riskeco S.A.S.(7)	Diversified Consumer Services	First Lien Senior Debt	6.5%	2.0%	7/21		14.1	14.1	13.7
The Flexitallic Group S.A.S.(7)	Energy Equipment & Services	First Lien Senior Debt	4.5%	4.5%	7/20		26.6	26.6	26.3
Groupe INSEEC(7)	Education Services	First Lien Senior Debt	6.0%	3.0%	12/20		47.1	47.1	45.8
HCV1 S.A.S(7)	Machinery	Mezzanine Debt(5)	4.5%	5.0%	2/17		49.1	28.1	
Hilding Anders AB(7)	Household Durables	Mezzanine Debt(5)	N/A	12.0%	12/19		36.2	17.7	
Legendre Holding 31 S.A.(7)	Leisure Products	First Lien Senior Debt	5.7%	N/A	1/21		68.4	68.4	65.0
		Common Stock(4)				51,975,983		6.3	6.3
								74.7	71.3
Modacin France S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt(5)	4.0%	4.5%	5/17		23.2	12.6	
Parts Holding Coöperatief U.A.(7)	Auto Components	Common Stock(4)				568,624			5.4
Skrubbe Vermögensverwaltungsgesellschaft mbH(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt	4.5%	3.0%	7/20		12.3	12.3	12.1
Unipex Neptune International SAS(7)	Chemicals	Mezzanine Debt	7.0%	5.0%	9/20		5.3	5.3	5.3
Zodiac Marine and Pool S.A.(7)	Marine	Second Lien Senior Debt(5)	%	4.0%	3/17		38.0	27.6	
		Mezzanine Debt(5)	%	8.0%	9/17		69.9	38.8	
								66.4	
<b>SENIOR FLOATING RATE LOANS</b>									
1011778 B.C. Unlimited Liability Company(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.5%	N/A	12/21		17.0	16.8	17.0
24 Hour Fitness Worldwide, Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.8%	N/A	5/21		8.3	8.4	8.0
Accellent Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	4.5%	N/A	3/21		7.4	7.4	7.3
Acosta, Inc.	Media	First Lien Senior Debt(6)	5.0%	N/A	9/21		16.0	15.9	16.0
Advantage Sales & Marketing Inc.	Professional Services	First Lien Senior Debt(6)	4.3%	N/A	7/21		16.0	16.0	15.8
		Second Lien Senior Debt(6)	7.5%	N/A	7/22		1.0	1.0	1.0
								17.0	16.8

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Aecom Technology Corp(7)	Construction & Engineering	First Lien Senior Debt(6)	3.8%	N/A	10/21	4.2	4.2	4.2
Affinia Group Inc.	Auto Components	First Lien Senior Debt(6)	4.8%	N/A	4/20	7.6	7.6	7.6
Akorn, Inc.(7)	Pharmaceuticals	First Lien Senior Debt(6)	4.5%	N/A	4/21	5.0	5.0	5.0
Albertson's LLC	Food & Staples Retailing	First Lien Senior Debt(6)	4.6%	N/A	3/19 - 8/21	2.0	2.0	2.0
AlixPartners, LLP	Diversified Financial Services	First Lien Senior Debt(6)	4.0%	N/A	7/20	12.0	12.0	11.9
Alliance Laundry Systems LLC	Machinery	First Lien Senior Debt(6)	4.3%	N/A	12/18	4.5	4.5	4.4

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
American Airlines, Inc.(7)	Airlines	First Lien Senior Debt(6)	3.8%	N/A	6/19		9.9	9.9	9.9
American Renal Holdings Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	4.5%	N/A	8/19		7.7	7.7	7.7
American Tire Distributors, Inc.	Distributors	First Lien Senior Debt(6)	5.8%	N/A	6/18		5.0	5.0	5.0
AmSurg Corp.(7)	Health Care Providers & Services	First Lien Senior Debt(6)	3.8%	N/A	7/21		10.0	10.0	9.9
AmWINS Group, LLC	Insurance	First Lien Senior Debt(6)	5.3%	N/A	9/19		8.8	8.8	8.8
Anchor Glass Container Corporation	Containers & Packaging	First Lien Senior Debt(6)	4.3%	N/A	6/21		7.5	7.5	7.4
Aquilex LLC	Commercial Services & Supplies	First Lien Senior Debt(6)	5.0%	N/A	12/20		3.0	3.0	2.9
Aramark Corporation(7)	Commercial Services & Supplies	First Lien Senior Debt(6)	3.3%	N/A	2/21		14.8	14.6	14.6
Ardent Medical Services, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	6.8%	N/A	7/18		0.3	0.3	0.3
ARG IH Corporation	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.8%	N/A	11/20		5.5	5.5	5.5
Aristocrat Leisure Limited(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.8%	N/A	10/21		5.0	4.9	4.9
Ascend Learning, LLC	Diversified Consumer Services	First Lien Senior Debt(6)	5.0%	N/A	7/19		2.4	2.4	2.4
Ascensus, Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	5.0%	N/A	12/19		6.0	6.1	6.0
Asurion, LLC	Commercial Services & Supplies	First Lien Senior Debt(6)	5.0%	N/A	5/19		7.4	7.4	7.3
Atlantic Power Limited Partnership(7)	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	4.8%	N/A	2/21		4.5	4.5	4.5
AZ Chem US Inc.	Chemicals	First Lien Senior Debt(6)	4.5%	N/A	6/21		9.6	9.7	9.4
BarBri, Inc.	Diversified Consumer Services	First Lien Senior Debt(6)	4.5%	N/A	7/19		9.8	9.8	9.6
Berlin Packaging L.L.C.	Containers & Packaging	First Lien Senior Debt(6)	4.5%	N/A	10/21		6.5	6.4	6.5
Biomet, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	3.7%	N/A	7/17		4.0	4.0	4.0
BJ's Wholesale Club, Inc.	Food & Staples Retailing	First Lien Senior Debt(6)	4.5%	N/A	9/19		4.9	4.9	4.9
Blackboard Inc.	Software	First Lien Senior Debt(6)	4.8%	N/A	10/18		5.0	5.0	4.9
Boulder Brands, Inc.(7)	Food Products	First Lien Senior Debt(6)	4.5%	N/A	7/20		7.1	7.1	7.1
Boyd Gaming Corporation(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.0%	N/A	8/20		6.4	6.4	6.3
The Brickman Group Ltd. LLC	Commercial Services & Supplies	First Lien Senior Debt(6)	4.0%	N/A	12/20		5.0	5.0	4.8
Burlington Coat Factory Warehouse Corporation(7)	Specialty Retail	First Lien Senior Debt(6)	4.3%	N/A	8/21		4.0	4.0	3.9
BWAY Intermediate Company, Inc.	Containers & Packaging	First Lien Senior Debt(6)	5.6%	N/A	8/20		4.0	3.9	4.0
Camp International Holding Company	Transportation Infrastructure	First Lien Senior Debt(6)	4.8%	N/A	5/19		7.7	7.7	7.7
Capital Automotive L.P.	Real Estate	First Lien Senior Debt(6)	4.0%	N/A	4/19		12.3	12.3	12.1
Capital Safety North America Holdings Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	3.8%	N/A	3/21		9.4	9.2	9.2

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Capsugel Holdings US, Inc.	Pharmaceuticals	First Lien Senior Debt(6)	3.5%	N/A	8/18		11.5	11.5	11.3
Carecore National, LLC	Health Care Providers & Services	First Lien Senior Debt(6)	5.5%	N/A	3/21		5.0	5.0	4.9
Carros Finance Luxembourg S.A.R.L.(7)	Machinery	First Lien Senior Debt(6)	4.5%	N/A	9/21		9.0	9.0	8.9
Catalent Pharma Solutions, Inc.(7)	Pharmaceuticals	First Lien Senior Debt(6)	4.3%	N/A	5/21		12.4	12.5	12.4
CCM Merger Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.5%	N/A	8/21		4.9	4.9	4.8
CEC Entertainment, Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.0%	N/A	2/21		12.4	12.3	12.1
Cequel Communications, LLC	Media	First Lien Senior Debt(6)	3.5%	N/A	2/19		15.1	14.9	15.0
Charter Communications Operating, LLC(7)	Media	First Lien Senior Debt(6)	4.3%	N/A	9/21		1.3	1.2	1.3
Checkout Holding Corp.	Media	First Lien Senior Debt(6)	4.5%	N/A	4/21		5.0	5.0	4.8
CityCenter Holdings, LLC	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.3%	N/A	10/20		12.5	12.4	12.4
Connolly, LLC	Professional Services	First Lien Senior Debt(6)	5.0%	N/A	5/21		8.8	8.8	8.8
		Second Lien Senior Debt(6)	8.0%	N/A	5/22		1.0	1.0	1.0
								9.8	9.8
Consolidated Communications, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	4.3%	N/A	12/20		5.0	5.0	4.9
CPG International Inc.	Building Products	First Lien Senior Debt(6)	4.8%	N/A	9/20		7.4	7.5	7.4
CPI Buyer, LLC	Trading Companies & Distributors	First Lien Senior Debt(6)	5.5%	N/A	8/21		2.0	2.0	2.0
CPI International Inc.	Electronic Equipment, Instruments & Components	First Lien Senior Debt(6)	4.3%	N/A	11/17		10.4	10.4	10.3
CT Technologies Intermediate Holdings, Inc.	Health Care Technology	First Lien Senior Debt(6)	6.0%	N/A	12/21		3.0	3.0	3.0
DAE Aviation Holdings, Inc.	Aerospace & Defense	First Lien Senior Debt(6)	5.0%	N/A	11/18		3.6	3.6	3.6
Dave & Buster's, Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.3%	N/A	7/20		6.1	6.1	6.1
Del Monte Foods, Inc.(7)	Food Products	First Lien Senior Debt(6)	4.3%	N/A	2/21		5.0	5.0	4.6
Dell International LLC	Technology Hardware, Storage & Peripherals	First Lien Senior Debt(6)	4.5%	N/A	4/20		9.5	9.4	9.5
Deltek, Inc.	Software	First Lien Senior Debt(6)	4.5%	N/A	10/18		5.0	4.9	4.9
Dialysis Newco, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	4.5%	N/A	4/21		11.9	12.0	11.9
Dole Food Company, Inc.	Food Products	First Lien Senior Debt(6)	4.5%	N/A	11/18		10.2	10.3	10.1
DPX Holdings B.V.(7)	Life Sciences Tools & Services	First Lien Senior Debt(6)	4.3%	N/A	3/21		7.0	6.9	6.8
Drew Marine Group Inc.	Chemicals	First Lien Senior Debt(6)	4.5%	N/A	11/20		5.0	5.0	4.9
DTZ U.S. Borrower, LLC(7)	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	11/21		2.0	2.0	2.0
Duff & Phelps Corporation	Capital Markets	First Lien Senior Debt(6)	4.5%	N/A	4/20		10.4	10.5	10.3
Dunkin' Brands, Inc.(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	3.3%	N/A	2/21		7.5	7.4	7.3

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
DynCorp International Inc.	Aerospace & Defense	First Lien Senior Debt(6)	6.3%	N/A	7/16		1.0	1.0	1.0
Eco Services Operations LLC	Chemicals	First Lien Senior Debt(6)	4.8%	N/A	12/21		2.0	2.0	2.0
EFS Cogen Holdings I, LLC	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	3.8%	N/A	12/20		11.3	11.3	11.2
Electrical Components International, Inc.	Electrical Equipment	First Lien Senior Debt(6)	5.8%	N/A	5/21		3.0	3.0	3.0
Emdeon Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	3.8%	N/A	11/18		10.0	9.9	9.8
Emerald Expositions Holding, Inc.	Media	First Lien Senior Debt(6)	4.8%	N/A	6/20		4.8	4.8	4.7
Entravision Communications Corporation(7)	Media	First Lien Senior Debt(6)	3.5%	N/A	5/20		1.9	1.9	1.8
EquiPower Resources Holdings, LLC	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	4.3%	N/A	12/18 - 12/19		4.9	4.9	4.8
Evergreen Acqco 1 LP	Multiline Retail	First Lien Senior Debt(6)	5.0%	N/A	7/19		12.4	12.5	12.0
EWT Holdings III Corp.	Machinery	First Lien Senior Debt(6)	4.8%	N/A	1/21		5.0	5.0	4.9
Fairmount Minerals, Ltd.	Metals & Mining	First Lien Senior Debt(6)	4.5%	N/A	9/19		5.0	5.0	4.5
FCA US LLC(7)	Automobiles	First Lien Senior Debt(6)	3.3%	N/A	12/18		9.9	9.9	9.9
Ferro Corporation(7)	Chemicals	First Lien Senior Debt(6)	4.0%	N/A	7/21		6.0	6.0	5.9
Filtration Group Corporation	Industrial Conglomerates	First Lien Senior Debt(6)	4.5%	N/A	11/20		10.0	10.0	9.9
First Data Corporation	IT Services	First Lien Senior Debt(6)	4.0%	N/A	3/18 - 3/21		17.4	17.4	17.2
Fitness International, LLC	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	5.5%	N/A	7/20		3.6	3.6	3.5
Flexera Software LLC	Software	First Lien Senior Debt(6)	4.5%	N/A	4/20		5.4	5.4	5.3
Fly Funding II S.à r.l.(7)	Trading Companies & Distributors	First Lien Senior Debt(6)	4.5%	N/A	8/19		4.6	4.6	4.5
Flying Fortress Inc.(7)	Capital Markets	First Lien Senior Debt(6)	3.5%	N/A	6/17		5.3	5.3	5.3
FMG Resources (August 2006) Pty LTD(7)	Metals & Mining	First Lien Senior Debt(6)	3.8%	N/A	6/19		5.0	5.0	4.5
FullBeauty Brands, Inc.	Internet & Catalog Retail	First Lien Senior Debt(6)	4.5%	N/A	3/21		11.5	11.5	11.4
Gates Global LLC	Machinery	First Lien Senior Debt(6)	4.3%	N/A	7/21		18.1	18.0	17.7
Global Tel*Link Corporation	Diversified Telecommunication Services	First Lien Senior Debt(6)	5.0%	N/A	5/20		4.3	4.3	4.2
The Goodyear Tire & Rubber Company(7)	Auto Components	Second Lien Senior Debt(6)	4.8%	N/A	4/19		7.5	7.5	7.5
Great Wolf Resorts, Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	5.8%	N/A	8/20		7.9	8.0	7.9
Greeneden U.S. Holdings II, LLC	Software	First Lien Senior Debt(6)	4.0%	N/A	2/20		5.0	4.9	4.9
Grosvenor Capital Management Holdings, LLLP	Capital Markets	First Lien Senior Debt(6)	3.8%	N/A	1/21		13.6	13.5	13.3
Guggenheim Partners Investment Management Holdings, LLC	Capital Markets	First Lien Senior Debt(6)	4.3%	N/A	7/20		9.0	8.9	8.9
H. J. Heinz Company	Food Products	First Lien Senior Debt(6)	3.5%	N/A	6/20		25.9	25.9	25.8
Hampton Rubber Company	Energy Equipment & Services	First Lien Senior Debt(6)	5.0%	N/A	3/21		4.0	4.0	3.8

Explanation of Responses:



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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Harbor Freight Tools USA, Inc.	Specialty Retail	First Lien Senior Debt(6)	4.8%	N/A	7/19		10.6	10.6	10.6
Hearthside Group Holdings, LLC	Food Products	First Lien Senior Debt(6)	4.5%	N/A	6/21		10.4	10.5	10.4
Hemisphere Media Holdings, LLC(7)	Media	First Lien Senior Debt(6)	5.0%	N/A	7/20		0.9	0.9	0.9
HFOTCO LLC	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	4.3%	N/A	8/21		1.0	1.0	1.0
The Hillman Group, Inc.	Machinery	First Lien Senior Debt(6)	4.5%	N/A	6/21		9.0	9.0	8.9
Hub International Limited	Insurance	First Lien Senior Debt(6)	4.3%	N/A	10/20		8.5	8.4	8.2
Hudson Products Holdings Inc.	Energy Equipment & Services	First Lien Senior Debt(6)	5.0%	N/A	3/19		7.5	7.5	7.2
Hyland Software, Inc.	Software	First Lien Senior Debt(6)	4.8%	N/A	2/21		4.0	4.0	4.0
Ikaria, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	5.0%	N/A	2/21		8.2	8.3	8.2
Immucor, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	5.0%	N/A	8/18		7.9	8.0	7.8
IMS Health Incorporated(7)	Health Care Technology	First Lien Senior Debt(6)	3.5%	N/A	3/21		5.4	5.3	5.3
Indra Holdings Corp.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	5.3%	N/A	4/21		4.1	4.2	4.1
Infinity Acquisition LLC	Software	First Lien Senior Debt(6)	4.3%	N/A	8/21		5.0	5.0	4.9
Information Resources, Inc.	Professional Services	First Lien Senior Debt(6)	4.8%	N/A	9/20		7.4	7.5	7.4
Inmar, Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	4.3%	N/A	1/21		4.9	4.9	4.8
Intelsat Jackson Holdings S.A.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	3.8%	N/A	6/19		5.0	5.0	4.9
Interactive Data Corporation	Media	First Lien Senior Debt(6)	4.8%	N/A	4/21		8.5	8.5	8.4
Ion Media Networks, Inc.	Media	First Lien Senior Debt(6)	4.8%	N/A	12/20		5.0	5.0	4.9
J. Crew Group, Inc.	Specialty Retail	First Lien Senior Debt(6)	4.0%	N/A	3/21		7.5	7.4	7.1
J.C. Penney Corporation, Inc.(7)	Multiline Retail	First Lien Senior Debt(6)	5.0%	N/A	6/19		2.0	2.0	1.9
Jaguar Holding Company I	Life Sciences Tools & Services	First Lien Senior Debt(6)	4.0%	N/A	12/18		28.2	28.3	28.0
Jazz Acquisition, Inc.	Aerospace & Defense	First Lien Senior Debt(6)	4.5%	N/A	6/21		5.0	5.0	4.9
The Kenan Advantage Group, Inc.	Road & Rail	First Lien Senior Debt(6)	3.8%	N/A	6/16		4.9	5.0	4.9
Key Safety Systems, Inc.	Auto Components	First Lien Senior Debt(6)	4.8%	N/A	8/21		5.2	5.2	5.2
Kindred Healthcare, Inc.(7)	Health Care Providers & Services	First Lien Senior Debt(6)	4.3%	N/A	4/21		7.4	7.3	7.2
La Frontera Generation, LLC	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	4.5%	N/A	9/20		8.7	8.7	8.6
La Quinta Intermediate Holdings L.L.C.(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.0%	N/A	4/21		6.8	6.8	6.7
Landmark Aviation FBO Canada, Inc.(7)	Aerospace & Defense	First Lien Senior Debt(6)	4.8%	N/A	10/19		0.3	0.3	0.3
Landslide Holdings, Inc.	Software	First Lien Senior Debt(6)	5.0%	N/A	2/20		7.4	7.4	7.2
Learning Care Group (US) No. 2 Inc.	Diversified Consumer Services	First Lien Senior Debt(6)	5.5%	N/A	5/21		3.7	3.7	3.7
Leonardo Acquisition Corp.	Internet & Catalog Retail	First Lien Senior Debt(6)	4.3%	N/A	1/21		10.4	10.4	10.2

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Level 3 Financing, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	4.5%	N/A	1/22		4.0	4.0	4.0
Libbey Glass Inc.(7)	Household Durables	First Lien Senior Debt(6)	3.8%	N/A	4/21		4.5	4.5	4.4
Liberty Cablevision of Puerto Rico LLC	Media	First Lien Senior Debt(6)	4.5%	N/A	1/22		5.0	5.0	4.9
LM U.S. Member LLC	Aerospace & Defense	First Lien Senior Debt(6)	4.8%	N/A	10/19		7.7	7.6	7.6
MCC Iowa LLC	Media	First Lien Senior Debt(6)	4.0%	N/A	1/20 - 6/21		14.3	14.3	14.0
McJunkin Red Man Corporation(7)	Trading Companies & Distributors	First Lien Senior Debt(6)	5.0%	N/A	11/19		5.0	5.0	4.6
Mediacom Illinois, LLC	Media	First Lien Senior Debt(6)	3.8%	N/A	6/21		7.5	7.4	7.3
The Men's Wearhouse, Inc.(7)	Specialty Retail	First Lien Senior Debt(6)	4.5%	N/A	6/21		10.0	10.0	10.0
Michaels Stores, Inc.(7)	Specialty Retail	First Lien Senior Debt(6)	3.8%	N/A	1/20		19.7	19.7	19.3
Midas Intermediate Holdco II, LLC	Diversified Consumer Services	First Lien Senior Debt(6)	4.8%	N/A	8/21		2.0	2.0	2.0
Millennium Health, LLC	Health Care Providers & Services	First Lien Senior Debt(6)	5.3%	N/A	4/21		7.3	7.4	7.3
Minerals Technologies Inc.(7)	Chemicals	First Lien Senior Debt(6)	4.0%	N/A	5/21		2.8	2.8	2.8
Mirror Bidco Corp.(7)	Machinery	First Lien Senior Debt(6)	4.3%	N/A	12/19		7.8	7.9	7.8
Mitchell International, Inc.	Software	First Lien Senior Debt(6)	4.5%	N/A	10/20		9.4	9.5	9.3
Mitel US Holdings, Inc.(7)	Communications Equipment	First Lien Senior Debt(6)	5.3%	N/A	1/20		2.3	2.3	2.3
Moneygram International, Inc.(7)	IT Services	First Lien Senior Debt(6)	4.3%	N/A	3/20		5.0	4.9	4.6
MPG Holdco I Inc.	Auto Components	First Lien Senior Debt(6)	4.3%	N/A	10/21		7.8	7.8	7.9
MPH Acquisition Holdings LLC	Health Care Providers & Services	First Lien Senior Debt(6)	3.8%	N/A	3/21		16.5	16.4	16.1
Murray Energy Corporation	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	5.3%	N/A	12/19		4.5	4.5	4.3
National Financial Partners Corp.	Insurance	First Lien Senior Debt(6)	4.5%	N/A	7/20		6.5	6.5	6.4
National Surgical Hospitals, Inc	Health Care Providers & Services	First Lien Senior Debt(6)	5.3%	N/A	8/19		5.5	5.5	5.4
The Neiman Marcus Group Inc.	Multiline Retail	First Lien Senior Debt(6)	4.3%	N/A	10/20		10.5	10.4	10.2
Numericable U.S. LLC(7)	Media	First Lien Senior Debt(6)	4.5%	N/A	5/20		4.0	4.0	4.0
NVA Holdings, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	4.8%	N/A	8/21		8.5	8.5	8.4
Onex Carestream Finance LP	Health Care Equipment & Supplies	First Lien Senior Debt(6)	5.0%	N/A	6/19		14.1	14.2	14.1
Opal Acquisition, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	5.0%	N/A	11/20		5.0	5.0	4.9
Ortho-Clinical Diagnostics S.A.(7)	Health Care Providers & Services	First Lien Senior Debt(6)	4.8%	N/A	6/21		12.3	12.4	12.2
OSG Bulk Ships, Inc.(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	5.3%	N/A	8/19		8.7	8.8	8.5
Oxbow Carbon LLC	Metals & Mining	First Lien Senior Debt(6)	4.3%	N/A	7/19		4.9	4.9	4.5
P2 Lower Acquisition, LLC	Health Care Providers & Services	First Lien Senior Debt(6)	5.5%	N/A	10/20		1.9	1.8	1.8
Party City Holdings Inc.	Specialty Retail	First Lien Senior Debt(6)	4.0%	N/A	7/19		11.6	11.5	11.4

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December 31, 2014  
(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Peabody Energy Corporation(7)	Metals & Mining	First Lien Senior Debt(6)	4.3%	N/A	9/20		7.5	7.5	6.8
Penn Engineering & Manufacturing Corp.	Building Products	First Lien Senior Debt(6)	4.5%	N/A	8/21		6.5	6.5	6.5
Performance Food Group, Inc.	Food & Staples Retailing	Second Lien Senior Debt(6)	6.3%	N/A	11/19		4.0	4.0	3.9
Petroleum GEO-Services ASA(7)	Energy Equipment & Services	First Lien Senior Debt(6)	3.3%	N/A	3/21		5.0	4.9	4.2
PharMEDium Healthcare Corporation	Pharmaceuticals	First Lien Senior Debt(6)	4.3%	N/A	1/21		4.7	4.8	4.6
Phillips-Medisize Corporation	Health Care Equipment & Supplies	First Lien Senior Debt(6)	4.8%	N/A	6/21		6.0	6.0	6.0
Pilot Travel Centers LLC	Specialty Retail	First Lien Senior Debt(6)	4.3%	N/A	10/21		10.0	9.9	10.0
Pinnacle Foods Finance LLC(7)	Food Products	First Lien Senior Debt(6)	3.0%	N/A	4/20		14.3	14.2	13.9
Planet Fitness Holdings, LLC	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.8%	N/A	3/21		5.3	5.4	5.3
Post Holdings Inc.(7)	Food Products	First Lien Senior Debt(6)	3.8%	N/A	6/21		8.0	8.0	7.9
PQ Corporation	Chemicals	First Lien Senior Debt(6)	4.0%	N/A	8/17		5.0	5.0	4.9
Presidio, Inc.	IT Services	First Lien Senior Debt(6)	5.0%	N/A	3/17		4.6	4.7	4.6
Quikrete Holdings, Inc.	Construction Materials	First Lien Senior Debt(6)	4.0%	N/A	9/20		12.5	12.4	12.3
Quintiles Transnational Corp.(7)	Life Sciences Tools & Services	First Lien Senior Debt(6)	3.8%	N/A	6/18		3.0	2.9	2.9
Renaissance Learning, Inc.	Software	First Lien Senior Debt(6)	4.5%	N/A	4/21		9.9	9.9	9.7
Road Infrastructure Investment, LLC	Chemicals	First Lien Senior Debt(6)	4.3%	N/A	3/21		12.4	12.4	11.9
RPI Finance Trust(7)	Pharmaceuticals	First Lien Senior Debt(6)	3.5%	N/A	11/20		4.0	4.0	4.0
Sabre GLOB Inc.(7)	Software	First Lien Senior Debt(6)	4.5%	N/A	2/19		7.4	7.5	7.3
Sage Products Holdings III, LLC	Health Care Equipment & Supplies	First Lien Senior Debt(6)	5.0%	N/A	12/19		2.0	2.0	2.0
Schaeffler AG(7)	Auto Components	First Lien Senior Debt(6)	4.3%	N/A	5/20		1.0	1.0	1.0
Scientific Games International Inc.(7)	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	6.0%	N/A	10/21		4.0	4.0	4.0
Sears Roebuck Acceptance Corp.(7)	Multiline Retail	First Lien Senior Debt(6)	5.5%	N/A	6/18		5.0	5.0	4.8
Securus Technologies Holdings, Inc.	Diversified Telecommunication Services	First Lien Senior Debt(6)	4.8%	N/A	4/20		4.9	5.0	4.9
Sedgwick Claims Management Services, Inc.	Insurance	First Lien Senior Debt(6)	3.8%	N/A	3/21		13.9	13.7	13.6
		Second Lien Senior Debt(6)	6.8%	N/A	2/22		5.0	5.0	4.7
								18.7	18.3
Seminole Hard Rock Entertainment, Inc.	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	3.5%	N/A	5/20		5.9	5.9	5.7
Serta Simmons Holdings, LLC	Household Durables	First Lien Senior Debt(6)	4.3%	N/A	10/19		8.8	8.8	8.7
					7/21				

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The Servicemaster Company, LLC(7)	Diversified Consumer Services	First Lien Senior Debt(6)	4.3%	N/A		5.5	5.4	5.4
Ship Luxco 3 S.a.r.l(7)	IT Services	First Lien Senior Debt(6)	4.8%	N/A	11/19	5.0	5.0	5.0
Sinclair Television Group, Inc.(7)	Media	First Lien Senior Debt(6)	3.5%	N/A	7/21	4.0	4.0	4.0
Southcross Energy Partners, L.P.(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	5.3%	N/A	8/21	1.0	1.0	0.9
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December 31, 2014  
(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Southwire Company, LLC	Electrical Equipment	First Lien Senior Debt(6)	3.3%	N/A	2/21		20.3	20.2	19.6
Spectrum Brands, Inc(7)	Household Products	First Lien Senior Debt(6)	3.5%	N/A	9/19		1.2	1.2	1.2
Spin Holdco Inc.	Diversified Consumer Services	First Lien Senior Debt(6)	4.3%	N/A	11/19		7.4	7.5	7.3
Standard Aero Limited(7)	Aerospace & Defense	First Lien Senior Debt(6)	5.0%	N/A	11/18		1.4	1.4	1.4
Star West Generation LLC	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	4.3%	N/A	3/20		2.0	2.0	2.0
Station Casinos LLC	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.3%	N/A	3/20		12.0	11.9	11.7
Steinway Musical Instruments, Inc.	Leisure Products	First Lien Senior Debt(6)	4.8%	N/A	9/19		5.0	5.0	5.0
STHI Holding Corp.	Life Sciences Tools & Services	First Lien Senior Debt(6)	4.5%	N/A	8/21		7.0	7.0	6.9
STS Operating, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	4.8%	N/A	2/21		2.0	2.0	2.0
Syniverse Holdings, Inc.	Wireless Telecommunication Services	First Lien Senior Debt(6)	4.0%	N/A	4/19		15.0	14.9	14.6
Tallgrass Operations, LLC	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	4.3%	N/A	11/18		8.4	8.4	8.3
TI Group Automotive Systems, L.L.C.(7)	Auto Components	First Lien Senior Debt(6)	4.3%	N/A	7/21		7.5	7.4	7.4
TMS International Corp.	Metals & Mining	First Lien Senior Debt(6)	4.5%	N/A	10/20		12.8	12.9	12.8
TNS, Inc.	IT Services	First Lien Senior Debt(6)	5.0%	N/A	2/20		4.0	4.0	3.9
TPF II LC, LLC	Independent Power & Renewable Electricity Producers	First Lien Senior Debt(6)	5.5%	N/A	9/21		2.0	2.0	2.0
TransDigm Inc.(7)	Aerospace & Defense	First Lien Senior Debt(6)	3.8%	N/A	6/21		7.5	7.4	7.4
Trans Union LLC	Professional Services	First Lien Senior Debt(6)	4.0%	N/A	4/21		19.9	19.8	19.7
Travelport Finance (Luxembourg) S.à r.l.(7)	Internet Software & Services	First Lien Senior Debt(6)	6.0%	N/A	9/21		4.0	3.9	4.0
TWCC Holding Corp.	Media	First Lien Senior Debt(6)	3.5%	N/A	2/17		5.0	4.9	4.9
		Second Lien Senior Debt(6)	7.0%	N/A	6/20		5.0	5.0	4.8
								9.9	9.7
Tyche Holdings, LLC	IT Services	First Lien Senior Debt(6)	5.5%	N/A	11/21		5.4	5.4	5.4
U.S. Renal Care, Inc.	Health Care Providers & Services	First Lien Senior Debt(6)	4.3%	N/A	7/19		13.3	13.4	13.2
United Air Lines, Inc.(7)	Airlines	First Lien Senior Debt(6)	3.8%	N/A	9/21		8.0	7.9	7.9
Univision Communications Inc.	Media	First Lien Senior Debt(6)	4.0%	N/A	2/20 - 3/20		12.5	12.4	12.2
USIC Holdings, Inc.	Construction & Engineering	First Lien Senior Debt(6)	4.0%	N/A	7/20		14.9	14.8	14.6
USI, Inc.	Insurance	First Lien Senior Debt(6)	4.3%	N/A	12/19		8.4	8.5	8.3
Valeant Pharmaceuticals International, Inc.(7)	Pharmaceuticals	First Lien Senior Debt(6)	3.5%	N/A	2/19		8.7	8.7	8.6
Vencore, Inc.	Aerospace & Defense	First Lien Senior Debt(6)	5.8%	N/A	11/19		4.2	4.2	4.2

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Veyance Technologies, Inc.	Machinery	First Lien Senior Debt(6)	5.3%	N/A	9/17	1.9	1.9	1.9
VWR Funding, Inc.(7)	Distributors	First Lien Senior Debt(6)	3.4%	N/A	4/17	9.9	9.9	9.9
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Wall Street Systems Delaware, Inc.(7)	Software	First Lien Senior Debt(6)	4.5%	N/A	4/21		4.9	4.8	4.9
Wastequip, LLC	Machinery	First Lien Senior Debt(6)	5.5%	N/A	8/19		5.0	5.0	4.9
WaveDivision Holdings, LLC	Media	First Lien Senior Debt(6)	4.0%	N/A	10/19		8.4	8.5	8.3
WideOpenWest Finance, LLC	Media	First Lien Senior Debt(6)	4.8%	N/A	4/19		5.0	5.0	4.9
Wilsonart LLC	Building Products	First Lien Senior Debt(6)	4.0%	N/A	10/19		8.4	8.4	8.2
WP CPP Holdings, LLC	Aerospace & Defense	First Lien Senior Debt(6)	4.8%	N/A	12/19		7.1	7.1	7.1
XO Communications, LLC	Diversified Telecommunication Services	First Lien Senior Debt(6)	4.3%	N/A	3/21		10.4	10.4	10.3
Yankee Cable Acquisition, LLC	Media	First Lien Senior Debt(6)	4.5%	N/A	2/20 - 3/20		13.3	13.3	13.3
Yonkers Racing Corporation	Hotels, Restaurants & Leisure	First Lien Senior Debt(6)	4.3%	N/A	8/19		4.8	4.8	4.3
York Risk Services Holding Corp.(7)	Insurance	First Lien Senior Debt(6)	4.8%	N/A	10/21		1.0	1.0	1.0
Zayo Group LLC	Diversified Telecommunication Services	First Lien Senior Debt(6)	4.0%	N/A	7/19		5.0	5.0	4.9

**AMERICAN CAPITAL CMBS INVESTMENTS**

CD 2007-CD4 Commercial Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	12/49		16.0	1.1	2.5
CD 2007-CD5 Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.1%	N/A	12/17		14.8	7.3	1.8
Citigroup Commercial Mortgage Securities Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	7/17		30.9	17.5	7.4
Credit Suisse Commercial Mortgage Trust Series 2007-C4(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	8/17		20.8	7.8	1.4
J.P. Morgan Chase Commercial Mortgage Securities Trust 2007-LDP11(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.8%	N/A	7/17		25.2		2.6
LB-UBS Commercial Mortgage Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.2%	N/A	8/17		12.0	3.0	1.4
Wachovia Bank Commercial Mortgage Trust 2005-C22(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.4%	N/A	3/16		15.0	1.1	4.0
Wachovia Bank Commercial Mortgage Trust 2006-C24(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	3/16		15.0	1.0	2.1
Wachovia Bank Commercial Mortgage Trust 2007-C31(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.8%	N/A	5/17		20.0	10.6	1.1
Wachovia Bank Commercial Mortgage Trust, Series 2007-C32(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	10/17		60.9	12.3	6.9
Wachovia Bank Commercial Mortgage Trust, Series 2007-C34(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	10/17 - 12/20		5.6	5.6	3.9

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**AMERICAN CAPITAL CLO INVESTMENTS**

ACAS CLO 2007-1, Ltd.(7)	Secured Notes(6)	4/21	8.5	8.4	8.3
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(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Subordinated Notes(6)			4/21		25.9	9.8	14.4
								18.2	22.7
ACAS CLO 2013-2, Ltd.(7)		Subordinated Notes(6)			10/25		8.0	7.0	6.6
Apidos CLO XIV(7)		Income Notes(6)			4/25		8.1	7.3	7.3
Apidos CLO XIX(7)		Income Notes(6)			10/26		10.5	9.4	9.4
Apidos CLO XVIII, Ltd.(7)		Subordinated Notes(6)			7/26		34.0	33.9	32.2
Ares IIIR/IVR CLO Ltd.(7)		Subordinated Notes(6)			4/21		20.0	10.8	7.8
Ares XXIX CLO Ltd.(7)		Subordinated Notes(6)			4/26		7.3	6.6	6.6
Avery Point II CLO, Limited(7)		Income Notes(6)			7/25		2.6	2.2	2.2
Babson CLO Ltd. 2006-II(7)		Income Notes(6)			10/20		15.0	7.9	9.5
Babson CLO Ltd. 2014-II(7)		Subordinated Notes(6)			9/26		25.0	23.6	23.6
Babson CLO Ltd. 2014-III(7)		Subordinated Notes(6)			1/26		3.8	3.4	3.4
Blue Hill CLO, Ltd.(7)		Subordinated Notes(6)			1/26		10.7	9.2	9.1
Carlyle Global Market Strategies CLO 2013-3, Ltd.(7)		Subordinated Notes(6)			7/25		2.3	1.8	1.8
Carlyle Global Market Strategies CLO 2014-4, Ltd.(7)		Subordinated Notes(6)			10/26		14.6	13.4	12.9
Cent CDO 12 Limited(7)		Income Notes(6)			11/20		26.4	9.3	28.0
Cent CLO 18 Limited(7)		Subordinated Notes(6)			7/25		3.8	3.0	3.4
Cent CLO 19 Limited(7)		Subordinated Notes(6)			10/25		5.3	4.6	4.6
Cent CLO 22 Limited(7)		Subordinated Notes(6)			11/26		35.0	33.7	33.7
Centurion CDO 8 Limited(7)		Subordinated Notes(4)(6)			3/17		5.0	0.2	
CoLTs 2005-1 Ltd.(7)		Preference Shares(4)(6)			3/15				
CoLTs 2005-2 Ltd.(7)		Preference Shares(4)(6)			12/18	360		1.9	0.3
						34,170,000		12.5	1.8
CREST Exeter Street Solar 2004-1(7)		Preferred Securities(4)(6)			6/39	3,500,000		3.2	
Dryden 31 Senior Loan Fund(7)		Subordinated Notes(6)			3/26		2.3	2.0	2.0
Eaton Vance CDO X plc(7)		Secured Subordinated Notes(6)			2/27		15.0	11.4	9.1
Flagship CLO V(7)		Deferrable Notes(6)			9/19		1.7	1.5	1.6
		Subordinated Securities(6)			9/19	15,000		7.0	2.3
								8.5	3.9
Galaxy III CLO, Ltd(7)		Subordinated Notes(4)			8/16		4.0	0.2	
Galaxy XVI CLO, Ltd.(7)		Subordinated Notes(6)			11/25				

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			2.3	2.1	2.1
GoldenTree Loan Opportunities IX, Limited(7)	Subordinated Notes(6)	10/26	40.8	37.7	37.7
Halcyon Loan Advisors Funding 2014-1 Ltd.(7)	Subordinated Notes(6)	2/26	1.3	1.1	1.1
Halcyon Loan Advisors Funding 2015-2, Ltd.(7)	Subordinated Notes(4)(6)	12/17	15.0	15.0	15.0
Herbert Park B.V.(7)	Subordinated Notes(6)	10/26	26.7	27.7	22.4
Highbridge Loan Management 2013-2, Ltd.(7)	Subordinated Notes(6)	10/24	27.0	22.9	22.9
LightPoint CLO IV, LTD(7)	Income Notes(6)	4/18	6.7	9.1	5.5
LightPoint CLO VII, Ltd.(7)	Subordinated Notes(6)	5/21	9.0	3.0	2.5
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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Limerock CLO III, Ltd.(7)		Subordinated Notes(6)			10/26		12.5	11.4	11.4
Magnetite VIII, Limited(7)		Subordinated Notes(6)			5/26		6.7	6.5	6.2
Magnetite XIV, Limited(7)		Subordinated Notes(4)(6)			6/16		20.0	20.0	20.0
Mayport CLO Ltd.(7)		Income Notes			2/20		14.0	8.6	3.2
Neuberger Berman CLO XV, Ltd.(7)		Subordinated Notes(6)			10/25		2.8	2.3	2.3
NYLIM Flatiron CLO 2006-1 LTD.(7)		Subordinated Securities(6)			8/20	10,000		3.5	4.3
Och-Ziff VIII, Ltd.(7)		Subordinated Notes(6)			9/26		16.0	15.1	15.1
Octagon Investment Partners VII, Ltd.(7)		Preferred Securities(4)(6)			12/16	5,000,000		1.1	
Octagon Investment Partners XIV, Ltd.(7)		Income Notes(6)			1/24		4.5	3.3	3.4
Octagon Investment Partners XIX, Ltd.(7)		Subordinated Notes(6)			4/26		25.0	21.5	22.8
Octagon Investment Partners XX, Ltd.(7)		Subordinated Notes(6)			8/26		2.5	2.5	2.5
Octagon Investment Partners XXII, Ltd.(7)		Subordinated Notes(6)			11/25		8.4	7.7	7.7
Octagon Loan Funding, Ltd.(7)		Subordinated Notes(6)			9/26		4.0	3.6	3.6
OHA Credit Partners VIII, Ltd.(7)		Subordinated Notes(6)			4/25		5.0	4.5	4.5
Sapphire Valley CDO I, Ltd.(7)		Subordinated Notes(6)			12/22		14.0	14.5	11.1
THL Credit Wind River 2014-1 CLO Ltd.(7)		Subordinated Notes(6)			4/26		16.0	14.4	13.9
Vitesse CLO, Ltd.(7)		Preferred Securities(6)			8/20	20,000,000		12.9	7.2
Voya CLO 2014-2, Ltd.(7)		Subordinated Notes(6)			7/26		10.0	10.0	9.1
Voya CLO 2014-4, Ltd.(7)		Subordinated Notes(6)			10/26		26.7	25.0	25.0
<b>EUROPEAN CAPITAL CLO INVESTMENTS</b>									
Ares European III B.V.(7)	Diversified Financial Services	Subordinated Notes		8/24		6.1	3.4	3.5	
Cordatus CLO II plc(7)	Diversified Financial Services	Subordinated Notes		7/24		6.1	2.2	6.1	
Eaton Vance CDO X plc(7)	Diversified Financial Services	Secured Subordinated Notes		2/27		8.5	1.4	5.2	
Euro-Galaxy II CLO B.V.(7)	Diversified Financial Services	Income Notes		10/22		3.0	2.7	2.8	
		Subordinated Notes			10/22		6.7	3.3	5.0
								6.0	7.8
<b>Subtotal Non-Control / Non-Affiliate Investments (55% of total investments at fair value)</b>							<b>\$ 3,846.1</b>	<b>\$ 3,472.1</b>	
<b>AMERICAN CAPITAL AFFILIATE INVESTMENTS</b>									
IS Holdings I, Inc.	Software	Common Stock(4)(6)				1,165,930	\$	\$	7.9
Primrose Holding Corporation	Diversified Consumer	Common Stock(4)(6)				4,213			4.6

Explanation of Responses:

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Services

**EUROPEAN CAPITAL AFFILIATE INVESTMENTS**

Blue Topco GmbH(7)	Commercial Services & Supplies	First Lien Senior Debt	2.3%	N/A	6/16 - 6/18	\$ 2.7	2.1	2.1
		Mezzanine Debt(5)	N/A	3.1%	12/18	8.6	7.6	2.6
							9.7	4.7

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(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt	1.3%	N/A	10/17 - 12/17		1.7	1.7	1.6
		Second Lien Senior Debt	%	N/A	11/17		0.7	0.7	0.6
		Convertible Preferred Stock(4)				23,082,525		9.3	1.7
		Redeemable Preferred Stock(4)				25,751,312		7.9	4.4
							19.6	8.3	
<b>Subtotal Affiliate Investments (1% of total investments at fair value)</b>							<b>\$ 29.3</b>	<b>\$ 25.5</b>	
<b>AMERICAN CAPITAL CONTROL INVESTMENTS</b>									
ACAS Real Estate Holdings Corporation	Real Estate	Mezzanine Debt(5)(6)	N/A	15.0%	5/16		\$ 8.7	\$ 4.7	\$ 5.0
		Common Stock(6)				100%		13.8	25.7
							18.5	30.7	
American Capital Asset Management, LLC	Capital Markets	Mezzanine Debt(6)	5.0%	N/A	9/16		33.0	33.0	33.0
		Common Membership Interest(6)				100%		395.5	1,131.4
							428.5	1,164.4	
American Driveline Systems, Inc.	Diversified Consumer Services	Redeemable Preferred Stock(4)(6)				6,818,008		81.9	20.6
		Common Stock(4)(6)				197,161		18.2	
		Common Stock				136,183		9.9	
		Warrants(4)(6)							
							110.0	20.6	
ASAP Industries Holdings, LLC	Energy Equipment & Services	Mezzanine Debt(6)	12.0%	2.0%	12/18		20.5	20.3	20.5
		Membership Units(4)(6)				106,911		30.3	15.0
							50.6	35.5	
BMR Energy LLC	Independent Power & Renewable Electricity Producers	Preferred Units(6)				11,620		11.9	11.9
Capital.com, Inc.	Diversified Financial Services	Common Stock(4)(6)				8,500,100		0.9	
CML Pharmaceuticals, Inc.	Life Sciences Tools & Services	First Lien Senior Debt(6)	8.0%	N/A	12/15 - 10/20		315.7	313.1	289.8
		Convertible Preferred Stock(4)(6)				243,642		144.6	
							457.7	289.8	
					3/15 - 4/15				

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Contour Semiconductor, Inc.	Semiconductors & Semiconductor Equipment	First Lien Senior Debt(6)	N/A	8.0%		9.3	9.3	9.3
		Convertible Preferred Stock(4)(6)			143,896,948		13.5	
							22.8	9.3
Core Financial Holdings, LLC(7)	Diversified Financial Services	Common Units(4)(6)			57,940,360		43.8	0.2
Dyno Holding Corp.	Auto Components	First Lien Senior Debt(6)	8.9%	2.2%	11/15	35.2	35.1	35.2
		Mezzanine Debt(5)(6)	N/A	4.3%	11/16	34.7	28.1	16.7
		Convertible Preferred Stock(4)(6)			389,759		40.5	
		Common Stock(4)(6)			97,440		10.1	
							113.8	

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(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
ECA Acquisition Holdings, Inc.	51.9 Health Care Equipment & Supplies	First Lien Senior Debt(6)	10.0%	N/A	3/16		6.8	6.8	6.8
		Mezzanine Debt(6)	13.0%	3.5%	7/16		18.1	18.1	18.1
		Common Stock(4)(6)				583	13.4	4.7	
							38.3	29.6	
eLynx Holdings, Inc.	IT Services	Convertible Preferred Stock(4)(6)				11,728		20.6	16.0
		Redeemable Preferred Stock(4)(6)				21,113		9.0	
		Common Stock(4)(6)				11,261		1.1	
		Common Stock				1,002,678		5.5	
		Warrants(4)(6)							
							36.2	16.0	
EXPL Pipeline Holdings LLC(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	8.1%	N/A	1/17		46.0	45.7	46.8
		Common Membership Units(4)(6)				58,297		44.5	20.1
							90.2	66.9	
FAMS Acquisition, Inc.	Diversified Financial Services	Mezzanine Debt(6)	12.3%	2.6%	1/16		42.8	42.8	40.7
Fosbel Holding, Inc.	Commercial Services & Supplies	Mezzanine Debt(6)	N/A	17.0%	10/18		9.8	9.8	9.8
		Mezzanine Debt(5)(6)	N/A	17.0%	10/18		45.6	19.1	3.7
							28.9	13.5	
FPI Holding Corporation	Food Products	First Lien Senior Debt(5)(6)	N/A	5.2%	1/19		32.6	11.6	11.6
Group Montana, Inc.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	6.3%	N/A	1/17		6.4	6.4	6.4
		Convertible Preferred Stock(6)				4,000		4.7	6.7
		Common Stock(4)(6)				100%		12.5	1.6
							23.6	14.7	
Halex Holdings, Inc.	Construction Materials	Second Lien Senior Debt(5)(6)	%	12.0%	3/15		18.3	18.3	18.8
		Redeemable Preferred Stock(4)(6)				6,482,972		6.6	
							24.9	18.8	
HALT Medical, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(5)(6)	N/A	22.0%	3/15		45.2	36.5	35.6
		Convertible Preferred Stock(4)(6)				12,811,818		2.6	
		Common Stock(4)(6)				22,416,432		6.4	
							45.5	35.6	
Hard 8 Games, LLC	Hotels, Restaurants & Leisure	First Lien Convertible Senior Debt(6)	N/A	6.0%	2/15		8.2	8.2	8.2
		Membership Unit(4)(6)				1		19.0	28.8

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						27.2	37.0
Hollyhock Limited(7)	Independent Power & Renewable Electricity Producers	Common Stock(4)(6)			22,000,000	22.0	21.2
LLSC Holdings Corporation	Personal Products	Convertible Preferred Stock(4)(6)			7,496	8.1	13.8
Montgomery Lane, LLC(7)	Diversified Financial Services	Common Membership Units(4)(6)			100		6.9
MW Acquisition Corporation	Health Care Providers & Services	Mezzanine Debt(6)		2/19		24.0	23.9
			14.4%	1.0%			24.0
		Redeemable Preferred Stock(6)			2,485	2.3	2.3

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December 31, 2014  
(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Convertible Preferred Stock(4)(6)				51,351		23.0	17.9
								49.2	44.2
NECCO Holdings, Inc.	Food Products	First Lien Senior Debt(5)(6)	6.5%	N/A	12/15		13.9	11.8	8.9
		Second Lien Senior Debt(5)(6)	N/A	18.0%	11/15		6.4	3.2	
		Common Stock(4)(6)				860,189		0.1	
								15.1	8.9
NECCO Realty Investments, LLC	Real Estate	First Lien Senior Debt(5)(6)	2.9%	11.1%	12/17		67.0	32.8	19.9
		Common Membership Units(4)(6)				7,450		4.9	
								37.7	19.9
Orchard Brands Corporation	Internet & Catalog Retail	Common Stock(4)(6)				87,838		55.1	87.9
PHC Sharp Holdings, Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	12.5%	N/A	12/15		1.4	1.4	1.4
		Mezzanine Debt(6)	N/A	17.0%	12/16		13.6	13.6	13.6
		Mezzanine Debt(5)(6)	N/A	19.0%	12/16		25.0	11.0	12.0
		Common Stock(4)(6)				367,881		4.2	
								30.2	27.0
RD Holdco Inc.	Household Durables	Second Lien Senior Debt(6)	11.3%	N/A	6/17		16.9	14.6	17.1
		Common Stock(4)(6)				458,596		23.6	18.6
		Common Stock Warrants(4)(6)				56,372		2.9	2.3
								41.1	38.0
Rebellion Media Group Corp.(7)	Internet Software & Services	First Lien Senior Debt(6)	N/A	12.0%	3/15		4.3	4.3	3.5
		First Lien Senior Debt(5)(6)	N/A	12.0%	12/15		10.8	8.1	
								12.4	3.5
Scanner Holdings Corporation	Technology Hardware, Storage & Peripherals	Mezzanine Debt(6)	14.8%	N/A	10/16 - 7/17		20.5	20.5	20.5
		Convertible Preferred Stock(6)				38,723,509		5.4	5.4
		Common Stock(4)(6)				97,540		0.1	
								26.0	25.9
SEHAC Holding Corporation	Diversified Consumer Services	Convertible Preferred Stock(6)				14,850		14.8	103.6
		Common Stock(6)				150		0.2	1.0
								15.0	104.6
Soil Safe Acquisition Corp.	Professional Services	First Lien Senior Debt(6)	8.0%	N/A	1/18 - 12/18		23.5	23.4	23.5
			10.8%	N/A	7/19		12.7	12.7	12.7

Explanation of Responses:

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		Second Lien Senior Debt(6)						
		Mezzanine Debt(6)	8.9%	7.2%	12/19		67.1	66.3
		Common Stock				810	9.5	9.2
							111.9	112.5
TestAmerica Environmental Services, LLC	Commercial Services & Supplies	Mezzanine Debt(5)(6)	10.0%	2.5%	6/18		35.2	26.5
		Common Units(4)(6)				490,000		2.0
							28.5	
Warner Power, LLC	Electrical Equipment	Mezzanine Debt(5)(6)	N/A	14.6%	3/15		9.7	5.7
		Redeemable Preferred Membership Units(4)(6)				3,796,269	3.0	2.6
		Common Membership Units(4)(6)				27,400	1.9	
							10.6	2.6
WIS Holding Company, Inc.	Commercial Services & Supplies	Convertible Preferred Stock(6)				703,406	57.9	82.9

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December 31, 2014  
(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Common Stock(4)(6)				175,853		11.4	16.9
								69.3	99.8
<b>EUROPEAN CAPITAL CONTROL INVESTMENTS</b>									
Bellotto Holdings Limited(7)	Household Durables	Redeemable Preferred Stock				7,300,610	2.0	34.6	36.5
		Common Stock(4)				2,697,010		100.0	103.6
								134.6	140.1
European Capital UK SME Debt LP(7)		Partnership Interest				500		0.6	0.6
Financière H S.A.S.(7)	Health Care Equipment & Supplies	Mezzanine Debt(5)	3.0%	5.8%	10/15		15.0	9.7	9.5
		Convertible Preferred Stock(4)				930,558		58.1	
								67.8	9.5
Financière Newglass S.A.S.(7)	Building Products	Convertible Preferred Stock(4)				1		26.1	26.1
		Common Stock(4)				8,000,000		9.7	6.2
								35.8	32.3
Financière Tarmac S.A.S.(7)	Commercial Services & Supplies	First Lien Senior Debt	4.0%	N/A	12/20		5.0	4.1	5.1
		Mezzanine Debt	N/A	4.0%	12/21		22.1	22.1	22.1
		Mezzanine Debt(5)	N/A	4.0%	12/21		28.8	17.2	17.2
		Convertible Preferred Stock(4)				8,665,001		10.5	
		Redeemable Preferred Stock(4)					3.7	8.1	
								62.0	44.4
Holding Saint Augustine S.A.S.(7)	Air Freight & Logistics	First Lien Senior Debt	N/A	N/A	9/19		4.9	4.9	4.9
		Convertible Preferred Stock(4)				1,982,668		15.0	
		Redeemable Preferred Stock(4)				1			1.0
								19.9	5.9
Miles 33 Limited(7)	Media	First Lien Senior Debt	3.5%	N/A	9/17		8.3	8.3	8.3
		Mezzanine Debt	4.5%	5.0%	9/17		16.7	16.7	16.7
		Redeemable Preferred Stock(4)					71.9	30.3	8.6
		Common Stock(4)				600,000		0.9	
								56.2	33.6
MP Equity S.A.S.(7)	Food Products	Redeemable Preferred Stock(4)					2.7	2.5	
<b>AMERICAN CAPITAL CONTROL CLO INVESTMENT</b>									
ACAS Wachovia Investments, L.P.(7)	Diversified Financial Services	Partnership Interest(4)				90%		2.2	0.6

Explanation of Responses:

<b>Subtotal Control Investments (44% of total investments at fair value)</b>	<b>\$ 2,541.5</b>	<b>\$ 2,782.4</b>
<b>Total Investment Assets</b>	<b>\$ 6,416.9</b>	<b>\$ 6,280.0</b>

<b>Counterparty</b>	<b>Instrument</b>	<b>Interest Rate(2)</b>	<b>Expiration Date(2)</b>	<b># of Contracts</b>	<b>Notional</b>	<b>Cost</b>	<b>Fair Value</b>
<b>DERIVATIVE AGREEMENTS</b>							
Citibank, N.A.	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	5/16 - 7/17	2	\$ 27.5	\$	\$ (3.4)
BNP Paribas	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.7%/LIBOR	7/17	1	22.3		(3.1)
Wells Fargo Bank, N.A	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	8/16	1	11.9		(1.0)
Citibank, N.A.	Total Return Swaps		12/14	2	27.1		(3.0)
American Capital Equity III, LP(8)	WRH, Inc. Equity Option		4/15	1			(73.6)
<b>Total Derivative Agreements</b>						<b>\$</b>	<b>\$ (84.1)</b>

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**December 31, 2014**  
**(in millions, except share data)**

Funds	Cost	Fair Value
<b>MONEY MARKET FUNDS(3)</b>		
Deutsche Global Liquidity Managed Sterling Fund	\$ 264.9	\$ 264.9
Wells Fargo Advantage Heritage Money Market Fund(6)	10.0	10.0
Fidelity Institutional Money Market Fund(6)	10.0	10.0
BofA Funds Series Trust BofA Money Market Reserves(6)	10.0	10.0
Dreyfus Institutional Cash Advantage-I Fund(6)	10.0	10.0
STIT Liquid Assets Portfolio(6)	5.0	5.0
JPMorgan Prime Money Market Fund(6)	5.0	5.0
Fidelity Institutional Money Market Funds Prime Money Market Portfolio(6)	5.0	5.0
<b>Total Money Market Funds</b>	<b>\$ 319.9</b>	<b>\$ 319.9</b>

- (1) Certain of the securities are issued by affiliate(s) of the listed portfolio company.
- (2) Interest rates represent the weighted average annual stated interest rate on loans and debt securities in effect on the date presented, which are presented by the nature of indebtedness by a single issuer. Some loans and debt securities bear interest at variable rates, primarily three-month LIBOR, with interest rate floors. PIK represents contractually deferred interest that is typically compounded into the principal balance of the loan or debt security, if not paid on a current basis. PIK interest may be prepaid by the portfolio company's election, but generally is paid upon a change of control transaction or maturity. The maturity date represents the latest date in which the loan or debt security is scheduled to terminate.
- (3) Included in cash and cash equivalents on our consolidated balance sheets.
- (4) Some or all of the securities are non-income producing.
- (5) Loan is on non-accrual status and therefore considered non-income producing.
- (6) All or a portion of the investments or instruments are pledged as collateral under various secured financing arrangements.
- (7) Investments that are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2014, non-qualifying assets were approximately \$1.7 billion, or 31% of net assets.
- (8) For further discussion on the WRH, Inc. Equity Option, see Note 14 to our audited consolidated financial statements included in this Annual Report on Form 10-K.

AMERICAN CAPITAL, LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except per share data)

**Note 1. Organization**

American Capital, Ltd., (which is referred to throughout this report as "American Capital", "we", "our" and "us") was incorporated in 1986. On August 29, 1997, we completed an initial public offering and became a non-diversified closed end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended ("1940 Act"). As a BDC, we primarily invest in senior and mezzanine debt and equity in buyouts of private companies sponsored by us ("American Capital One Stop Buyouts®") or sponsored by other private equity funds and provide capital directly to early stage and mature private and small public companies ("Sponsor Finance and Other Investments"). We also invest in first and second lien floating rate loans to large-market U.S. based companies ("Senior Floating Rate Loans") and structured finance investments ("Structured Products"), including collateralized loan obligation ("CLO") securities and commercial mortgages and commercial mortgage backed securities ("CMBS"). Our primary business objectives are to increase our net earnings and net asset value ("NAV") by making investments with attractive current yields and/or potential for equity appreciation and realized gains.

Through our tax years ended September 30, 1998 through September 30, 2010, we qualified to be taxed as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). Effective with our tax year ended September 30, 2011, we did not qualify to be taxed as a RIC and became subject to taxation as a corporation under Subchapter C of the Code (a "Subchapter C corporation"). This change in tax status does not affect our status as a BDC under the 1940 Act or our compliance with the portfolio composition requirements of that statute.

**Note 2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

*Reclassifications*

We have reclassified certain prior period amounts in our consolidated financial statements to conform to our current period presentation. These reclassifications had no impact on prior periods' net earnings or shareholders' equity.

*Consolidation*

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X, the Securities and Exchange Commission's ("SEC") Division of Investment Management's consolidation guidance in IM Guidance Update No. 2014-11 issued in October 2014 and Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services Investment Companies* ("ASC 946"), we are precluded from consolidating any entity other than another investment company that acts as an extension of our investment operations and facilitates the execution of our investment strategy. An exception to this guidance occurs if we have an investment in a controlled operating company that provides substantially all of its services to us.

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We have determined that as of December 31, 2015 or for the periods presented in our audited consolidated financial statements included in this Annual Report on Form 10-K, European Capital Limited ("European Capital") and American Capital Asset Management, LLC ("ACAM"), have met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X for which we are required, pursuant to Rule 3-09 of Regulation S-X, to attach separate financial statements as exhibits to our Form 10-K. As such, separate financial statements for European Capital and ACAM are filed herewith as Exhibits 99.1 and 99.2, respectively.

We currently consolidate ACAS Funding I, LLC and ACAS Funding II, LLC, which are wholly-owned special purpose financing vehicles that were formed for the purpose of purchasing Senior Floating Rate Loans under a \$1.25 billion secured revolving credit facility and \$500 million secured revolving credit facility, respectively. As of December 31, 2015, ACAS Funding I, LLC and ACAS Funding II, LLC did not have any other operations or activities. We also consolidate American Capital TRS, LLC ("ACTRS"), which is a wholly-owned entity that has entered into non-recourse total return swaps ("TRS") with Citibank, N.A. As of December 31, 2015, ACTRS did not have any other operations or activities. The TRS is accounted for as a derivative pursuant to FASB ASC Topic 815, *Derivatives and Hedging*.

Our consolidated financial statements also include the accounts of European Capital, which is a wholly-owned investment company that, effective October 1, 2014, acts as an extension of our investment operations and facilitates the execution of our investment strategy. In addition, our consolidated financial statements include the accounts of AC Corporate Holdings, Inc. ("ACCH") and ACE Acquisition Holdings, LLC ("ACE Acquisition"), which are wholly-owned entities that have purchased numerous investment securities on behalf of American Capital. As of December 31, 2015, European Capital, ACCH and ACE Acquisition did not have any other operations or activities and were considered to be investment companies under ASC 946, as amended by Accounting Standards Update ("ASU") No. 2013-08, *Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

### ***Trade Date Accounting***

In accordance with ASC 946, we account for security purchases and sales on a trade date basis other than when it is not in accordance with standard industry practice to account for the purchase or sale transaction on a trade date basis and the transaction is outside conventional channels, such as through a private placement or by submitting shares in a tender offer. In such circumstances, we record the transaction on the date we obtain a right to demand the securities purchased or collect the proceeds of sale and incur an obligation to pay the price of the securities purchased or to deliver the securities sold, respectively.

### ***Investment Valuation Policy***

Our investments consist of loans and securities issued by public and privately-held companies, including senior debt, mezzanine debt, equity warrants and preferred and common equity securities. We also invest in Structured Products, which includes CLO securities and CMBS.

We fair value our investments in accordance with the 1940 Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") as determined in good faith by our Board of Directors. We undertake a multi-step valuation process each quarter to determine the fair value of our investments in accordance with ASC 820. The quarterly valuation process begins with the development of a preliminary valuation recommendation for each investment by our Financial Advisory and Consulting Team ("FACT"), which is composed of valuation and audit professionals responsible for monitoring portfolio compliance and valuations. In preparing the preliminary valuation recommendations, FACT receives assistance from our investment professionals that both originated and

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monitor the investment as well as assistance from other departments including operations, accounting and legal. The preliminary valuation recommendations are reviewed by senior management and then presented to our Audit, Compliance and Valuation Committee for review and approval. Subsequent to the approval from our Audit, Compliance and Valuation Committee, the valuation recommendations are sent to our Board of Directors for final approval.

When available, we base the fair value of our investments that trade in active markets on directly observable market prices or on market data derived for comparable assets. For restricted securities of companies that are publicly traded, the value is based on the closing market quote on the valuation date less a discount for the restriction. For all other investments, inputs used to measure fair value reflect management's best estimate of assumptions that would be used by market participants in pricing the investment in a hypothetical transaction. For these investments, we estimate the fair value of our senior debt, mezzanine debt, redeemable and convertible preferred equity, common equity and equity warrants using either an enterprise value waterfall methodology, which generally combines market and income approaches, or a market yield valuation methodology, which utilizes the income approach. We estimate the fair value of our Structured Products using the market and income approaches, third-party broker quotes and counterparty marks.

ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings. Due to the uncertainty inherent in the valuation process, estimates of fair value may differ significantly from the values that would have been used had a ready market for our investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of our investments may include initial transaction costs. Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market for an asset is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

The principal market in which we would sell our Senior Floating Rate Loans and certain of our non-controlled Sponsor Finance debt investments is an active over-the-counter secondary market. For our other debt and equity investments, there is no active market and we are generally repaid our debt investment or sell our equity investment upon a change of control transaction such as through the mergers and acquisition ("M&A") market. Accordingly, the market in which we would sell certain of our non-controlled debt and all of our equity investments is the M&A market. However, under ASC 820, we have identified the M&A market as the principal market for our investments in these portfolio companies only if we have the ability to control the decision to sell the portfolio company as of the measurement date. We determine whether we have the ability to control the decision to sell a portfolio company based on our ability to control or gain control of the board of directors of the portfolio company as of the measurement date and rights within the shareholders agreement. In evaluating if we can control or gain control of a portfolio company as of the measurement date, we include our equity securities and those securities held by entities managed by our wholly-owned portfolio company, ACAM on a fully diluted basis. For investments in portfolio companies for which

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we do not have the ability to control or gain control as of the measurement date and for which there is no active market, the principal market under ASC 820 is a hypothetical secondary market.

Accordingly, we use the M&A market as the principal market for our investments in portfolio companies that we control or can gain control as of the measurement date, and we use a hypothetical secondary market for our investments in portfolio companies that we do not control or cannot gain control as of the measurement date. However, to the extent that an active market exists for such investments, we will consider that as the principal market. Our valuation policy considers the fact that no ready active market exists for a significant amount of our investments and that the fair value for our investments must typically be determined using unobservable inputs.

### *Enterprise Value Waterfall Methodology*

For investments in portfolio companies that we have identified the M&A market as the principal market, we estimate the fair value based on the enterprise value waterfall ("Enterprise Value Waterfall") valuation methodology. For minority equity securities in which the principal market is the hypothetical secondary market, we also estimate the fair value using the Enterprise Value Waterfall valuation methodology.

Under the Enterprise Value Waterfall valuation methodology, we estimate the enterprise value of a portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. In applying the Enterprise Value Waterfall valuation methodology, we consider that in a change of control transaction, our loans are generally required to be repaid at par and that a buyer cannot assume the loan.

To estimate the enterprise value of the portfolio company, we prepare an analysis of traditional valuation methodologies including valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, estimating the liquidation or collateral value of the portfolio company's assets, third-party valuations of the portfolio company, offers from third-parties to buy the portfolio company and considering the value of recent third-party investments in the equity securities of the portfolio company. Significant inputs in these valuation methodologies to estimate enterprise value include the historical or projected operating results of the portfolio company, selection of comparable companies, discounts or premiums to the prices of comparable companies and discount rates applied to the forecasted cash flows. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also analyze the impact of exposure to litigation, loss of customers or other contingencies. The selection of a population of comparable companies requires significant judgment, including a qualitative and quantitative analysis of the comparability of the companies. In determining a discount or premium, if any, to prices of comparable companies, we use significant judgment for factors such as size, marketability, relative performance, and for portfolio companies in which we control, a control premium to the market price of comparable public companies. In determining a discount rate to apply to forecasted cash flows, we use significant judgment in the development of an appropriate discount rate including the evaluation of an appropriate risk premium.

In valuing convertible debt, equity or other similar securities, we value our investment based on its priority in the waterfall and based on our pro rata share of the residual equity value available after deducting all outstanding debt from the estimated enterprise value. We value non-convertible debt at the face amount of the debt to the extent that the estimated enterprise value of the portfolio company exceeds the outstanding debt of the portfolio company. If the estimated enterprise value is less than the outstanding debt of the portfolio company, we reduce the fair value of our debt investment beginning

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with the junior most debt such that the enterprise value less the fair value of the outstanding debt is zero.

*Market Yield Valuation Methodology*

For debt and redeemable preferred equity investments in portfolio companies for which we are required to identify a hypothetical secondary market as the principal market, we estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using a market yield ("Market Yield") valuation methodology.

For debt and redeemable preferred equity investments of our investment portfolio for which we do not control or cannot gain control as of the measurement date and no active market exists, we estimate the fair value based on such factors as third-party broker quotes and our own assumptions in the absence of market observable data, including estimated remaining life, current market yield and interest rate spreads of similar loans and securities as of the measurement date. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. We estimate the remaining life based on market data of the average life of similar loans. However, if we have information available to us that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date, including considering the current maturity date of the loan. The average life used to estimate the fair value of our loans may be shorter than the legal maturity of the loans since our loans have historically been prepaid prior to the maturity date. The current interest rate spreads used to estimate the fair value of our loans is based on the current interest rate spreads on similar loans. We use significant judgment in determining the estimated remaining life as well as the current market yield and interest rate spreads. If there is a significant deterioration of the credit quality of a loan, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We fair value our investments in Structured Products based on such factors as third-party broker quotes, counterparty marks, purchases or sales of the same or similar securities, and our cash flow forecasts. Cash flow forecasts are subject to assumptions a market participant would use regarding the investments' underlying collateral including, but not limited to, assumptions of default and recovery rates, reinvestment spreads and prepayment rates. Cash flow forecasts are discounted using a market participant's market yield assumptions that are derived from multiple sources including, but not limited to, third-party broker quotes, industry research reports and transactions of securities and indices with similar structure and risk characteristics. We weight the use of third-party broker quotes or counterparty marks, if any, in determining fair value based on the correlation of changes in third-party broker quotes with underlying performance and other market indices.

*Third-party Vendor Pricing*

For debt investments that trade in an active market or that have similar assets that trade in an active market, we estimate the fair value based on evaluated prices from a nationally recognized, independent pricing service or from third-party brokers who make markets in such debt instruments. When possible, we make inquiries of third-party pricing sources to understand their use of significant inputs and assumptions. We review the price provided by the third-party pricing service and perform procedures to validate their reasonableness, including a review and analysis of executable broker quote(s), range and dispersion of third-party estimates, frequency of pricing updates, yields of similar securities or other qualitative and quantitative information. If the prices provided by the pricing service are consistent with such information, we will generally use the price provided by the pricing service as fair value.

*Investments in Investment Funds*

For an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of our investment predominately based on the NAV per share of the investment fund if the NAV of the investment fund is calculated in a manner consistent with the measurement principles of ASC 946 as of the measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with ASC 820. However, in determining the fair value of our investment, we may make adjustments to the NAV per share in certain circumstances, based on our analysis of any restrictions on redemption of our shares of our investment as of the measurement date, any restrictions on the ability to receive dividends, comparisons of market price to NAV per share of comparable publicly traded funds and trades or sales of comparable private and publicly traded funds, recent actual sales or redemptions of shares of the investment fund, public to private liquidity discounts, expected future cash flows available to equity holders including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of the investment fund.

*Partnership Interests*

For an investment in a partnership, we measure the fair value of our investment based on the NAV per share of the partnership or its equivalent as a practical expedient to measure an alternative investment at fair value consistent with the measurement principles of ASC 820, as amended by ASU 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. We make this election on an investment-by-investment basis and apply consistently to our entire position in the investment, unless it is probable at the measurement date that we will sell all or a portion of our investment at an amount other than NAV per share.

*Interest Rate Derivatives*

For interest rate derivative agreements, we estimate the fair value based on the estimated net present value of the future cash flows using a forward interest rate yield curve in effect as of the end of the measurement period, adjusted for nonperformance risk, if any, including a quantitative and/or qualitative evaluation of both our credit risk and counterparty credit risk. We consider the impact of any collateral requirements, credit enhancements or netting arrangements in evaluating credit risk.

*Investment Classification*

As required by the 1940 Act, we classify our investments by level of control. As defined in the 1940 Act, "Control Investments" are investments in those companies that we are deemed to "Control." "Affiliate Investments" are investments in those companies that are "Affiliated Companies" of us, as defined in the 1940 Act, other than Control Investments. "Non-Control/Non-Affiliate Investments" are those that are neither Control Investments nor Affiliate Investments. Generally, under the 1940 Act, we are deemed to control a company if we own more than 25% of the voting securities of such company or have greater than 50% representation on its board of directors. We are deemed to be an affiliate of a company in which we have invested if we own between 5% and 25% of the voting securities of such company.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of money market funds, demand deposits and highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at cost which approximates fair value.

***Concentration of Credit Risk***

We place our cash and cash equivalents with major financial institutions and cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit. Our interest rate derivative agreements are with multiple large commercial financial institutions.

***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents primarily consist of funded cash collateral on deposit with a custodian under our TRS. Restricted cash and cash equivalents are carried at cost which approximates fair value.

***Interest and Dividend Income Recognition***

Interest income is recorded on an accrual basis to the extent that such amounts are expected to be collected. Original issue discount and purchased discount and premiums are accreted into interest income using the effective interest method, where applicable. Loan origination fees are recorded as fee income upon receipt or deferred and accreted into interest income using the effective interest method. We record prepayment premiums on loans and other investments as interest income when such amounts are received. Dividend income is recognized on the ex-dividend date for publicly traded portfolio companies and the record date for private portfolio companies for common equity securities. Dividend income is recognized on an accrual basis for preferred equity securities to the extent that such amounts are expected to be collected or realized. In determining the amount of dividend income to recognize, if any, from cash distributions on common equity securities, we will assess many factors including a portfolio company's cumulative undistributed income and operating cash flow. Cash distributions from common equity securities received in excess of such undistributed amounts are recorded first as a reduction of our investment and then as a realized gain on investment. We stop accruing interest or dividends on our investments when it is determined that the interest or dividend is not collectible. We assess the collectability of the interest and dividends based on many factors including the portfolio company's ability to service our loan based on current and projected cash flows as well as the current valuation of the portfolio company's total enterprise value. For investments with payment-in-kind ("PIK") interest and cumulative dividends, we base income and dividend accruals on the valuation of the PIK notes or securities received from the borrower or the redemption value of the security. If the portfolio company valuation indicates a value of the PIK notes or securities that is not sufficient to cover the contractual interest or dividend, we will not accrue interest or dividend income on the notes or securities and will record an allowance for any accrued interest or dividend receivable as a reduction of interest or dividend income in the period we determine it is not collectible.

We also receive interest and dividend income from our debt and equity investments in our asset management company, ACAM. Interest income from ACAM is recorded on an accrual basis to the extent that such amounts are expected to be collected. Dividend income is recorded on the record date.

A change in the portfolio company valuation assigned by us could have an effect on our recognition of interest income on debt investments and dividend income of preferred stock investments. Also, a change in a portfolio company's operating performance and cash flows can impact a portfolio company's ability to service our debt and therefore could impact our interest income recognition.

Interest income on Structured Products is recognized using the effective interest method as required by FASB ASC Subtopic 325-40, *Investments - Other, Beneficial Interests in Securitized Financial Assets* ("ASC 325-40"). Under ASC 325-40, at the time of purchase, we estimate the future expected cash flows and determine the effective yield of an investment based on these estimated cash flows and the cost basis of the investment. Subsequent to the purchase, these estimated cash flows are updated quarterly and a revised effective yield is calculated prospectively in accordance with ASC 320-10-35, *Investment - Debt and Equity Securities*. In the event that the fair value of an investment decreases

below its current amortized cost basis, we may be required to write down the current amortized cost basis for a credit loss or to fair value depending on our hold expectations for the investment. Current amortized cost basis less the amount of any write down ("Reference Amount") is used to calculate the effective yield used for interest income recognition purposes over the remaining life of the investment. We are precluded from reversing write downs for any subsequent increase in the expected cash flows of an investment with the effect of increasing total interest income over the life of the investment and increasing the realized loss recorded on the sale or redemption of the investment by the amount of the credit loss write down. In estimating these cash flows, there are a number of assumptions that are subject to uncertainties and contingencies. These include the amount and timing of principal payments (including prepayments, repurchases, defaults and liquidations), the pass through or coupon rate, and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying loans and the timing and magnitude of projected credit losses on the loans underlying the securities have to be estimated. These uncertainties and contingencies are difficult to predict and are subject to future events that may impact our estimates and interest income. As a result, actual results may differ significantly from these estimates. During the year ended December 31, 2015, we recorded \$20.5 million in credit loss write downs to current amortized cost basis on six Structured Products investments. As of December 31, 2015, in aggregate, the amortized cost basis of our Structured Products investment portfolio exceeded the Reference Amount by approximately \$109 million.

#### ***Fee Income Recognition***

Fees primarily include asset management, portfolio company management, transaction, structuring, financing and prepayment fees. Asset management fees primarily represent fees for providing investment advisory and support services to ACAM, our asset management portfolio company. Portfolio company management fees, which are generally recurring in nature, represent amounts received for providing advice and analysis to the companies in our investment portfolio. Asset management and portfolio company management fees are recognized as earned, provided that collection is probable. Transaction structuring and financing fees represent amounts received for structuring, financing and executing transactions and are generally payable only if the transaction closes and are recognized as earned when the transaction is completed. Debt prepayment fees are recognized as they are received.

#### ***Realized Gain or Loss and Unrealized Appreciation or Depreciation of Portfolio Investments***

Realized gain or loss is recorded at the disposition of an investment and is the difference between the net proceeds from the sale and the cost basis of the investment using the specific identification method. We include the fair value of all financial assets received in our net proceeds in determining the realized gain or loss at disposition, including anticipated sale proceeds held in escrow at the time of sale. For an investment with a fair value of zero, we record a realized loss on the investment in the period in which we record a loss for income tax purposes.

Unrealized appreciation or depreciation reflects the difference between the Board of Directors' valuation of the investment and the cost basis of the investment. For portfolio investments denominated in a functional currency other than the U.S. dollar, the cost basis of our investment is translated at the exchange rate in effect at the balance sheet date. The resulting translation adjustment is recorded as foreign currency translation in our consolidated statements of operations.

#### ***Foreign Currency Translation***

We translate the financial statements of European Capital from its functional currency, the Euro, to U.S. dollars in accordance with FASB ASC Topic 830, *Foreign Currency Matters* ("ASC 830"). Assets and liabilities are translated at the exchange rate prevailing at the end of the period and revenues and expenses are translated at monthly average exchange rates. Under ASC 830, we are required to include translation adjustments associated with the translation of European Capital's balance sheet in accumulated other comprehensive income.

***Income Taxes***

Income taxes are accounted for using the asset and liability approach in accordance with FASB ASC Topic 740, *Income Taxes* ("ASC 740"). Deferred tax assets and liabilities reflect the impact of temporary differences between the carrying amount of assets and liabilities and their tax basis and are stated at tax rates expected to be in effect when taxes are actually paid or recovered. Deferred tax assets are also recorded for net operating losses, capital losses and any tax credit carryforwards. A valuation allowance is provided against a deferred tax asset when it is more likely than not that some or all of the deferred tax assets will not be realized. All available evidence, both positive and negative, is considered to determine whether a valuation allowance for deferred tax assets is needed. Items considered in determining our valuation allowance include expectations of future earnings of the appropriate tax character, recent historical financial results, tax planning strategies, the length of statutory carryforward periods and the expected timing of the reversal of temporary differences. Under ASC 740, forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence, such as cumulative losses in recent years.

We recognize tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. We record income tax related interest and penalties, if applicable, within current income tax expense.

***Use of Estimates in Preparation of Financial Statements***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates.

***Deferred Financing Costs***

Financing costs related to long-term debt obligations are deferred and amortized over the life of the debt using either the effective interest method or straight-line method. Deferred financing costs are included in other assets on our consolidated balance sheets.

***Transfer of Financial Assets***

For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of FASB ASC Topic 860, *Transfers and Servicing* ("ASC 860"), under which we must surrender control over the transferred assets. The assets must be isolated from us, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred and we may not have the right or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on our consolidated balance sheets and the sale proceeds are recognized as a liability. The transfers of financial assets to funds managed by subsidiaries of our wholly-owned portfolio company, ACAM, have been treated as sales by us under ASC 860.

***Stock-Based Compensation***

We account for all share-based payments to employees under FASB ASC Topic 718, *Compensation - Stock Compensation* ("ASC 718"). We estimate the fair value of our employee stock awards at the date of grant using certain subjective assumptions, such as expected volatility, which is based on a combination of historical and market-based implied volatility, and the expected term of the awards which is based on our historical experience of employee stock option exercises. Our valuation assumptions used in estimating the fair value of share-based awards may change in future periods. We recognize the fair value of awards over the vesting period or the requisite service period only for those awards expected to vest using an estimated forfeiture rate. In addition, we calculate our pool of excess

tax benefits available within capital in excess of par value on our consolidated balance sheets in accordance with the provisions ASC 718.

***Recent Accounting Pronouncements***

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB issued ASU No. 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting (SEC Update)* ("ASU 2015-15"), which codifies existing practice and the SEC staff position on the presentation and subsequent measurement of debt issuance costs related to line-of-credit ("LOC") arrangements and provides that such costs may be deferred and presented as an asset and subsequently amortized ratably over the term of the LOC arrangement, regardless of whether there are any outstanding borrowings on the LOC arrangement. An entity is required to apply the guidance in ASU 2015-03 on a retrospective basis such that the balance sheet of each individual period presented is adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in accounting principle including the nature and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). ASU 2015-03 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. We do not believe the adoption of ASU 2015-03 and ASU 2015-15 will have a material impact on our consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2015-07"), which removes the requirement to include, as well as provide certain disclosure for, investments in the fair value hierarchy for which the fair value is measured at NAV using the practical expedient. Disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. We do not believe the adoption of ASU 2015-07 will have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which makes targeted improvements to the recognition, measurement, presentation and disclosure of certain financial instruments. ASU 2016-01 focuses primarily on the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for certain financial instruments. Among its provisions for public business entities, ASU 2016-01 eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments measured at amortized cost, requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes, requires the separate presentation in other comprehensive income of the change in fair value of a liability due to instrument-specific credit risk for a liability for which the reporting entity has elected the fair value option, requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) and clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from

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unrealized losses on available-for-sale debt securities. ASU 2016-1 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early application is permitted for a limited number of provisions. We do not believe the adoption of ASU 2016-01 will have a material impact on our consolidated financial statements.

### Note 3. Investments

The levels of fair value inputs used to measure our investments are characterized in accordance with the fair value hierarchy established by ASC 820. Where inputs for an asset or liability fall in more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. We use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. Our policy is to recognize transfers in and out of levels as of the beginning of each reporting period. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

**Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2:** Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

**Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data.

The following fair value hierarchy tables set forth our assets and liabilities that are measured at fair value on a recurring basis by level as of December 31, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
First Lien Senior Debt	\$	\$ 57	\$ 863	\$ 920
Second Lien Senior Debt		445	490	935
Mezzanine Debt			604	604
Preferred Equity			606	606
Common Equity			1,515	1,515
Structured Products			418	418
<b>Investments at Fair Value</b>		<b>502</b>	<b>4,496</b>	<b>4,998</b>
Other Assets			31	31
Derivative Agreements		(5)		(5)
Long Term Incentive Plan Liability			(34)	(34)
<b>Other Assets and Liabilities at Fair Value</b>		<b>(5)</b>	<b>(3)</b>	<b>(8)</b>
<b>Total</b>	<b>\$</b>	<b>\$ 497</b>	<b>\$ 4,493</b>	<b>\$ 4,990</b>

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	2014			
	Level 1	Level 2	Level 3	Total
First Lien Senior Debt	\$	\$ 1,644	\$ 870	\$ 2,514
Second Lien Senior Debt		340	347	687
Mezzanine Debt			472	472
Preferred Equity			462	462
Common Equity			1,562	1,562
Structured Products			583	583
Investments at Fair Value		1,984	4,296	6,280
Other Assets			51	51
Derivative Agreements		(10)	(74)	(84)
Long Term Incentive Plan Liability			(82)	(82)
Other Assets and Liabilities at Fair Value		(10)	(105)	(115)
Total	\$	\$ 1,974	\$ 4,191	\$ 6,165

The following tables set forth the summary of changes in the fair value of investment assets and liabilities measured using Level 3 inputs for the years ended December 31, 2015 and 2014:

	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Derivative Agreement	Total
<b>Balances, January 1, 2015</b>	\$ 1,217	\$ 472	\$ 462	\$ 1,562	\$ 583	\$ 51	\$ (82)	\$ (74)	\$ 4,191
Net realized (loss) gain(1)	(28)	(86)	(407)	(110)	(5)		(46)	45	(637)
Reversal of prior period net depreciation on realization(2)	34	112	304	85	5		46	65	651
Net unrealized (depreciation) appreciation(2)(3)	(38)	(32)	34	(164)	(132)	(2)	(2)	(37)	(373)
Purchases(4)	772	125	245	362	458	8			1,970
Sales(5)	(244)	(46)	(86)	(240)	(286)				(902)
Settlements, net(6)	(332)	68	59	34	(202)	(26)	46	1	(352)
Effects of exchange rate changes	(26)	(9)	(5)	(14)	(3)		4		(53)
Transfers into Level 3(7)	3								3
Transfers out of Level 3(7)	(5)								(5)
<b>Balances, December 31, 2015</b>	\$ 1,353	\$ 604	\$ 606	\$ 1,515	\$ 418	\$ 31	\$ (34)	\$	\$ 4,493

	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Derivative Agreement	Total
<b>Balances, January 1, 2014</b>	\$ 1,060	\$ 520	\$ 1,125	\$ 2,091	\$ 276	\$ 29	\$	\$	\$ 5,101
Net realized (loss) gain(1)	(34)	(4)	90	212	(10)			(45)	209
Reversal of prior period net depreciation (appreciation) on realization(2)	48	8	(104)	(167)	14	(2)			(203)
Net unrealized (depreciation) appreciation(2)(3)	(57)	(2)	(35)	383	9	(20)	(7)	(28)	243
Purchases(4)	519	24	65	370	471	59			1,508
Sales(5)	(35)	(18)	(841)	(1,011)				(1)	(1,906)
Settlements, net(6)	(398)	(169)	(63)	71	(194)	(15)			(768)
Transfers out of Level 3(7)	(129)								(129)
Impact of consolidation of European Capital(8)	243	113	225	(387)	17		(75)		136
<b>Balances, December 31, 2014</b>	\$ 1,217	\$ 472	\$ 462	\$ 1,562	\$ 583	\$ 51	\$ (82)	\$ (74)	\$ 4,191

- (1) Included in net realized (loss) gain in the consolidated statements of operations. Excludes (loss) gain on realized foreign currency transactions on American Capital other assets and liabilities that are denominated in a foreign currency and any tax benefit (provision). Also, excludes realized gain (loss) from other assets and liabilities not measured at fair value.
- (2) Included in net unrealized appreciation in the consolidated statements of operations.
- (3) Excludes unrealized appreciation (depreciation) related to foreign currency translation for American Capital other assets and liabilities not measured at fair value that are denominated in a foreign currency.
- (4) Includes increases in the cost basis of investments resulting from new and add-on portfolio investments, the accrual or allowance of PIK interest or cumulative dividends and the amortization of discounts, premiums and closing fees.
- (5) Includes the proceeds from equity investments, collection of cumulative dividends, loan syndications and loan sales.
- (6) Includes principal repayments on debt investments, collection of PIK interest, collection of accreted loan discounts, the exchange of one or more existing securities for one or more new securities and net interest rate derivative periodic interest and termination payments.
- (7) Investments were transferred into and out of Level 3 and Level 2 due to changes in the quantity and quality of inputs obtained to support the fair value of each investment. Our policy is to recognize transfers as of the first day of a reporting period for investments existing as of the end of the period.
- (8) Effective October 1, 2014, European Capital's financial results have been consolidated with the financial results of American Capital.

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Significant Unobservable Inputs

The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2015:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
<b>Enterprise Value Waterfall Methodology</b>						
<b>Senior Debt</b>	\$ 409	Enterprise discounted cash flow	Discount rate	11%	40%	19%
		Public comparable companies	Terminal value growth rate	2%	10%	4%
			Premium or (discount) to multiples of comparable companies	(50)%	(15)%	(44)%
		Sales of comparable companies	Control premium	%	15%	9%
			Premium or (discount) to multiples of comparable companies	(45)%	30%	(32)%
<b>Mezzanine Debt</b>	\$ 468	Enterprise discounted cash flow	Discount rate	12%	35%	14%
		Public comparable companies	Terminal value growth rate	2%	4%	3%
			Premium or (discount) to multiples of comparable companies	(55)%	30%	(35)%
		Sales of comparable companies	Control premium	9%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(24)%
<b>Preferred Equity</b>	\$ 546	Enterprise discounted cash flow	Discount rate	9%	37%	17%
		Public comparable companies	Terminal value growth rate	2%	4%	3%
			Premium or (discount) to multiples of comparable companies	(55)%	30%	(38)%
		Sales of comparable companies	Control premium	9%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(22)%
<b>Common Equity</b>	\$ 1,515	Enterprise discounted cash flow	Discount rate	8%	40%	13%
		Public comparable companies	Terminal value growth rate	2%	10%	3%
			Premium or (discount) to multiples of comparable companies	(55)%	30%	17%
		Sales of comparable companies	Control premium	%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(5)%
<b>Long Term Incentive Plan Liability</b>	\$ (34)	Discounted cash flow	Discount rate	11%	11%	11%
			(Discount) due to lack of control and marketability	(25)%	%	(23)%
<b>Market Yield Valuation Methodology</b>						
<b>Senior Debt</b>	\$ 871	Discounted cash flow	Market yield	5%	15%	9%
			Estimated remaining life	1 yr	4 yrs	4 yrs
<b>Mezzanine Debt</b>	\$ 136	Discounted cash flow	Market yield	14%	22%	16%
			Estimated remaining life	1 yr	4 yrs	2 yrs
<b>Preferred Equity</b>	\$ 60	Discounted cash flow	Market yield	14%	15%	14%
			Estimated remaining life	1 yr	4 yrs	1 yr

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<b>Structured Products</b>	\$ 418	Discounted cash flow	Discount rate	5%	52%	19%
			Constant prepayment rate	30%	35%	31%
			Constant default rate	%	2%	1%

*Third-Party Vendor Pricing Service*

<b>Senior Debt</b>	\$ 73	Third-party vendor pricing	Bid/Ask	56	99	95
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**Total** \$ 4,462

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The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2014:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
<b>Enterprise Value Waterfall Methodology</b>						
<b>Senior Debt</b>	\$558	Enterprise discounted cash flow	Discount rate	10%	53%	16%
			Terminal value growth rate	2%	5%	4%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	(30)%	(44)%
		Sales of comparable companies	Control premium	%	21%	15%
			Premium or (discount) to multiples of comparable companies	(45)%	5%	(36)%
<b>Mezzanine Debt</b>	\$308	Enterprise discounted cash flow	Discount rate	11%	34%	15%
			Terminal value growth rate	2%	4%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	%	(38)%
		Sales of comparable companies	Control premium	7%	21%	13%
			Premium or (discount) to multiples of comparable companies	(50)%	5%	(12)%
<b>Preferred Equity</b>	\$459	Enterprise discounted cash flow	Discount rate	7%	38%	16%
			Terminal value growth rate	2%	5%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	35%	(34)%
		Sales of comparable companies	Control premium	4%	19%	12%
			Premium or (discount) to multiples of comparable companies	(50)%	5%	(27)%
<b>Common Equity</b>	\$1,562	Enterprise discounted cash flow	Discount rate	4%	53%	14%
			Terminal value growth rate	2%	5%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	35%	(23)%
		Sales of comparable companies	Control premium	%	21%	13%
			Premium or (discount) to multiples of comparable companies	(50)%	15%	(17)%
<b>Long Term Incentive Plan Liability</b>	\$(82)	Discounted cash flow	Discount rate	11%	11%	11%
			(Discount) due to lack of control and marketability	(30)%	(10)%	(30)%
<b>Market Yield Valuation Methodology</b>						
<b>Senior Debt</b>	\$641	Discounted cash flow	Market yield	5%	18%	10%
			Estimated remaining life	0 yrs	4 yrs	4 yrs
<b>Mezzanine Debt</b>	\$164	Discounted cash flow	Market yield	13%	22%	15%
			Estimated remaining life	1 yr	4 yrs	2 yrs
<b>Preferred Equity</b>	\$3	Discounted cash flow	Market yield	16%	27%	23%
			Estimated remaining life	3 yrs	4 yrs	4 yrs

Explanation of Responses:

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<b>Structured Products</b>	\$583	Discounted cash flow	Discount rate	5%	57%	13%
			Constant prepayment rate	30%	35%	31%
			Constant default rate	%	2%	1%

*Third-Party Vendor Pricing Service*

<b>Senior Debt</b>	\$18	Third-party vendor pricing	Bid/Ask	95	97	96
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*Black-Scholes Option Pricing Methodology*

<b>Derivative Agreement</b>	\$(74)	Black-Scholes model	Volatility	117%	117%	117%
			Estimated remaining life	0.3 yrs	0.3 yrs	0.3 yrs

**Total** \$4,140

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The following tables show the composition summaries of our investment portfolio at cost basis and fair value, excluding derivative agreements, as a percentage of total investments as of December 31, 2015 and 2014:

	2015	2014
<b>Cost</b>		
First Lien Senior Debt	20.1%	40.5%
Second Lien Senior Debt	19.9%	11.2%
Mezzanine Debt	14.0%	10.0%
Preferred Equity	12.4%	13.4%
Common Equity	21.4%	15.0%
Structured Products	12.2%	9.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Fair Value</b>		
First Lien Senior Debt	18.4%	40.0%
Second Lien Senior Debt	18.7%	10.9%
Mezzanine Debt	12.1%	7.5%
Preferred Equity	12.1%	7.4%
Common Equity	30.3%	24.9%
Structured Products	8.4%	9.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

We use the Global Industry Classification Standards ("GICS®") for classifying the industry groupings of our portfolio companies. The GICS® was developed by MSCI, an independent provider of global indexes and benchmark-related products and services, and Standard & Poor's, an independent international financial data and investment services company and provider of global equity indexes. The following tables show the portfolio composition by industry grouping at cost and at fair value as a percentage of total investments as of December 31, 2015 and 2014. Our investments in CLO securities

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and derivative agreements are excluded from the table below. Our investments in CMBS are classified in the Real Estate category.

	2015	2014
<b>Cost</b>		
Capital Markets	12.6%	8.3%
Commercial Services and Supplies	12.1%	6.4%
IT Services	9.9%	3.2%
Life Sciences Tools and Services	9.2%	14.5%
Diversified Consumer Services	4.5%	3.7%
Software	4.2%	3.2%
Household Durables	4.1%	3.5%
Real Estate	3.8%	2.7%
Diversified Financial Services	3.0%	1.7%
Health Care Equipment and Supplies	2.9%	4.0%
Professional Services	2.7%	2.8%
Oil, Gas and Consumable Fuels	2.3%	2.0%
Trading Companies and Distributors	2.3%	0.7%
Internet Software and Services	2.1%	0.7%
Health Care Providers and Services	2.0%	2.9%
Containers and Packaging	1.9%	0.7%
Aerospace and Defense	1.8%	1.7%
Distributors	1.7%	1.1%
Independent Power and Renewable Electricity Producers	1.6%	1.2%
Marine	1.5%	1.1%
Hotels, Restaurants and Leisure	1.4%	3.0%
Energy Equipment and Services	1.2%	1.6%
Insurance	1.1%	1.7%
Auto Components	1.0%	3.3%
Specialty Retail	0.9%	1.5%
Textiles, Apparel and Luxury Goods	0.8%	2.5%
Machinery	0.7%	1.8%
Food Products	0.5%	2.2%
Media	%	2.4%
Other	6.2%	13.9%
Total	100.0%	100.0%

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	2015	2014
<b>Fair Value</b>		
Capital Markets	23.4%	21.3%
Commercial Services and Supplies	9.3%	5.8%
IT Services	9.1%	2.9%
Life Sciences Tools and Services	7.5%	9.2%
Diversified Consumer Services	5.6%	3.8%
Household Durables	4.3%	3.3%
Software	4.1%	3.0%
Real Estate	3.3%	2.1%
Diversified Financial Services	2.9%	1.1%
Professional Services	2.7%	2.9%
Health Care Providers and Services	2.2%	2.9%
Trading Companies and Distributors	2.2%	0.7%
Distributors	1.9%	1.1%
Independent Power and Renewable Electricity Producers	1.9%	1.2%
Containers and Packaging	1.8%	0.7%
Internet Software and Services	1.8%	0.6%
Oil, Gas and Consumable Fuels	1.8%	1.6%
Aerospace and Defense	1.6%	1.7%
Health Care Equipment and Supplies	1.5%	2.7%
Hotels, Restaurants and Leisure	1.3%	3.2%
Insurance	1.0%	1.7%
Auto Components	1.0%	2.3%
Specialty Retail	0.6%	1.5%
Textiles, Apparel and Luxury Goods	0.4%	2.1%
Food Products	0.3%	2.0%
Media	%	2.5%
Internet and Catalog Retail	%	1.9%
Other	6.5%	14.2%
Total	100.0%	100.0%

**Note 4. Borrowings**

Our debt obligations consisted of the following as of December 31, 2015 and 2014:

	2015	2014
Secured revolving credit facility due August 2016, \$250 million commitment	\$ 167	\$ 726
Secured revolving credit facility due March 2017, \$272 million commitment	272	51
Secured revolving credit facility due October 2016, \$500 million commitment	33	444
Secured term loan due August 2017, net of discount	440	344
Unsecured Private Notes due September 2018, net of discount	345	64
European Capital unsecured senior notes, Series 2006-I due January 2022, €52 million		37
European Capital unsecured senior notes, Series 2007-I due July 2022, \$37.5 million		37
European Capital unsecured senior notes, Series 2007-II due July 2022, \$37.5 million		
Total	\$ 1,257	\$ 1,703

The daily weighted average debt balance, excluding discounts, for the years ended December 31, 2015 and 2014 was \$2,157 million and \$1,091 million, respectively. The weighted average interest rate



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on all of our borrowings, including amortization of deferred financing costs, for the years ended December 31, 2015 and 2014 was 3.7% and 4.9%, respectively. The weighted average interest rate on all of our borrowings, excluding amortization of deferred financing costs, for the years ended December 31, 2015 and 2014 was 3.2% and 4.3%, respectively. The weighted average interest rate on all of our borrowings, excluding deferred financing costs, as of December 31, 2015 was 4.0%.

As of December 31, 2015 and 2014, the aggregate fair value of the above borrowings was \$1,273 million and \$1,729 million, respectively. The fair values of our debt obligations are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, and are measured using Level 3 inputs for our debt as of December 31, 2015 and 2014. It assumes that the liability is transferred to a market participant at the measurement date and that the nonperformance risk relating to that liability is the same before and after the transfer. Nonperformance risk refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. The fair value of our debt obligations is valued at the closing market quotes as of the measurement date or estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any, based on a quantitative and/or qualitative evaluation of our credit risk.

### *Unsecured Private Notes*

On September 20, 2013, we entered into an indenture with U.S. Bank National Association, as trustee, relating to the issuance and sale by us of \$350 million in aggregate principal amount of senior unsecured five-year notes ("Private Notes"), for proceeds of \$342 million, net of underwriters' discounts. The Private Notes were sold in a private offering to qualified institutional buyers under Rule 144A and outside of the United States pursuant to Regulation S of the Securities Act of 1933, as amended. The Private Notes have a fixed interest rate of 6.50% and mature in September 2018. Interest payments are due semi-annually on March 15 and September 15 and all principal is due on maturity. The Private Notes are rated B3, BB and BB by Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings, respectively. The indenture contains restrictive covenants that, among other things, limit our ability to: (i) pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments; (ii) incur additional debt and issue certain disqualified stock and preferred stock; (iii) incur certain liens; (iv) merge or consolidate with another company or sell substantially all of our assets; (v) enter into certain transactions with affiliates; and (vi) allow to exist certain restrictions on the ability of our subsidiaries to pay dividends or make other payments to us. The indenture also contains certain customary events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, a cross payment or acceleration default on an aggregate \$50 million or more of other indebtedness, covenant defaults, bankruptcy events and failure to pay judgments. As of December 31, 2015, we were in compliance with all of the covenants under the Private Notes.

### *European Capital Unsecured Senior Notes*

In December 2006, European Capital entered into a note purchase agreement to issue €52 million of senior unsecured 15-year notes due January 2022 to accredited investors in a private placement offering ("Series 2006-I Notes"). The Series 2006-I Notes had a floating rate of EURIBOR plus 2.75%. On June 17, 2015, the Series 2006-I Notes were repaid in full. In March 2007, European Capital entered into note purchase agreements to issue two \$37.5 million of senior unsecured notes due July 2022 to accredited investors in a private placement offering ("Series 2007-I Notes" and "Series 2007-II Notes"). The Series 2007-I Notes and Series 2007-II Notes had a floating rate of LIBOR plus 2.75%. On August 18, 2015, the Series 2007-I Notes and Series 2007-II Notes were repaid in full.

**Secured Term Loan Facility**

On February 26, 2014, we entered into an amendment (the "Amendment") to the amended secured term loan facility under our Senior Secured Term Loan Credit Agreement, dated as of August 23, 2013, with the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Secured Term Loan Facility").

The Amendment reduced the interest rate on the Secured Term Loan Facility, which had an outstanding principal balance of \$450 million as of the closing date, from LIBOR plus 3.00%, with a LIBOR floor of 1.00%, to LIBOR plus 2.75%, with a LIBOR floor of 0.75%. The Amendment also extended the Secured Term Loan Facility's maturity date by one year to August 2017.

In accordance with FASB ASC Subtopic No. 470-50, *Modifications and Extinguishments*, \$447 million of debt exchanged with the same lenders met the criterion for and was accounted as a modification of debt. Existing unamortized deferred financing costs and discount attributable to the modification of the Secured Term Loan Facility of \$9 million will be amortized into interest expense over the life of the Secured Term Loan Facility using the effective interest method, while fees paid to other third-party advisors of \$1 million were expensed and included in general and administrative expenses in the consolidated statements of operations.

As of December 31, 2015, the interest rate on our Secured Term Loan Facility was 3.50% and the borrowing base coverage was 385%. The Senior Term Loan Facility contains various events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, an event of default under the \$250 Million Revolving Credit Facility, a cross default on an aggregate \$50 million or more of certain other indebtedness, the breach of representations or covenants, bankruptcy events, the failure to conduct our asset management business through ACAM, a change in control and the failure to pay judgments. As of December 31, 2015, we were in compliance with all of the covenants under the Secured Term Loan Facility.

The following table sets forth the scheduled amortization on the secured term loans and unsecured private notes:

August 2016	\$4.5 million
Secured Term Loans due August 2017	Outstanding Balance
Unsecured Private Notes due September 2018	Outstanding Balance
<b><i>\$250 Million Revolving Credit Facility</i></b>	

On August 22, 2012, we obtained a four-year \$250 million secured revolving credit facility (the "\$250 Million Revolving Credit Facility"), which bears interest at a rate per annum equal to LIBOR plus 3.75%. As of December 31, 2015, the interest rate on the \$250 Million Revolving Credit Facility was 4.00%.

On August 22, 2015, the commitment termination date, we chose not to renew commitments under the facility, and as a result, the outstanding balance on the \$250 Million Revolving Credit Facility is repayable ratably over the final 12 months until the maturity date on August 22, 2016.

As of December 31, 2015, the total debt outstanding under our \$250 Million Revolving Credit Facility was \$167 million. The \$250 Million Revolving Credit Facility contains various events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, an event of default under the Secured Term Loan Facility, a cross default on an aggregate \$50 million or more of certain other indebtedness, the breach of representations or covenants, bankruptcy events, the failure to conduct our asset management business through ACAM, a change in control and the failure to pay judgments. As of December 31, 2015, we were in compliance with all of the covenants under the \$250 Million Revolving Credit Facility.

***\$1.25 Billion Revolving Credit Facility***

On June 27, 2014, ACAS Funding I, LLC, a wholly-owned financing subsidiary, obtained a \$750 million secured revolving credit facility provided by Bank of America, N.A. On March 6, 2015, the commitments to the existing \$750 million secured revolving credit facility were increased by \$500 million to \$1.25 billion (the "\$1.25 Billion Revolving Credit Facility"). In addition to the increase, the maturity date of the facility was extended to March 6, 2017. On December 11, 2015, we closed an amendment which amended certain covenants to permit ACAS Funding I, LLC to repatriate the remaining proceeds from its senior floating rate loan portfolio sales while settling any associated liabilities. In addition, commencing on December 27, 2015 the commitments are calculated as the greater of total debt outstanding or \$100 million. The facility bears interest at a rate per annum equal to LIBOR plus 1.60%. As of December 31, 2015, the interest rate on the \$1.25 Billion Revolving Credit Facility was 1.99%.

As of December 31, 2015, the facility is in a wind down period that prohibits us from purchasing additional assets or borrowing under the facility. We can reinstate our ability to borrow and purchase assets at any time prior to February 6, 2017, subject to certain terms outlined in the credit agreement.

We are required to pay a fee on the unused commitments under the facility in an amount equal to 1.60% on the average daily unused amount of lender commitments up to 60% of the daily average of total commitments, and 0.75% on the lesser of 40% of the daily average total commitments and average daily unused amount. Under the amendment, the unused fee was reduced to 0.50% on the average daily unused amount. To the extent we reinstate our ability to borrow, the unused fees will increase to the rates paid prior to the amendment on the three month anniversary of our ability to borrow under the facility being reinstated. All fees are payable quarterly. As of December 31, 2015, the total debt outstanding under our \$1.25 Billion Revolving Credit Facility was \$272 million, which was secured by cash, receivables and portfolio investments with a fair value of \$535 million. The credit facility contains various events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, the breach of representations or covenants, credit triggers, the loss of key personnel, a change in investment manager, the occurrence of certain regulatory or criminal proceedings, bankruptcy events and the failure to pay judgments. As of December 31, 2015, we were in compliance with all of the covenants under the \$1.25 Billion Revolving Credit Facility.

***\$500 Million Revolving Credit Facility***

On October 30, 2014, ACAS Funding II, LLC, a wholly-owned financing subsidiary, obtained a \$500 million secured revolving credit facility (the "\$500 Million Revolving Credit Facility"), provided by Deutsche Bank AG. The \$500 Million Revolving Credit Facility, which matures in October 2016, bears interest at a rate per annum equal to LIBOR plus 1.60%. On December 14, 2015, we closed an amendment that amended certain covenants to permit ACAS Funding II, LLC to repatriate the remaining proceeds from its senior floating rate loan portfolio sales while settling any associated liabilities. As of December 31, 2015, the interest rate on the \$500 Million Revolving Credit Facility was 1.93%.

As of December 31, 2015, the total debt outstanding under our \$500 Million Revolving Credit Facility was \$33 million, which was secured by cash, receivables and portfolio investments with a fair value of \$113 million. As of December 31, 2015, we were in compliance with all of the covenants under the \$500 Million Revolving Credit Facility. On January 6, 2016, the \$500 Million Revolving Credit Facility was repaid in full and terminated.

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**Future Debt Maturities**

The maturities of our debt obligations, excluding discounts, as of December 31, 2015 were as follows:

2016	\$	204
2017		709
2018		350
Thereafter		
Total	\$	1,263

**Note 5. Stock Options**

We have stock option plans which provide for the granting of options to employees and non-employee directors to purchase shares of common stock at a price of not less than the fair market value of the common stock on the date of grant. Stock options granted under the employee stock option plans vest over either a three or five year period and may be exercised for a period of no more than ten years from the date of grant. Options granted under these plans may be either incentive stock options within the meaning of Section 422 of the Code or non-qualified stock options. As required by the 1940 Act, we are restricted from issuing awards to our employees and non-employee directors to the extent that the amount of voting securities that would result from the exercise of all such awards at the time of issuance exceeds 20% of our outstanding voting securities. As of December 31, 2015, there were 4.1 million shares available to be granted under the employee stock option plans and in accordance with the 1940 Act restrictions.

Our shareholders approved non-employee director stock option plans in 1998, 2000, 2006, 2007, 2008, 2009 and 2010 and we subsequently received orders from the SEC authorizing such plans. Stock options granted under the non-employee director stock option plans are non-qualified stock options that vest over a three year period and may be exercised for a period of no more than ten years from the date of grant. As of December 31, 2015, there were no shares available to be granted under the non-employee director stock option plans. No employee or non-employee director stock options were granted during the year ended December 31, 2015. Employee stock options of 0.1 million were granted during the year ended December 31, 2014. No non-employee director stock options were granted during the year ended December 31, 2014. Employee and non-employee director stock options of 3.7 million were granted during the year ended December 31, 2013.

During the first quarter of 2014, we concluded that our Chief Executive Officer had been granted stock options in excess of the individual employee limits established in certain of our stock option plans. These stock option grants were made during fiscal years 2010, 2011 and 2012. As a result, the stock option grants in excess of the individual limits in any stock option plan have been considered null and void. Therefore, stock-based compensation expense associated with the null and void options of \$3.5 million was reversed in the first quarter of 2014.

In addition, the communication of the voided stock option grants to our Chief Executive Officer resulted in a financial obligation under U.S. GAAP to provide equity compensation commensurate with the terms of the voided stock option grants in return for services to be performed by our Chief Executive Officer during the option vesting periods. This financial obligation has been accounted for as a liability award and stock-based compensation expense of \$5.8 million associated with prior periods was recorded in the second quarter of 2014. The net impact of these adjustments was additional stock-based compensation expense of \$2.3 million during the first quarter of 2014. An additional \$1.4 million of income tax expense was recorded during the first quarter of 2014 as a result of these adjustments. These errors were immaterial to the individual prior periods impacted. During the second quarter of 2014, pursuant to the Deferred Plan, an award of \$10 million was granted to our Chief Executive

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Officer that partially settled this financial obligation. During the first quarter of 2015, an award of \$7 million was granted to our Chief Executive Officer that settled the remainder of this financial obligation. These grants were funded with shares of common stock from the Trust that had previously been forfeited by former employees prior to being fully vested in their shares.

In conjunction with the American Capital Equity III, LP transaction, certain investment professionals were transferred to a wholly-owned subsidiary of ACAM, our wholly-owned portfolio company which manages American Capital Equity III, LP. Concurrent with this transfer, the vesting of any unvested stock options held by these investment professionals as of the date of the transfer was accelerated. In accordance with ASC 718, the acceleration of the unvested stock options was accounted for as a modification and resulted in additional stock-based compensation expense of approximately \$5 million during the third quarter of 2014.

As discussed in Note 9, due to changes in the composition of our investment portfolio and market conditions, we conducted strategic reviews of our business which resulted in a workforce reduction of our employees in the fourth quarter of 2014. In conjunction with the restructuring, the vesting of any unvested stock options held by impacted employees as of the date of their separation was accelerated, and the employees were given a period of up to one year from their separation date, or less if the expiration of the option was within one year from their separation date, to exercise all outstanding options. During the year ended December 31, 2015, in accordance with FASB ASC Topic 718, *Compensation Stock Compensation*, the acceleration of 1.0 million unvested stock options was accounted for as a modification and resulted in additional stock-based compensation expense of approximately \$4 million related to additional workforce reductions.

### **Fair Value Disclosures**

No stock options were granted during the year ended December 31, 2015. The following table reflects the weighted average fair value per stock option granted during the years ended December 31, 2014 and 2013, as well as the weighted average assumptions used in determining those fair values using a Black-Scholes option pricing model.

	2014	2013
Options granted (in millions)	0.1	3.7
Weighted average fair value per option on grant date	\$ 6.89	\$ 5.88
Expected dividend yield	%	%
Expected volatility	42%	41%
Risk-free interest rate	2.1%	1.2%
Expected life (years)	6.8	6.7

### **Stock Option Activity**

A summary of the activity of our stock option plans as of and for the year ended December 31, 2015 is as follows:

	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	45.1	\$ 9.21
Exercised	(12.0)	\$ 7.71
Canceled and expired	(0.9)	\$ 13.17
Options outstanding, end of year	32.2	\$ 9.66
Options exercisable, end of year	26.4	\$ 9.56

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The following table summarizes information about our stock options outstanding as of December 31, 2015:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Outstanding	Weighted Average Remaining Contractual life	Weighted Average Exercise Price	Exercisable	Weighted Average Remaining Contractual life	Weighted Average Exercise Price
\$0.94 to \$5.00	3.6	3.2	\$ 4.02	3.6	3.2	\$ 4.02
\$5.01 to \$10.00	16.5	5.1	\$ 7.35	13.5	5.0	\$ 7.11
\$10.01 to \$15.00	8.3	5.9	\$ 11.31	5.5	5.7	\$ 11.03
\$15.01 to \$20.00	3.0	2.8	\$ 16.69	3.0	2.7	\$ 16.71
\$20.01 to \$47.90	0.8	1.1	\$ 39.41	0.8	1.1	\$ 39.41
	32.2	4.8	\$ 9.66	26.4	4.5	\$ 9.56

As of December 31, 2015, the total compensation cost related to non-vested stock options not yet recognized was \$6 million with a weighted average period to be recognized of 1.5 years. As of December 31, 2015, the intrinsic value for stock options outstanding and exercisable was \$163 million and \$141 million, respectively.

For the years ended December 31, 2015, 2014 and 2013, we recorded stock-based compensation expense attributable to our stock options of \$18 million, \$44 million and \$30 million, respectively. Stock-based compensation expense was recognized only for options expected to vest, using an estimated forfeiture rate based on historical experience. For the years ended December 31, 2015, 2014 and 2013, the intrinsic value of stock options exercised were \$80 million, \$44 million and \$41 million, respectively.

### Note 6. Deferred Compensation Plan

We have a non-qualified deferred compensation plan (the "Deferred Plan") for the purpose of granting cash bonus awards to our employees. The Compensation, Corporate Governance and Nominating Committee is the administrator of the Deferred Plan. The Deferred Plan is funded through a trust (the "Trust") which is administered by a third-party trustee. The Compensation, Corporate Governance and Nominating Committee determines cash bonus awards to be granted under the Deferred Plan and the terms of such awards, including vesting schedules. The cash bonus awards are invested by the Trust in our common stock by purchasing shares in the open market. Awards vest contingent on the employee's continued employment or the achievement of performance goals, if any, as determined by the Compensation, Corporate Governance and Nominating Committee. The Trust provides certain protections of its assets from events other than claims against our assets in the case of bankruptcy. The assets and liabilities of the Trust are consolidated in the accompanying consolidated financial statements. Shares of our common stock held by the Trust are accounted for as treasury stock in the accompanying consolidated balance sheets.

The Deferred Plan does not permit diversification and the cash bonus awards must be settled by the delivery of a fixed number of shares of our common stock. The awards under the Deferred Plan are accounted for as grants of unvested stock. We record stock-based compensation expense based on the fair market value of our stock on the date of grant. The compensation cost for awards with service conditions is recognized using the straight-line attribution method over the requisite service period. The compensation cost for bonus awards with performance and service conditions is recognized using the accelerated attribution method over the requisite service period. During the years ended December 31, 2015, 2014 and 2013, cash bonus awards of \$13 million, \$10 million and \$1.5 million, respectively, were granted under the Deferred Plan.

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As discussed in Note 5, during the first quarter of 2014, we concluded that our Chief Executive Officer had been granted \$2.6 million of cash bonus awards in fiscal year 2007 in excess of the annual individual employee limit established in the Deferred Plan. As a result, the \$2.6 million of cash bonus awards have been considered null and void. Stock-based compensation expense associated with the null and void cash bonus awards of \$2.6 million was reversed in the first quarter of 2014.

In addition, the communication of the \$2.6 million of excess cash bonus awards to our Chief Executive Officer resulted in a financial obligation under U.S. GAAP to provide equity compensation commensurate with the terms of the cash bonus awards in return for services to be performed by our Chief Executive Officer during the award vesting period. The financial obligation has been accounted for as a liability award and stock-based compensation expense of \$1.5 million associated with prior periods was recorded in the first quarter of 2014. The net impact of these adjustments was a \$1.1 million reduction to stock-based compensation expense in the first quarter of 2014. An additional \$0.3 million of income tax expense was recorded during the first quarter of 2014 as a result of these adjustments. These errors were immaterial to the individual prior periods impacted. During the second quarter of 2014, pursuant to the Deferred Plan, an award of \$10 million was granted to our Chief Executive Officer that partially settled this financial obligation. During the first quarter of 2015, an award of \$7 million was granted to our Chief Executive Officer that settled the remainder of this financial obligation. These grants were funded with shares from the Trust which had previously been forfeited by former employees prior to being fully vested in their shares.

During the years ended December 31, 2015, 2014 and 2013, we recorded stock-based compensation expense of \$8 million, \$5 million and \$2 million, respectively, attributable to the Deferred Plan. As of December 31, 2015, the total compensation cost related to non-vested cash bonus awards not yet recognized was \$10 million with a weighted average period to be recognized of 2.3 years.

A summary of the bonus awards under the Deferred Plan as of and for the year ended December 31, 2015 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Non-vested, beginning of year	0.5	\$ 14.84
Granted	0.9	\$ 14.35
Vested	(0.5)	\$ 14.73
Canceled	0.0	\$ 13.38
Non-vested, end of year	0.9	\$ 14.40

As of December 31, 2015, there were 2.8 million shares of our common stock in the Trust that were vested but not yet distributed to the employees.

### *Long Term Incentive Plan Liability*

European Capital has issued restricted mandatorily redeemable preferred shares ("Redeemable Preferred Shares") to participating employees of subsidiary companies of its manager, European Capital Asset Management Limited ("ECAM"), a wholly-owned subsidiary of ACAM, under Long Term Incentive Plans (the "Plans") for an issue price determined at the time of issuance. The Plans have a 5-year vesting period. The Redeemable Preferred Shares are subdivided into subclasses of shares. The redemption value of each sub-class of Redeemable Preferred Shares is calculated using a predetermined formula and is based on the net liquidity proceeds, as defined in the Plans, on the exit of specifically referenced investments of European Capital in excess of certain hurdle rates. The Plans have annual calculation and redemption dates through December 31, 2018 and March 1, 2019,

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respectively, for sub-classes A, B and C and December 31, 2023 and March 1, 2024, respectively, for sub-classes D, E and F. Redeemable Preferred Shares related to specifically referenced investments not exited at the final annual calculation dates will be redeemed after the receipt of subsequent net liquidity proceeds or, if specifically referenced investments that remain outstanding on January 1, 2020 for sub-classes A, B and C and January 1, 2025 for sub-classes D, E and F, will be redeemed based on the realizable value of the remaining referenced investments. European Capital elected to recognize the Redeemable Preferred Shares at fair value in accordance with FASB ASC Topic 825, *Financial Instruments*.

The holders of the Redeemable Preferred Shares have no rights to participate in or receive notice of any general meeting of European Capital and the shares are generally not transferable. The Redeemable Preferred Shares have no rights to receive dividends. During the three months ended March 31, 2015, a portion of Redeemable Preferred Shares were redeemed and European Capital realized a loss of \$46 million, offset by a reversal of unrealized depreciation of \$46 million, which is included in net realized (loss) gain and net unrealized appreciation in our consolidated statements of operations.

The fair value of the Redeemable Preferred Shares is calculated as of December 31, 2015 and 2014 using the net present value of the estimated future cash flows of the underlying European Capital investments with discounts applied for equity risk, liquidity risk, credit risk, minority interests, lack of marketability and a forfeiture rate. The fair value of the Redeemable Preferred Shares as of December 31, 2015 and 2014 was \$34 million and \$82 million, respectively, which is included in other liabilities in our consolidated balance sheets. The fair value of the underlying European Capital investments as of December 31, 2015 and 2014 was \$367 million and \$608 million, respectively. As of December 31, 2015, the redemption amount for 2016 is expected to be approximately \$11 million.

The following table summarizes the number of shares issued and redeemed for the year ended December 31, 2015:

	Class A	Class B	Class C	Class D	Class E	Class F	Total
Balance, December 31, 2014	412	413	589	100	100	100	1,714
Shares Issued							
Shares Redeemed	(68)	(68)	(98)				(234)
Balance, December 31, 2015	344	345	491	100	100	100	1,480

### Note 7. Net Operating Income and Net Earnings Per Common Share

The following table sets forth the computation of basic and diluted net operating income and net earnings per common share for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
Numerator for basic and diluted net operating income per common share	\$ 253	\$ 117	\$ 156
Numerator for basic and diluted net (loss) earnings per common share	\$ (187)	\$ 434	\$ 184
Denominator for basic weighted average common shares	267.2	268.2	291.6
Employee stock options and awards		12.5	12.3
Denominator for diluted weighted average common shares	267.2	280.7	303.9
Basic net operating income per common share	\$ 0.95	\$ 0.44	\$ 0.53
Diluted net operating income per common share	\$ 0.95	\$ 0.42	\$ 0.51
Basic net (loss) earnings per common share	\$ (0.70)	\$ 1.62	\$ 0.63
Diluted net (loss) earnings per common share	\$ (0.70)	\$ 1.55	\$ 0.61

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In accordance with the provisions of FASB ASC Topic 260, *Earnings per Share*, basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating EPS on a diluted basis.

In computing diluted EPS, only potential common shares that are dilutive, those that reduce EPS or increase loss per share, are included. The effect of stock options, unvested employee stock awards and contingently issuable shares are not included if the result would be anti-dilutive, such as when a net loss is reported. Therefore, basic EPS and diluted EPS are computed using the same number of weighted average shares for the year ended December 31, 2015 as we incurred a net loss for that period.

Stock options and unvested shares under our deferred compensation plan of 37.7 million, 7.6 million and 8.6 million for the years ended December 31, 2015, 2014 and 2013, respectively, were not included in the computation of diluted EPS either because the respective exercise or grant prices are greater than the average market value of the underlying stock or their inclusion would have been anti-dilutive, as determined using the treasury stock method.

### Note 8. Geographic Data

The following table presents total operating revenue and total assets as of and for the years ended December 31, 2015, 2014 and 2013 by geographic location, excluding Structured Products. The geographic location of a portfolio company investment is determined by the location of the corporate headquarters of the portfolio company.

	2015	2014	2013
<b>Operating revenue</b>			
United States	\$ 504	\$ 392	\$ 400
International	58	14	15
Total operating revenue	\$ 562	\$ 406	\$ 415
<b>Total assets</b>			
United States	\$ 5,185	\$ 6,311	\$ 4,834
International	641	746	899
Total assets	\$ 5,826	\$ 7,057	\$ 5,733

### Note 9. Restructuring Costs

Due to changes in the composition of our investment portfolio and market conditions, we conducted strategic reviews of our business in the fourth quarter of 2014, which resulted in a workforce reduction of approximately 13% of our employees and the closing of one of our offices as well as the elimination of certain functions at other offices. In conjunction with the restructuring, the vesting of any unvested stock options held by impacted employees as of the date of their separation was accelerated, and they were given a period of up to one year from their separation date, or less if the expiration of the option was within one year from their separation date, to exercise all outstanding options. We recorded charges for both severance and related employee costs and excess office facilities costs of \$24 million for the year ended December 31, 2014, including \$11 million from the modification of stock options. In addition, during the year ended December 31, 2015, we recorded charges for both severance and related employee costs of \$12 million, including \$4 million from the modification of stock options related to additional workforce reductions. The severance and related employee costs and the additional stock-based compensation expense resulting from the modification are included in salaries, benefits and stock-based compensation and the excess facilities costs are included in general

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and administrative in our consolidated statements of operations. The liability for employee severance costs and excess facilities is included in other liabilities in our consolidated balance sheet as of December 31, 2015.

In determining our liability related to excess office facilities, we are required to estimate such factors as future vacancy rates, the time required to sublet properties and sublease rates. These estimates are reviewed quarterly based on known real estate market conditions and the credit-worthiness of subtenants, and may result in revisions to the liability. Our remaining liability of \$4 million as of December 31, 2015 related to these excess office facilities represents gross lease commitments with agreements expiring at various dates through 2023 of approximately \$20 million, net of committed and estimated sublease income of approximately \$15 million and a present value factor of \$1 million. We have entered into signed sublease arrangements for approximately \$2 million, with the remaining \$13 million based on estimated future sublease income.

The following table summarizes the restructuring accrual activity during the year ended December 31, 2015:

	Severance	Excess Office Facilities	Total
Balance, December 31, 2014	\$ 8	\$ 5	\$ 13
Restructuring charges	6		6
Cash payments	(7)	(1)	(8)
Balance, March 31, 2015	7	4	11
Restructuring charges			
Cash payments	(4)		(4)
Balance, June 30, 2015	3	4	7
Restructuring charges			
Cash payments	(1)		(1)
Accretion of net present value		1	1
Balance, September 30, 2015	2	5	7
Restructuring charges	2		2
Cash payments		(1)	(1)
Balance, December 31, 2015	\$ 4	\$ 4	\$ 8

### Note 10. Shareholders' Equity

Our common stock activity for the years ended December 31, 2015, 2014 and 2013 was as follows:

	2015	2014	2013
Common stock outstanding at beginning of period	266.9	270.2	304.4
Issuance of common stock under stock option plans	12.0	5.3	5.1
Repurchase of common stock	(36.9)	(8.9)	(40.4)
Distribution of common stock held in deferred compensation trust	0.6	0.3	1.1
Common stock outstanding at end of period	242.6	266.9	270.2

### Share Repurchase Program

During 2011, our Board of Directors adopted a program pursuant to which it will consider quarterly setting an amount to be utilized for share repurchases or dividends (the "Program"). Generally, the amount may be utilized for repurchases if the price of our common stock represents a



discount to its NAV per share, and the amount may be utilized for the payment of cash dividends if the price of our common stock represents a premium to its NAV per share.

Repurchases under the Program were suspended in March 2014 as we undertook a process to evaluate potential capital requirements that could result from our previously announced plan to consider organizational changes to enhance shareholder value. We later announced that our Board had unanimously approved a plan to proceed with the spin-off of most of its investments in new a BDC to our shareholders, with American Capital continuing as a public asset manager. During the first quarter of 2015, our Board of Directors determined that it was appropriate to reinstate authorization for share repurchases while we seek to accomplish the announced spin-off. We included the written notice to stockholders required by Section 23(c) of the 1940 Act regarding the possibility of share repurchases over the next six months in a Letter to Stockholders dated September 11, 2015. Our Board of Directors modified the Program during the fourth quarter of 2015 to authorize the purchase of \$600 million to \$1 billion of common stock through June 30, 2016 at prices per share below 85% of our most recent quarterly NAV per share, subject to certain conditions. We have entered into a Rule 10b5-1 trading plan to undertake accretive share repurchases on a non-discretionary basis up to the \$1 billion limit.

In determining the quarterly amount, the Board of Directors will be guided by our net cash provided by operating activities in preceding quarters, our capital requirements associated with completion of the spin-off transaction, our cash position, operational issues, economic conditions and the current trading price of our common stock and other factors. During the year ended December 31, 2015, we repurchased a total of 36.9 million shares of our common stock in the open market for \$526 million at an average price of \$14.25 per share. During the year ended December 31, 2014, we repurchased a total of 8.9 million shares of our common stock in the open market for \$137 million at an average price of \$15.38 per share. During the year ended December 31, 2013, we repurchased a total of 40.4 million shares of our common stock in the open market for \$561 million at an average price of \$13.90 per share.

The Program may be further suspended, terminated or modified at any time for any reason. The Program does not obligate us to acquire any specific number of shares of our common stock.

#### **Note 11. Income Taxes**

As a taxable corporation under Subchapter C of the Code, we are subject to federal and applicable state corporate income taxes on our taxable ordinary income and capital gains. However, we estimate that for income tax purposes, we had both net operating loss carryforwards and net long-term capital loss carryforwards as of December 31, 2015. Our tax fiscal year ends on September 30.

Effective October 1, 2014, we consolidated our wholly-owned portfolio company, European Capital in our consolidated financial statements. European Capital and its wholly-owned subsidiary, European Capital S.A. SICAR (collectively, "ECAS") are both controlled foreign corporations for U.S. tax purposes. Each entity pays an immaterial amount of non-U.S. income taxes. ECAS may produce subpart F income that must be reported on the U.S. tax return of American Capital.

We file a consolidated federal income tax return with eligible corporate subsidiaries, including portfolio companies in which we hold 80% or more of the outstanding equity interest measured by both vote and fair value. As a result, we have entered into a tax sharing agreement under which members of the consolidated tax group are compensated for losses and other tax benefits by members that are able to use those losses and tax benefits on their pro forma stand-alone federal income tax return.

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The following table sets forth the significant components of our deferred tax assets and liabilities as of December 31, 2015 and 2014:

	2015	2014
<b>Deferred Tax Assets</b>		
Net operating loss carryforwards	\$ 233	\$ 195
Basis differences in ordinary investments	102	139
Stock-based compensation	57	65
Basis differences in investments held in European Capital	155	193
Other	25	25
<b>Total ordinary deferred tax assets</b>	<b>572</b>	<b>617</b>
Net capital loss carryforwards	72	
Basis differences in capital investments	99	230
<b>Total capital deferred tax assets</b>	<b>171</b>	<b>230</b>
<b>Total deferred tax assets</b>	<b>743</b>	<b>847</b>
Less valuation allowance	(300)	(168)
<b>Total deferred tax assets less valuation allowance</b>	<b>443</b>	<b>679</b>
<b>Deferred Tax Liabilities</b>		
Basis differences in ACAM	(231)	(309)
Other	(14)	(16)
<b>Total deferred tax liabilities</b>	<b>(245)</b>	<b>(325)</b>
<b>Total net deferred tax asset</b>	<b>\$ 198</b>	<b>\$ 354</b>

The table above classifies certain deferred tax assets and liabilities based on management's estimate of the expected tax character of recognition of the reversal of the timing differences that give rise to the deferred tax assets and liabilities as either ordinary or capital income. However, the ultimate tax character of the deferred tax asset or liability may change from the above classification based on the ultimate form of recognition of the timing difference.

As of December 31, 2015, our deferred tax asset was \$743 million, our deferred tax liability was \$245 million, our valuation allowance was \$300 million and our net deferred tax asset was \$198 million.

We estimate the expected tax character of recognition of the reversal of the timing differences that give rise to the deferred tax assets and liabilities as either ordinary or capital income. However, the ultimate tax character of the deferred tax asset or liability may change from our estimated classification based on the ultimate form of recognition of the timing difference. As of December 31, 2015, we believe that it is more likely than not that we will have future ordinary income to realize the majority of our ordinary deferred tax assets and therefore did not record a valuation allowance against these ordinary deferred tax assets.

As of December 31, 2015, we determined that it is not more likely than not that we will be able to utilize our ordinary deferred tax asset related to our investment in European Capital in its entirety. In determining the amount of the valuation allowance to be established, we assessed all available evidence, both positive and negative. During the three months ended December 31, 2015, the negative evidence outweighed the positive evidence in determining whether it was more likely than not that the ordinary deferred tax asset would be realized. Significant negative evidence existed in management's update to the strategic review, resulting in uncertainty about the ability to generate sufficient income to utilize the deductible inside basis differences and qualified deficits related to the investment in European Capital. We believe that \$14 million of the ordinary deferred tax asset will be realized; however, we established

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a valuation allowance against the remaining portion of the ordinary deferred tax asset. As a result, we recognized a tax provision of \$141 million associated with the establishment of the valuation allowance.

On April 1, 2015, the New York State Legislature passed legislation that enacted several tax law changes that impact American Capital. As a result of the tax law changes, it is more likely than not that a portion of our net operating losses ("NOL") generated in New York City will expire unutilized. Therefore, during the year ended December 31, 2015, we recorded a \$12 million valuation allowance against a \$13 million deferred tax asset related to \$144 million of NOLs generated in New York City.

We continue to maintain a valuation allowance against a significant portion of our capital deferred tax assets. We believe that it is more likely than not that we will be able to utilize \$25 million of our capital deferred tax assets as of December 31, 2015 and we have established a valuation allowance of \$147 million against the remaining capital deferred tax assets.

We continue to assess our ability to realize our existing capital deferred tax assets. We believe that due to the recent decision to solicit offers to acquire individual lines of business or the company in its entirety, certain investments that had previously been determined to be long-lived assets may provide a source of taxable income to realize certain capital deferred tax assets. Assessing the recoverability of a deferred tax asset requires management to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from investments and operations, the character of expected income or loss as either capital or ordinary, and the application of existing tax laws in each jurisdiction. To the extent that future cash flows or the amount or character of taxable income differ significantly from these estimates, our ability to realize the deferred tax assets could be impacted.

Under ASC 718, our capital in excess of par value in our shareholders' equity includes the excess tax benefits generated from our stock-based compensation plans when our allowable income tax deduction for the award exceeds the compensation expense recorded for book purposes ("APIC Pool"). As of December 31, 2015, our APIC Pool totaled \$35 million.

Additionally, under Sections 382 and 383 of the Code, following an "ownership change," certain limitations apply to the use by a "loss corporation" of certain tax attributes including net operating loss carryforwards, capital loss carryforwards, unrealized built-in losses and tax credits arising before the "ownership change." Such tax attributes represent substantially all of our deferred tax assets. In general, an "ownership change" would occur if there is a cumulative change in the ownership of our common stock of more than 50% by one or more "5% shareholders" during a three-year period. In the event of an "ownership change," the tax attributes that may be used to offset our future taxable income in each year after the "ownership change" will be subject to an annual limitation. In general, the annual limitation is equal to the product of the fair market value of our common stock on the date of the "ownership change" and the "long term tax exempt rate" (which is published monthly by the Internal Revenue Service), subject to specified adjustments. This limitation could accelerate our cash tax payments and could result in a significant portion of our deferred tax asset expiring before we could fully use it. On April 27, 2012, we amended our Certificate of Incorporation to impose certain restrictions on the transfer of our common stock through April 27, 2015. These restrictions reduced, but did not eliminate, the risk of an "ownership change" through their expiration date.

As of December 31, 2015, we estimate that we had \$555 million of federal net operating loss carryforwards and various state net operating loss carryforwards for which we have recorded a gross ordinary deferred tax asset of \$233 million. The ordinary deferred tax asset includes a reduction of \$14 million for the excess tax benefits generated from our stock-based compensation plans that resulted in an increase in our net operating losses, but which may not be recorded until utilization. For federal income tax purposes, the net operating loss carryforwards expire in various years from 2030 through 2034. The timing and manner in which we will utilize any net operating loss carryforwards in any year, or in total, may be limited in the future under the provisions of the Code and applicable state laws.

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A reconciliation of the provision (benefit) for income taxes computed at the U.S. federal statutory corporate income tax rate and our effective tax rate for the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
Tax on income computed at federal statutory corporate tax rate	\$ (12)	\$ 174	\$ 83
State taxes, net of federal tax benefit	(4)	22	12
Valuation allowance	142	(236)	7
Rate difference on dividend income	(10)	(10)	(6)
Change in state tax rate	(10)	(26)	(12)
Disallowed compensation pursuant to IRS Sec. 162(m)		13	
Consolidation of ACCH		69	
Consolidation of European Capital		71	
Earnings of European Capital	10		
Permanent difference on European Capital appreciation		(30)	
State deferred tax offset by valuation allowance			(27)
Capital gain on tax deconsolidation of a CML subsidiary	35		
Other	1	17	(4)
<b>Total provision for income taxes</b>	<b>\$ 152</b>	<b>\$ 64</b>	<b>\$ 53</b>

During the first quarter of 2015, we restructured our investment in CML Pharmaceuticals, Inc. ("CML"), which resulted in the recognition of an ordinary loss. We recognized a \$136 million ordinary loss on our equity investment in CML, which was \$9 million less than the book realized loss of \$145 million, due to consolidated basis adjustments in prior years as a result of CML filing with American Capital's consolidated tax return. In addition, CML recognized an \$83 million capital gain on an operating subsidiary that was offset by capital loss carryforwards at American Capital. We will not be reimbursed through the tax sharing agreement for the utilization of the capital loss carryforward and this was a permanent difference in income recognition. The net impact was a decrease of our gross deferred tax asset of \$35 million, offset by a reduction in the valuation allowance of \$35 million, resulting in no net tax impact to the provision.

During the first and second quarters of 2015, we recognized subpart F income on our U.S. tax return from our investment in European Capital that resulted in a \$10 million tax provision, net of related changes in European Capital's deferred tax assets.

We recognized a provision of \$142 million in 2015 related to an increase in the valuation allowance against our net deferred tax assets. A significant portion of the increase is due to the change in judgment that it was not more likely than not that the company would be able to realize its deferred tax asset related to its investment in European Capital in its entirety.

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Components of our tax provision (benefit) for the years ended December 31, 2015, 2014 and 2013 were as follows:

	2015	2014	2013
<b>Current Tax (Benefit) Provision</b>			
Federal	\$ (8)	\$ 7	\$ 2
State	1		1
Total current tax (benefit) provision	(7)	7	3
<b>Deferred Tax Provision</b>			
Federal	143	49	50
State	16	8	
Total deferred tax provision	159	57	50
Total provision for income taxes	\$ 152	\$ 64	\$ 53

We identify our major tax jurisdictions as federal, New York and Maryland. The federal tax fiscal years ended September 30, 2012, 2013 and 2014 for American Capital remain subject to examination by the Internal Revenue Service ("IRS"). During the first quarter of 2014, we received notice from the IRS that their examination of the September 30, 2008 tax year was concluded and no changes to income or tax resulted.

We recognize tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. The following is a reconciliation of the beginning and ending balance of unrecognized tax benefits:

Unrecognized tax benefits January 1, 2015	\$ 48
Increase related to positions taken during the current year	
Unrecognized tax benefits December 31, 2015	\$ 48

The unrecognized tax benefit has been presented as a reduction of an ordinary deferred tax asset for a net operating loss.

### Note 12. Commitments and Contingencies

In the normal course of business, we enter into contractual agreements that facilitate transactions or provide general indemnifications against losses, costs, claims and liabilities arising from the performance of our obligations under such agreements. We have not had any claims nor made any payments pursuant to such agreements. We cannot estimate the maximum potential exposure under these arrangements as this would involve future claims that may be made against us that have not yet occurred. However, based on our experience, we expect the risk of any material loss to us to be remote.

We are a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, we do not expect that these proceedings will have a material effect on our financial condition or results of operations.

#### *Loan and Financing Agreements*

As of December 31, 2015, we had commitments under loan and financing agreements to fund up to \$213 million to 28 portfolio companies. These commitments are primarily composed of working capital credit facilities, acquisition credit facilities and subscription agreements. The commitments are

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generally subject to the borrowers meeting certain criteria such as compliance with covenants and availability under borrowing base thresholds. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. As of December 31, 2015, European Capital and its affiliates had a commitment of \$62 million to fund European Capital UK SME Debt LP and \$100 million to fund a European Capital debt fund ("ECAS debt fund"). In addition, as of December 31, 2015, ACAM had a commitment of \$125 million to American Capital Equity III, LP, which is to be funded by an equity investment from American Capital. See Note 14 to our audited consolidated financial statements included in this Annual Report on Form 10-K for further discussion of ACAM's American Capital Equity III, LP's commitment.

### ***Non-Cancelable Operating Leases***

We have non-cancelable operating leases for office space and office equipment. The leases expire over the next eleven years and contain provisions for certain annual rental escalations. Rent expense for operating leases for the years ended December 31, 2015, 2014 and 2013 was \$10 million, \$10 million and \$9 million, respectively.

Future minimum lease payments under non-cancelable operating leases as of December 31, 2015, net of any expected receipts under non-cancelable subleases, were as follows:

2016	\$	14
2017		14
2018		15
2019		14
2020		13
Thereafter		56
Total	\$	126

### ***Total Return Swaps***

ACTRS, a wholly-owned consolidated affiliate of American Capital, entered into TRS transactions with Citibank, N.A. (the "2012 TRS" and "2012 TRS II"). The TRS, which are non-recourse to American Capital, replicate the performance of reference pools of senior floating rate loans (each, a "Reference Pool"). The maximum amount of the loans that was included in the Reference Pool was \$400 million (determined at the time each such loan is added to the Reference Pool) and the maximum cash collateral requirement was \$100 million. As of December 31, 2014, ACTRS had provided \$100 million of cash collateral for the loans in the 2012 TRS and 2012 TRS II Reference Pools, which is recorded in the financial statement line item restricted cash and cash equivalents in our consolidated balance sheets. As of December 31, 2014, the loans in the Reference Pools for the 2012 TRS and the 2012 TRS II had a notional of approximately \$27 million. The 2012 TRS and 2012 TRS II matured in December 2014 and the posted cash collateral was returned to ACTRS in 2015.

### **Note 13. Significant Subsidiaries**

We have determined that for the year ended December 31, 2015, or for the periods presented in our audited consolidated financial statements included in this Annual Report on Form 10-K, European Capital Limited, CML Pharmaceuticals, Inc., SEHAC Holding Corporation and WIS Holding Company, Inc. have met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X. Accordingly, pursuant to Rule 4-08(g) of Regulation S-X, aggregate financial information for the nine months ended September 30, 2014 and year ended December 31, 2013 for European Capital Limited and for the years ended December 31, 2015, 2014 and 2013 for

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CML Pharmaceuticals, Inc., SEHAC Holding Corporation and WIS Holding Company, Inc. have been included as follows:

	2015	2014	2013
Current assets	\$ 179	\$ 248	\$ 307
Noncurrent assets	\$ 720	\$ 1,667	\$ 1,947
Current liabilities	\$ 148	\$ 162	\$ 133
Noncurrent liabilities	\$ 589	\$ 818	\$ 861
Redeemable preferred stock	\$	\$ 222	\$ 219
Total revenue	\$ 926	\$ 934	\$ 829
Total operating expenses	\$ 856	\$ 853	\$ 707
Net operating income	\$ 70	\$ 81	\$ 122
Net income	\$ 5	\$ 22	\$ 183

### Note 14. Asset Sales

On August 5, 2015, we entered into a definitive agreement to sell certain CLO equity investments to American Capital CLO Fund I, LP ("ACAS CLO Fund I") for \$300 million. The purchase price was the aggregate fair value of the CLO equity investments as of June 30, 2015, subject to customary adjustments. The closing of the sale occurred on November 2, 2015. ACAS CLO Fund I is a \$450 million private investment fund, which invests primarily in equity tranches of CLOs. ACAS CLO Fund I is managed by a subsidiary of ACAM for customary management and incentive fees.

The ECAS debt fund is a private debt fund that closed during the second quarter of 2015 with €318 million of capital commitments, of which €165 million was committed by European Capital and its affiliates. The ECAS debt fund provides debt financing to mid-market companies in Europe, primarily through unitranche, second lien and mezzanine financing, with secondary purchases of senior loans on an opportunistic basis. During the fourth quarter of 2015, the ECAS debt fund had an additional closing of €69 million which increased the total capital commitments to €387 million. We anticipate a final closing by March 2016 to increase the investment capacity of the fund. The fund will have a three year investment period and a subsidiary of ACAM manages the ECAS debt fund for an annual management fee of 1.50% on deployed capital and up to a 15% carried interest, subject to certain hurdles. The ECAS debt fund will be dissolved on March 19, 2025, unless extended. In April 2015, European Capital sold €162 million (\$175 million) of investments at their approximate fair value in 9 portfolio companies to the ECAS debt fund. European Capital received €158 million (\$170 million) for the sale of these assets and recognized a realized loss of €4 million (\$5 million). As of December 31, 2015, European Capital's investment in the ECAS debt fund had a cost basis and fair value of \$81 million and \$85 million, respectively. As of December 31, 2015, European Capital had an unfunded commitment of €91 million (\$100 million) to the ECAS debt fund.

On April 28, 2014, we completed a \$1.1 billion private placement of partnership interests in American Capital Equity III, LP ("ACE III" or "the Fund"), a new private equity fund focused on investing in U.S. companies in the lower middle market. Concurrent with the private placement, we entered into a Contribution and Redemption Agreement with the Fund pursuant to which we agreed to contribute 100% of our equity and equity-related investments in seven portfolio companies (Affordable Care Holding Corp., Avalon Laboratories Holding Corp., CIBT Investment Holdings, LLC, FAMS Acquisition, Inc., Mirion Technologies, Inc., PHI Acquisitions, Inc. and SMG Holdings, Inc.) to the Fund and to provide the Fund with an option to acquire our equity investment in WRH, Inc. (the "Equity Option"), in exchange for partnership interests in the Fund. Collectively, the eight portfolio companies (including WRH, Inc., assuming the Equity Option is exercised) comprise the Secondary Portfolio for ACE III. On April 1, 2015, the Equity Option was exercised by the Fund for the exercise price of \$24 million. For the three months ended June 30, 2015, we recognized a realized loss of

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\$225 million on our WRH, Inc. equity investment offset by a (i) \$115 million reversal of unrealized depreciation on the investment, (ii) \$65 million reversal of unrealized depreciation on the Equity Option derivative and (iii) \$45 million realized gain on the Equity Option. The Fund's aggregate \$1.1 billion capital commitment includes a commitment of \$200 million from ACAM for Primary Investments, of which \$125 million was undrawn as of December 31, 2015.

### Note 15. Related Party Transactions

As a BDC, we are required by law to make available significant managerial assistance to our eligible portfolio companies. Such assistance typically involves providing guidance and counsel concerning the management, operations and business objectives and policies of the portfolio company to its management and board of directors, including participating on the company's board of directors. We have an operations team with significant turnaround and bankruptcy experience that assists our investment professionals in providing intensive operational and managerial assistance to our portfolio companies that require such assistance. As of December 31, 2015, we had board seats on 38 companies in our investment portfolio. Providing assistance to the companies in our investment portfolio serves as an opportunity for us to maximize their value.

The following table shows the operating revenue from our control investments, as defined under the 1940 Act, for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
<b>Operating Revenue Control Investments</b>			
Interest and dividend income	\$ 288	\$ 263	\$ 221
Fee income	\$ 49	\$ 42	\$ 52

#### *American Capital Asset Management*

Our fund management business is conducted through ACAM. In general, ACAM provides investment management services through consolidated subsidiaries that enter into management agreements with each of its managed funds. In addition, American Capital or ACAM may invest directly into these funds and earn investment income from its investments in those funds. Under the management agreements, ACAM's responsibilities include, but are not limited to, sourcing, analyzing and executing investments and asset sales, delivering financial and compliance reports to investors in the funds under management, administering the daily business and affairs of the funds under management and performing other asset management duties. We have entered into service agreements with ACAM to provide it with additional asset management and administrative services support. Through these agreements, we provide investment advisory and oversight services to ACAM, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. During the years ended December 31, 2015, 2014 and 2013, we recognized operating revenues from our investment in ACAM of \$152 million, \$111 million and \$133 million, respectively.

#### *European Capital*

As discussed in Note 2 to these consolidated financial statements, we consolidated our investment in European Capital effective October 1, 2014. ACAM, through its subsidiary, ECAM, acts as the investment manager to European Capital. Under ACAM's investment management agreement with European Capital, ACAM is entitled to receive an annual management fee of 2% of the weighted average monthly consolidated gross asset value of all the investments at fair value of European Capital, an incentive fee equal to 100% of the net earnings in excess of a return of 8% but less than a return of 10%, and 20% of the net earnings thereafter. The investment management agreement with European Capital was amended to waive the incentive fee for 2011, 2012, 2013 and 2014. During the first quarter of 2015, the investment management agreement with European Capital was amended to cancel the

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incentive fee for 2015 and going forward. The management fee charged by ACAM was \$13 million for the year ended December 31, 2015 and \$5 million for the quarter ended December 31, 2014, which is included in our consolidated statements of operations.

As discussed in Note 6 to these consolidated financial statements, European Capital has issued Redeemable Preferred Shares to employees of ECAM as part of long term employee incentive plans. These shares are redeemable by European Capital based on the aggregate returns on investments made after January 1, 2012 and are treated as mandatorily redeemable preferred stock in our consolidated balance sheets in accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. The fair value of the Redeemable Preferred Shares as of December 31, 2015 and 2014 was \$34 million and \$82 million, respectively, which is included in other liabilities in our consolidated balance sheets. For the year ended December 31, 2015, Redeemable Preferred Shares were redeemed and European Capital realized a loss of \$46 million offset by a reversal of unrealized depreciation of \$46 million, which is included in net realized (loss) gain and net unrealized appreciation in our consolidated statements of operations.

### *American Capital Equity I, LLC and American Capital Equity II, LP*

On June 30, 2015, we entered into stock purchase agreements with American Capital Equity I, LLC and American Capital Equity II, LP under which we acquired secondary and add-on investments in 24 portfolio companies for an aggregate purchase price of \$145 million. The initial purchase price for such investments was based on the fair value of the investments as of March 31, 2015, but is potentially subject to increase on June 30, 2016 as a result of certain post-closing adjustments. For the year ended December 31, 2015, we recorded \$31 million of net unrealized depreciation after our acquisition of these investments, which is included in net unrealized appreciation in our consolidated statements of operations.

### **Note 16. Selected Quarterly Data (Unaudited)**

The following tables present our quarterly financial information for the fiscal years ended December 31, 2015 and 2014:

	Three Months Ended				Year Ended
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	December 31, 2015
Total operating revenue	\$ 154	\$ 168	\$ 176	\$ 173	\$ 671
Net operating income ("NOI")	\$ 50	\$ 67	\$ 75	\$ 61	\$ 253
Net increase (decrease) in net assets resulting from operations	\$ 15	\$ 62	\$ (37)	\$ (227)	\$ (187)
NOI per basic common share(2)	\$ 0.18	\$ 0.25	\$ 0.28	\$ 0.24	\$ 0.95
NOI per diluted common share(2)	\$ 0.18	\$ 0.24	\$ 0.28	\$ 0.24	\$ 0.95
Net earnings (loss) per basic common share(2)	\$ 0.06	\$ 0.23	\$ (0.14)	\$ (0.88)	\$ (0.70)
Net earnings (loss) per diluted common share(2)	\$ 0.05	\$ 0.22	\$ (0.14)	\$ (0.88)	\$ (0.70)
Weighted average shares outstanding					
Basic	271.1	272.4	267.7	257.6	267.2
Diluted	282.9	283.4	267.7	257.6	267.2

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	Three Months Ended				Year Ended
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014(1)	December 31, 2014
Total operating revenue	\$ 84	\$ 100	\$ 129	\$ 158	\$ 471
Net operating income	\$ 5	\$ 26	\$ 51	\$ 35	\$ 117
Net increase in net assets resulting from operations	\$ 70	\$ 212	\$ 114	\$ 38	\$ 434
NOI per basic common share(2)	\$ 0.02	\$ 0.10	\$ 0.19	\$ 0.13	\$ 0.44
NOI per diluted common share(2)	\$ 0.02	\$ 0.09	\$ 0.18	\$ 0.12	\$ 0.42
Net earnings per basic common share(2)	\$ 0.26	\$ 0.80	\$ 0.43	\$ 0.14	\$ 1.62
Net earnings per diluted common share(2)	\$ 0.25	\$ 0.76	\$ 0.41	\$ 0.14	\$ 1.55
Weighted average shares outstanding					
Basic	270.7	266.2	267.1	269.0	268.2
Diluted	283.4	278.5	279.9	281.1	280.7

(1) Effective October 1, 2014, European Capital's financial results have been consolidated with the financial results of American Capital.

(2) Quarterly amounts may not equal full-year amounts due to changes in the weighted average shares outstanding.

**AMERICAN CAPITAL, LTD.**  
**SCHEDULE OF INVESTMENTS IN AND ADVANCES TO AFFILIATES**  
**As of and for the year ended December 31, 2015**  
**(in millions)**

Company(1)	Investments	Amount of Interest or Dividends		December 31, 2014 Fair Value	Gross Additions(4)	Gross Reductions(5)	December 31, 2015 Fair Value
		Credited to Income(2)	Other(3)				
<b>AMERICAN CAPITAL CONTROL INVESTMENTS</b>							
ACAS Real Estate Holdings Corporation	Mezzanine Debt	\$ 2.7	\$	\$ 5.0	\$ 2.9	\$ 3.4	\$ 4.5
	Common Stock	6.7	8.5	25.7	7.3	8.5	24.5
		9.4	8.5	30.7	10.2	11.9	29.0
ACAS Wachovia Investments, L.P.	Partnership Interest			0.6	0.2	0.3	0.5
ACEI Singapore Holdings Private LTD	Common Stock				7.1		7.1
American Capital Asset Management, LLC	Mezzanine Debt	1.7		33.0	2.0		35.0
	Common Membership Interest	124.7	12.8	1,131.4	187.5	288.9	1,030.0
		126.4	12.8	1,164.4	189.5	288.9	1,065.0
American Driveline Systems, Inc.	Mezzanine Debt	3.9			47.7		47.7
	Redeemable Preferred Stock			20.6	1.6	2.0	20.2
	Common Stock						
	Common Stock Warrants						
		3.9		20.6	49.3	2.0	67.9
ASAP Industries Holdings, LLC	Mezzanine Debt			20.5		20.5	
	Membership Units			15.0		15.0	
				35.5		35.5	
BMR Energy LLC	Preferred Units	1.7		11.9	22.6		34.5
	Common Units				17.5		17.5
		1.7		11.9	40.1		52.0
Capital.com, Inc.	Common Stock						
CML Pharmaceuticals, Inc.	Senior Debt	11.1		289.8	109.6	301.5	97.9
	Mezzanine Debt	13.9			141.0		141.0
	Redeemable Preferred Stock				61.1	51.1	10.0
	Convertible Preferred Stock						
		25.0		289.8	311.7	352.6	248.9
Contour Semiconductor, Inc.	Senior Debt	(0.6)		9.3	0.3	9.6	
	Convertible Preferred Stock						

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		(0.6)		9.3	0.3	9.6	
Core Financial Holdings, LLC	Common Units			0.2	0.1	0.3	
Dyno Holding Corp.	Senior Debt	3.5		35.2	0.7	35.9	
	Mezzanine Debt	3.9		16.7		16.7	
	Convertible Preferred Stock						
	Common Stock						
		7.4		51.9	0.7	52.6	
ECA Acquisition Holdings, Inc.	Senior Debt	0.8		6.8	3.0	0.9	8.9
	Mezzanine Debt	(3.1)	0.7	18.1		7.0	11.1
	Redeemable Preferred Stock				1.6	1.6	
	Common Stock			4.7	1.5	6.2	
		(2.3)	0.7	29.6	6.1	15.7	20.0
eLynx Holdings, Inc.	Convertible Preferred Stock	14.0		16.0	23.7	39.7	
	Redeemable Preferred Stock	3.4			3.4	3.4	
	Common Stock						
	Common Stock Warrants						
		17.4		16.0	27.1	3.4	39.7
EXPL Pipeline Holdings LLC	Senior Debt	3.7		46.8	1.0	4.1	43.7
	Common Membership Units			20.1	17.1		37.2
		3.7		66.9	18.1	4.1	80.9
FAMS Acquisition, Inc.	Mezzanine Debt	5.8		40.7	1.1	10.7	31.1
Fosbel Holding, Inc.	Mezzanine Debt	(1.3)		13.5	1.0	14.5	
FPI Holding Corporation	Senior Debt			11.6	0.4	12.0	
Group Montana, Inc.	Senior Debt	0.4		6.4	0.8	1.6	5.6
	Convertible Preferred Stock	(0.7)		6.7		1.6	5.1

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Company(1)	Investments	Amount of Interest or Dividends		December 31, 2014 Fair Value	Gross Additions(4)	Gross Reductions(5)	December 31, 2015 Fair Value
		Credited to Income(2)	Other(3)				
	Common Stock			1.6		1.6	
		(0.3)		14.7	0.8	4.8	10.7
Halex Holdings, Inc.	Senior Debt	1.5		18.8	0.2	3.4	15.6
	Redeemable Preferred Stock				11.7		11.7
	Common Stock	1.5		18.8	11.9	3.4	27.3
HALT Medical, Inc.	Senior Debt			35.6	25.2	37.5	23.3
	Convertible Preferred Stock				1.9	1.9	
	Common Stock						
				35.6	27.1	39.4	23.3
Hard 8 Games, LLC	Senior Debt	1.2		8.2	29.3	2.6	34.9
	Membership Unit			28.8	5.0	10.7	23.1
		1.2		37.0	34.3	13.3	58.0
Hollyhock Limited	Common Stock			21.2	12.0		33.2
LLSC Holdings Corporation	Convertible Preferred Stock			13.8	5.0		18.8
	Common Stock				0.4		0.4
	Common Stock Warrants				0.3		0.3
				13.8	5.7		19.5
Montgomery Lane, LLC	Common Membership Units			6.9		0.5	6.4
MW Acquisition Corporation	Mezzanine Debt	3.8		24.0	0.2		24.2
	Redeemable Preferred Stock	0.4		2.3	0.5		2.8
	Convertible Preferred Stock	11.8		17.9	45.3		63.2
	Common Stock				5.7		5.7
		16.0		44.2	51.7		95.9
NECCO Holdings, Inc.	Senior Debt		0.9	8.9	61.6	56.5	14.0
	Common Stock						
			0.9	8.9	61.6	56.5	14.0
NECCO Realty Investments, LLC	Senior Debt			19.9	5.0		24.9
	Common Membership Units						
				19.9	5.0		24.9
Orchard Brands Corporation	Common Stock			87.9		87.9	
PHC Sharp Holdings, Inc.	Senior Debt	0.2		1.4			1.4
	Mezzanine Debt	11.5		25.6	11.5	5.0	32.1

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	Common Stock		11.7	27.0	11.5	5.0	33.5
RD Holdco Inc.	Senior Debt	2.7		17.1	0.8	1.3	16.6
	Common Stock			18.6		4.7	13.9
	Common Stock Warrants			2.3		0.6	1.7
			2.7	38.0	0.8	6.6	32.2
Rebellion Media Group Corp.	Senior Debt	(0.3)		3.5	0.7	0.3	3.9
	Convertible Preferred Stock						
		(0.3)		3.5	0.7	0.3	3.9
Scanner Holdings Corporation	Mezzanine Debt	3.3		20.5	5.4	9.3	16.6
	Convertible Preferred Stock	2.8		5.4	8.4	2.6	11.2
	Common Stock	0.1					
			6.2	25.9	13.8	11.9	27.8
SEHAC Holding Corporation	Convertible Preferred Stock	10.2		103.6	56.1	1.2	158.5
	Common Stock	0.1		1.0	0.6		1.6
			10.3	104.6	56.7	1.2	160.1
Soil Safe Acquisition Corp.	Senior Debt	3.2		36.2	2.2	4.0	34.4
	Mezzanine Debt	11.4		67.1	5.5	0.3	72.3
	Common Stock			9.2	6.1		15.3
			14.6	112.5	13.8	4.3	122.0
Taiba Wind Energy, LLC	Membership Units				1.3		1.3
TestAmerica Environmental Services, LLC	Mezzanine Debt						
	Common Units						
Warner Power, LLC	Mezzanine Debt			2.6	0.9	2.6	0.9
	Redeemable Preferred						
	Membership Units						
	Common Membership Units			2.6	0.9	2.6	0.9
WIS Holding Company, Inc.	Convertible Preferred Stock	(3.0)		82.9	65.2	63.6	84.5

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Company(1)	Investments	Amount of Interest or Dividends		December 31, 2014 Fair Value	Gross Additions(4)	Gross Reductions(5)	December 31, 2015 Fair Value
		Credited to Income(2)	Other(3)				
	Common Stock			16.9	4.6	21.5	
		(3.0)		99.8	69.8	85.1	84.5
<b>EUROPEAN CAPITAL CONTROL INVESTMENTS</b>							
Bellotto Holdings Limited	Redeemable Preferred Stock	7.0		36.5	9.0	3.7	41.8
	Common Stock			103.6	30.6	10.5	123.7
		7.0		140.1	39.6	14.2	165.5
Columbo TopCo Limited	Redeemable Preferred Stock	2.5			73.7	26.4	47.3
	Common Stock				1.2	1.2	
		2.5			74.9	27.6	47.3
European Capital Private Debt LP	Partnership Interest	3.8			103.9	19.0	84.9
European Capital UK SME Debt LP	Partnership Interest	0.6		0.6	12.3	0.6	12.3
Financière H S.A.S.	Mezzanine Debt	5.6		9.5		9.5	
	Convertible Preferred Stock						
		5.6		9.5		9.5	
Financière Newglass S.A.S.(6)	Convertible Preferred Stock	4.9		26.1		26.1	
	Common Stock			6.2		6.2	
		4.9		32.3		32.3	
Financière Tarmac S.A.S.	Senior Debt	0.5		5.1	0.3	1.6	3.8
	Mezzanine Debt	12.7		39.3	32.5	7.7	64.1
	Convertible Preferred Stock						
	Redeemable Preferred Stock						
		13.2		44.4	32.8	9.3	67.9
HCV1 S.A.S(7)	Senior Debt				3.4		3.4
	Common Stock						
					3.4		3.4
Holding Saint Augustine S.A.S.	Senior Debt			4.9		4.9	
	Convertible Preferred Stock						
	Redeemable Preferred Stock			1.0		1.0	
				5.9		5.9	
Miles 33 Limited	Senior Debt	0.3		8.3	0.9	1.7	7.5
	Mezzanine Debt	(1.9)	0.3	16.7		3.3	13.4
	Redeemable Preferred Stock			8.6		8.6	
	Common Stock						

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		(1.6)	0.3	33.6	0.9	13.6	20.9
<b>Subtotal Control Investments</b>		<b>\$ 293.1</b>	<b>\$ 23.2</b>	<b>\$ 2,782.4</b>	<b>\$ 1,310.2</b>	<b>\$ 1,268.9</b>	<b>\$ 2,823.7</b>
<b>AMERICAN CAPITAL AFFILIATE INVESTMENTS</b>							
IS Holdings I, Inc.	Common Stock	\$	\$	\$ 7.9	\$ 5.8	\$	\$ 13.7
Mobipark S.A.S.(8)	Senior Debt	0.1			3.7	0.3	3.4
	Convertible Preferred Stock				21.4	0.4	21.0
	Redeemable Preferred Stock				24.0		24.0
		0.1			49.1	0.7	48.4
NSI Holdings, Inc.(9)	Redeemable Preferred Stock	0.6			0.6	0.6	
Primrose Holding Corporation	Common Stock	1.3	3.4	4.6	5.3	3.4	6.5
Qualitor Component Holdings, LLC(10)	Redeemable Preferred Units	0.1					
Roark Money Mailer, LLC(8)	Common Membership Units				1.7		1.7
<b>EUROPEAN CAPITAL AFFILIATE INVESTMENTS</b>							
Blue Topco GmbH	Senior Debt	0.3		2.1	0.3	0.4	2.0
	Mezzanine Debt	0.1		2.6	2.5	0.2	4.9
		0.4		4.7	2.8	0.6	6.9
Mobipark S.A.S.(11)	Senior Debt			2.2		2.2	
	Convertible Preferred Stock			1.7		1.7	
	Redeemable Preferred Stock			4.4		4.4	
				8.3		8.3	
<b>Subtotal Affiliate Investments</b>		<b>\$ 2.5</b>	<b>\$ 3.4</b>	<b>\$ 25.5</b>	<b>\$ 65.3</b>	<b>\$ 13.6</b>	<b>\$ 77.2</b>
<b>Total Control and Affiliate Investments</b>		<b>\$ 295.6</b>	<b>\$ 26.6</b>	<b>\$ 2,807.9</b>	<b>\$ 1,375.5</b>	<b>\$ 1,282.5</b>	<b>\$ 2,900.9</b>

(1) Certain of the securities are issued by affiliate(s) of the listed portfolio company.

(2) Represents the total amount of interest or dividends credited to income for the portion of the year an investment was included in Control or Affiliate categories. Includes payment-in-kind ("PIK") interest or dividends.

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- (3) Other includes interest, dividend, or other income which was applied to the cost basis of the investment and therefore reduced the total investment. These reductions are also included in the Gross Reductions for the investments, as applicable.
- (4) Gross Additions include increases in the cost basis of investments resulting from new portfolio investments, PIK interest or dividends, the amortization of discounts and closing fees and the exchange of one or more existing securities for one or more new securities. Gross Additions also include net increases in unrealized appreciation or net decreases in unrealized depreciation as well as allowances for discounts, closing fees, and PIK interest or dividends accrued during the year.
- (5) Gross Reductions include decreases in the cost basis of investments resulting from principal repayments or sales and the exchange of one or more existing securities for one or more new securities. Gross Reductions also include net increases in unrealized depreciation or net decreases in unrealized appreciation as well as allowances for PIK interest and dividends recognized in prior periods.
- (6) As of December 31, 2014, the portfolio company was classified as a Control Investment. As of December 31, 2015, European Capital no longer has a controlling interest in the portfolio company and is therefore classified as a Non-Control Investment.
- (7) As of December 31, 2014, the portfolio company was classified as a Non-Control Investment. As of December 31, 2015, European Capital now has more than 25% voting interest or has greater than 50% representation of the board of directors of the portfolio company and is therefore classified as a Control Investment.
- (8) As of December 31, 2014, the portfolio company was classified as a Non-Control Investment. As of December 31, 2015, American Capital now has between 5% and 25% of the voting interest of the portfolio company and is therefore classified as an Affiliate Investment.
- (9) The portfolio company, which had zero cost basis and fair value as of December 31, 2014 and December 31, 2015, accrued and collected PIK dividends and recognized income for the PIK dividends collected.
- (10) The portfolio company, which was classified as an Affiliate Investment, was exited as of December 31, 2014. During the year ended December 31, 2015, American Capital collected additional PIK dividends and recognized income in excess of the amount accrued at the time of exit.
- (11) As of December 31, 2014, the portfolio company was classified as an Affiliate Investment. As of December 31, 2015, European Capital no longer has a controlling interest in the portfolio company and is therefore classified as a Non-Control Investment.

\*\*

Information related to the amount of equity in the net profit and loss for the period for the investments listed has not been included in this schedule. This information is not considered to be meaningful due to the complex capital structures of the portfolio companies, with different classes of equity securities outstanding with different preferences in liquidation. These investments are not consolidated, nor are they accounted for under the equity method of accounting.

## AMERICAN CAPITAL, LTD.

## CONSOLIDATED BALANCE SHEETS

(in millions, except per share amounts)

	June 30, 2016	December 31, 2015
	(unaudited)	
<b>Assets</b>		
Investments at fair value		
Non-Control/Non-Affiliate investments (cost of \$2,073 and \$2,368, respectively)	\$ 1,819	\$ 2,097
Affiliate investments (cost of \$0 and \$35, respectively)	12	77
Control investments (cost of \$2,128 and \$2,502, respectively)	2,231	2,824
Total investments at fair value (cost of \$4,201 and \$4,905, respectively)	4,062	4,998
Cash and cash equivalents	881	483
Restricted cash and cash equivalents	33	46
Interest and dividend receivable	37	48
Deferred tax asset, net	235	198
Trade date settlement receivable	3	373
Other	83	94
<b>Total assets</b>	<b>\$ 5,334</b>	<b>\$ 6,240</b>
<b>Liabilities and Shareholders' Equity</b>		
Debt (\$5 and \$204 due within one year, respectively), net	\$ 784	\$ 1,253
Other	132	165
<b>Total liabilities</b>	<b>916</b>	<b>1,418</b>
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Undesignated preferred stock, \$0.01 par value, 5.0 shares authorized, 0 issued and outstanding		
Common stock, \$0.01 par value, 1,000.0 shares authorized, 215.1 and 247.3 issued and 212.7 and 242.6 outstanding, respectively	2	2
Capital in excess of par value	5,398	5,847
Cumulative translation adjustment, net of tax	(98)	(101)
Distributions in excess of net realized earnings	(640)	(879)
Net unrealized depreciation of investments	(244)	(47)
<b>Total shareholders' equity</b>	<b>4,418</b>	<b>4,822</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,334</b>	<b>\$ 6,240</b>
<b>Net Asset Value Per Common Share Outstanding</b>	<b>\$ 20.77</b>	<b>\$ 19.88</b>

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Operating Revenue</b>				
Interest and dividend income				
Non-Control/Non-Affiliate investments	\$ 53	\$ 85	\$ 112	\$ 163
Affiliate investments	1		1	
Control investments	67	66	157	126
Total interest and dividend income	121	151	270	289
Fee income				
Non-Control/Non-Affiliate investments	6	3	9	5
Control investments	15	14	25	28
Total fee income	21	17	34	33
Total operating revenue	142	168	304	322
<b>Operating Expenses</b>				
Interest	15	20	30	37
Salaries, benefits and stock-based compensation	27	32	61	72
European Capital management fees	2	4	4	8
General and administrative	27	15	44	30
Total operating expenses	71	71	139	147
<b>Net Operating Income Before Income Taxes</b>	71	97	165	175
Tax provision	(25)	(30)	(45)	(58)
<b>Net Operating Income</b>	46	67	120	117
Net realized gain (loss)				
Non-Control/Non-Affiliate investments	16	(230)	1	(238)
Affiliate investments	43		45	
Control investments	132	(54)	62	(252)
Foreign currency transactions	(4)	3	(4)	1
Derivative agreements and other		46	(17)	(2)
Tax benefit	4	12	16	55
Total net realized gain (loss)	191	(223)	103	(436)
Net unrealized appreciation (depreciation)				
Portfolio company investments	(161)	140	(237)	369
Foreign currency translation	(11)	13	(19)	32
Derivative agreements and other	(6)	65	7	71
Tax benefit (provision)	47		52	(76)
Total net unrealized (depreciation) appreciation	(131)	218	(197)	396

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Total net gain (loss)	60	(5)	(94)	(40)
<b>Net Increase in Net Assets Resulting from Operations ("Net Earnings")</b>	\$ 106	\$ 62	\$ 26	\$ 77
<b>Net Operating Income Per Common Share</b>				
Basic	\$ 0.21	\$ 0.25	\$ 0.53	\$ 0.43
Diluted	\$ 0.20	\$ 0.24	\$ 0.52	\$ 0.41
<b>Net Earnings Per Common Share</b>				
Basic	\$ 0.49	\$ 0.23	\$ 0.12	\$ 0.28
Diluted	\$ 0.47	\$ 0.22	\$ 0.11	\$ 0.27
<b>Weighted Average Shares of Common Stock Outstanding</b>				
Basic	216.6	272.4	225.8	271.8
Diluted	226.7	283.4	230.8	283.2

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net earnings	\$ 106	\$ 62	\$ 26	\$ 77
Other comprehensive income (loss):				
Cumulative translation adjustment, net of tax of \$0, \$3, \$0 and \$(17), respectively	(5)	18	3	(78)
Comprehensive income (loss)	\$ 101	\$ 80	\$ 29	\$ (1)

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(unaudited)

(in millions, except per share data)

	Six Months Ended June 30,	
	2016	2015
<b>Operations</b>		
Net operating income	\$ 120	\$ 117
Net realized gain (loss), net of tax	103	(436)
Net unrealized (depreciation) appreciation, net of tax	(197)	396
Net earnings	26	77
<b>Capital Share Transactions</b>		
Proceeds from issuance of common stock upon exercise of stock options	17	52
Repurchase of common stock	(477)	(93)
Stock-based compensation	11	20
Cumulative translation adjustment, net of tax	3	(78)
Other	16	6
Net decrease in net assets resulting from capital share transactions	(430)	(93)
Total decrease in net assets	(404)	(16)
Net assets at beginning of period	4,822	5,472
Net assets at end of period	\$ 4,418	\$ 5,456
Net asset value per common share outstanding	\$ 20.77	\$ 20.35
Common shares outstanding at end of period	212.7	268.1

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in millions)

	Six Months Ended June 30,	
	2016	2015
<b>Operating Activities</b>		
Net earnings	\$ 26	\$ 77
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Net unrealized depreciation (appreciation) of investments	249	(472)
Net realized (gain) loss on investments	(87)	491
Effects on exchange rate changes on assets and liabilities denominated in foreign currencies	1	4
Accrued PIK interest and dividends on investments	(57)	(48)
Stock-based compensation	11	15
Decrease (increase) in interest and dividend receivable	11	(5)
(Increase) decrease in deferred tax asset, net	(37)	77
Decrease (increase) in other assets	15	(5)
Decrease in other liabilities	(16)	(17)
Payment of long term incentive plan liability	(12)	(46)
Other	19	1
Net cash provided by operating activities	123	72
<b>Investing Activities</b>		
Purchases and originations of investments	(314)	(1,738)
Repayments from portfolio company revolving credit facility investments, net	5	5
Principal repayments on debt investments	294	347
Proceeds from loan syndications and loan sales	603	260
Payment of accrued PIK notes and dividend and accreted original issue discounts	136	29
Proceeds from equity investments	479	183
Increase in cash collateral on total return swaps		95
Other	(3)	(1)
Net cash provided by (used in) investing activities	1,200	(820)
<b>Financing Activities</b>		
(Payments on) proceeds from revolving credit facilities, net	(472)	465
Payments on secured borrowings		(58)
Decrease (increase) in debt service escrows	1	(11)
Proceeds from issuance of common stock upon exercise of stock options	17	52
Repurchase of common stock	(477)	(93)
Other	7	3
Net cash (used in) provided by financing activities	(924)	358
Effect of currency rate changes on cash and cash equivalents	(1)	(12)
Net increase (decrease) in cash and cash equivalents	399	(390)
Cash and cash equivalents at beginning of period	483	676
Cash and cash equivalents at end of period	\$ 881	\$ 274

See accompanying notes.

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## AMERICAN CAPITAL, LTD.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

(unaudited)

(in millions, except per share data)

	Six Months Ended June 30,	
	2016	2015
<b>Per Share Data</b>		
Net asset value at beginning of the period	\$ 19.88	\$ 20.50
Net operating income(1)	0.53	0.43
Net realized gain (loss), net of tax(1)	0.46	(1.61)
Net unrealized (depreciation) appreciation, net of tax(1)	(0.87)	1.46
Net earnings(1)	0.12	0.28
Issuance of common stock from stock compensation plans	(0.06)	(0.35)
Repurchase of common stock	0.82	0.14
Cumulative translation adjustment, net of tax	0.01	(0.29)
Other, net(2)		0.07
Net asset value at end of period	\$ 20.77	\$ 20.35
<b>Ratio/Supplemental Data</b>		
Per share market value at end of period	\$ 15.83	\$ 13.55
Total investment return (loss)(3)	14.79%	(7.26)%
Shares of common stock outstanding at end of period	212.7	268.1
Net assets at end of period	\$ 4,418	\$ 5,456
Average net assets(4)	\$ 4,573	\$ 5,451
Average debt outstanding(5)	\$ 938	\$ 2,025
Average debt outstanding per common share(1)	\$ 4.15	\$ 7.45
Portfolio turnover rate(6)	13.62%	25.31%
Ratio of operating expenses to average net assets(6)	6.11%	5.44%
Ratio of operating expenses, net of interest expense, to average net assets(6)	4.79%	4.07%
Ratio of interest expense to average net assets(6)	1.32%	1.37%
Ratio of net operating income to average net assets(6)	5.28%	4.33%

(1) Weighted average basic per share data.

(2) Represents the impact of (i) the other components in the changes in net assets, including other capital transactions such as the purchase of common stock held in deferred compensation trusts, stock-based compensation, income tax deductions related to the exercise of stock options and distribution of stock awards in excess of U.S. GAAP expense credited to additional paid-in capital and (ii) the different share amounts used in calculating per share data as a result of calculating certain per share data based upon the weighted average basic shares outstanding during the period and certain per share data based on the shares outstanding as of a period end.

(3) Total investment return is based on the change in the market value of our common stock taking into account dividends, if any, reinvested in accordance with the terms of our dividend reinvestment plan. The total investment return has not been annualized.

(4)

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Based on the quarterly average of net assets as of the beginning and end of each period presented.

- (5) Based on a daily weighted average balance of debt outstanding, excluding deferred financing costs and discounts, during the period.
- (6) Ratios are annualized.

See accompanying notes.

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**AMERICAN CAPITAL, LTD.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**

**June 30, 2016**

(unaudited)

(in millions, except share data)

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/Expiration Date(2)	# of Shares/Units Owned	Principal	Cost	Fair Value
<b>AMERICAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
AmWINS Group, LLC	Insurance	Second Lien Senior Debt(6)	9.5%	N/A	9/20		\$ 46.0	\$45.1	\$ 46.1
BeyondTrust Software, Inc.	Software	First Lien Senior Debt(6)	8.0%	N/A	9/19		29.6	29.6	28.7
BluePay Processing, LLC	Consumer Finance	Second Lien Senior Debt(6)	9.5%	N/A	8/22		32.8	32.8	32.8
Blue Wolf Capital Fund II, L.P.(7)	Capital Markets	Limited Partnership Interest(4)						9.0	8.6
BRG Sports, Inc.	Leisure Products	Redeemable Preferred Stock(4) Common Units(4)				2,009 6,566,655		2.5 0.7	3.0
								3.2	3.0
CAMP International Holding Company	Transportation Infrastructure	Second Lien Senior Debt(6)	8.3%	N/A	11/19		15.0	15.0	14.7
Cast & Crew Payroll, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		36.0	35.7	33.8
Chariot Acquisition, LLC	Distributors	First Lien Senior Debt(6)	7.3%	N/A	9/21		29.8	29.5	29.5
Compusearch Software Systems, Inc.	Software	Second Lien Senior Debt(6)	9.8%	N/A	11/21		51.0	51.0	51.0
Convergint Technologies, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.0%	N/A	12/17 - 12/20		94.0	94.0	94.0
CPI Buyer, LLC	Trading Companies & Distributors	Second Lien Senior Debt(6)	8.5%	N/A	8/22		25.0	24.7	23.7
Datapipe, Inc.	IT Services	Second Lien Senior Debt(6)	8.5%	N/A	9/19		29.5	29.2	29.0
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt(6)	N/A	13.5%	7/21		1.5	1.5	1.1
DiversiTech Corporation	Building Products	Second Lien Senior Debt(6)	9.0%	N/A	11/22		9.5	9.4	9.4
Electronic Warfare Associates, Inc.	IT Services	First Lien Senior Debt(6) Common Stock Warrants(4)(6)	12.0%	N/A	2/19 2/25	863,887	15.0	15.0 0.8	15.3 0.9
								15.8	16.2
Financière OFIC S.A.S.(7)	Building Products	Warrants(4)			6/19	3,047,200			2.9
Flexera Software LLC	Software	Second Lien Senior Debt(6)	8.0%	N/A	4/21		5.0	5.0	4.8
FXI Holdings, Inc.	Household Durables	Common Stock(4)				3,163			0.6
Galls, LLC	Specialty Retail	Second Lien Senior Debt(6)	9.0%	N/A	6/17 - 8/21		37.1	37.1	37.1
The Gordian Group, Inc.	Internet Software & Services	First Lien Senior Debt(6)	5.7%	N/A	7/19		41.1	41.1	40.3
GTCR Valor Companies, Inc.	Software	Second Lien Senior Debt(6)	10.5%	N/A	6/24		100.0	97.3	97.3
Hyland Software, Inc.	Software				7/23				

Explanation of Responses:

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		Second Lien Senior Debt(6)	8.3%	N/A		10.0	10.0	9.7
Industrial Container Services, LLC	Containers & Packaging	First Lien Senior Debt(6)	6.8%	N/A	12/18	49.6	49.6	49.6
		Second Lien Senior Debt(6)	10.2%	N/A	12/19	10.0	9.9	9.9
							59.5	59.5
Infogix Parent Corporation	IT Services	First Lien Senior Debt(6)	7.8%	N/A	12/21	90.0	88.4	88.2
			F-299					

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**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Redeemable Preferred Stock(6)				2,475		2.6	2.6
								91.0	90.8
Inmar, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.0%	N/A	1/22		20.0	19.8	18.5
Iotum Global Holdings, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	N/A	10.0%	5/17		1.2	1.2	1.2
iParadigms, LLC	Internet Software & Services	Second Lien Senior Debt(6)	8.3%	N/A	7/22		39.5	39.3	35.7
Iron Bow Technologies, LLC	Electronic Equipment, Instruments & Components	Second Lien Senior Debt(6)	10.4%	2.8%	2/21		15.2	15.2	15.2
Jazz Acquisition, Inc.	Aerospace & Defense	Second Lien Senior Debt(6)	7.8%	N/A	6/22		25.0	24.9	19.3
Kele Holdco, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	7.0%	N/A	10/20 - 10/22		70.9	70.9	70.9
		Common Stock(4)(6)				30,000		3.0	3.0
								73.9	73.9
Landslide Holdings, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	2/21		9.0	9.0	8.8
LTG Acquisition, Inc.	Communications Equipment	Second Lien Senior Debt(6)	9.0%	N/A	10/20		46.0	46.0	46.0
		Common Stock(4)(6)				5,000		5.0	4.8
								51.0	50.8
Mitchell International, Inc.	Software	Second Lien Senior Debt(6)	8.5%	N/A	10/21		17.0	16.9	15.8
Novetta Solutions, LLC	IT Services	First Lien Senior Debt(6)	6.0%	N/A	10/22		12.9	12.8	12.5
		Second Lien Senior Debt(6)	9.5%	N/A	10/23		31.0	30.7	29.1
								43.5	41.6
OnCourse Learning Corporation	Diversified Consumer Services	First Lien Senior Debt(6)	8.5%	N/A	2/19		19.4	19.3	19.3
Osmose Utility Services, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		34.0	33.7	33.6
Park Place Technologies, LLC	IT Services	Second Lien Senior Debt(6)	10.0%	N/A	12/22		41.5	41.5	41.5
Parmenter Woodland Park Plaza, LLC	Real Estate	First Lien Senior Debt(6)	5.4%	N/A	9/18		17.5	17.5	15.3
Photonis Technologies S.A.S.(7)	Aerospace & Defense	First Lien Senior Debt(6)	8.5%	N/A	9/19		28.8	28.5	29.1
Project Silverback Holdings Corp.	IT Services	First Lien Senior Debt(6)	6.5%	N/A	7/20		23.9	23.7	23.9
		Convertible Preferred Stock(6)				743		0.9	0.9
		Common Stock(4)				308,224			0.4
								24.6	25.2
Qualium I(7)	Capital Markets	Common Stock(4)				249,414		5.3	5.0
Ranpak Corp.					10/22				

Explanation of Responses:

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	Containers & Packaging	Second Lien Senior Debt(6)	8.3%	N/A		25.0	25.0	22.4
Severin Acquisition, LLC	Software	Second Lien Senior Debt(6)	9.8%	N/A	7/22	29.9	29.4	30.2
Systems Maintenance Services Holding, Inc.	IT Services	Second Lien Senior Debt(6)	9.3%	N/A	10/20	35.0	34.8	34.8
TA THI Parent, Inc.	Auto Components	Second Lien Senior Debt(6)	9.8%	N/A	1/21	41.5	41.0	42.2
			F-300					

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**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Convertible Preferred Stock(4)(6)				25,000		2.5	4.9
								43.5	47.1
Teasdale Foods, Inc.	Food & Staples Retailing	Second Lien Senior Debt(6)	10.8%	N/A	10/21		52.8	52.8	51.7
Tyden Cayman Holdings Corp.(7)	Electronic Equipment, Instruments & Components	Convertible Preferred Stock(4)(6)				46,276		0.1	0.1
		Common Stock(6)				5,521,203		5.5	4.3
								5.6	4.4
W3 Co.	Commercial Services & Supplies	Second Lien Senior Debt(5)(6)	9.3%	N/A	9/20		8.9	8.8	3.9
WP CPP Holdings, LLC	Aerospace & Defense	Second Lien Senior Debt(6)	8.8%	N/A	4/21		19.7	19.6	17.8
<b>EUROPEAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt	N/A	13.5%	7/21		8.0	8.0	6.6
Financière Newglass S.A.S.(7)	Building Products	Convertible Preferred Stock				15,000,000		18.2	16.1
Modacin France S.A.S.(7)	Specialty Retail	Mezzanine Debt(5)			11/19				
			%	4.0%			22.5	11.4	
Zodiac Marine and Pool S.A.(7)	Marine	Second Lien Senior Debt(5)	%	4.0%	3/17		36.8	25.2	7.9
		Mezzanine Debt(5)	%	8.6%	9/17		79.2	38.8	3.1
								64.0	11.0
<b>AMERICAN CAPITAL CLO INVESTMENTS</b>									
ACAS CLO 2007-1, Ltd.(7)		Secured Notes(6)			4/21		8.5	8.4	8.3
		Subordinated Notes(6)			4/21		25.9	12.7	11.3
								21.1	19.6
Apidos CLO XVIII, Ltd.(7)		Subordinated Notes(6)			7/26		39.4	31.7	20.4
Apidos CLO XXI(7)		Subordinated Notes(6)			6/27		12.4	10.7	9.5
Ares IIIR/IVR CLO Ltd.(7)		Subordinated Notes(6)			4/21		20.0	11.1	3.4
Babson CLO Ltd. 2006-II(7)		Income Notes(4)(6)			10/20		15.0	2.7	
Babson CLO Ltd. 2013-II(7)		Income Notes(6)			1/25		5.0	3.6	2.9
Babson CLO Ltd. 2014-I(7)		Subordinated Notes(6)			7/25		8.5	6.0	4.0
Babson CLO Ltd. 2014-II(7)		Subordinated Notes(6)			9/26		25.0	19.2	8.9
Blue Hill CLO, Ltd.(7)		Subordinated Notes(6)			1/26		23.1	17.1	7.8
Carlyle Global Market Strategies CLO 2013-3, Ltd.(7)		Subordinated Notes(6)			7/25		5.0	3.3	2.9

Explanation of Responses:

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Carlyle Global Market Strategies CLO 2015-3, Ltd.(7)	Subordinated Notes(6)	7/28		28.2	23.8	21.3
Cent CDO 12 Limited(7)	Income Notes(6)	11/20		26.4	14.2	26.8
Cent CLO 22 Limited(7)	Subordinated Notes(6)	11/26		45.4	35.5	16.8
Cent CLO 24 Limited(7)	Subordinated Notes(6)	10/26		28.0	23.9	18.3
Centurion CDO 8 Limited(7)	Subordinated Notes(4)(6)	3/17		5.0	0.2	
CoLTs 2005-1 Ltd.(7)	Preference Shares(4)(6)	12/16	360		1.7	0.1
CoLTs 2005-2 Ltd.(7)	Preference Shares(4)(6)	12/18	34,170,000		11.0	0.6

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**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
CREST Exeter Street Solar 2004-1(7)		Preferred Securities(4)(6)			6/39	3,500,000		3.2	
Dryden 40 Senior Loan Fund(7)		Subordinated Notes(6)			8/28		9.5	8.1	7.1
Eaton Vance CDO X plc(7)		Secured Subordinated Notes(6)			2/27		15.0	11.1	5.0
Flagship CLO V(7)		Deferrable Notes(6)			9/19		1.7	1.5	1.7
		Subordinated Securities(6)			9/19	15,000		7.0	0.6
								8.5	2.3
GoldenTree Loan Opportunities VII, Limited(7)		Subordinated Notes(6)			4/25		35.3	29.6	21.4
Halcyon Loan Advisors Funding 2014-1 Ltd.(7)		Subordinated Notes(6)			2/26		1.3	0.9	0.4
Halcyon Loan Advisors Funding 2015-2, Ltd.(7)		Subordinated Notes(6)			7/27		21.7	18.5	15.2
Herbert Park B.V.(7)		Subordinated Notes(6)			10/26		24.9	25.4	18.7
LightPoint CLO IV, LTD(7)		Income Notes(4)(6)			4/18		6.7	3.6	
LightPoint CLO VII, Ltd.(7)		Subordinated Notes(6)			5/21		9.0	2.5	1.4
Madison Park Funding XII, Ltd.(7)		Subordinated Notes(6)			7/26		10.0	8.1	6.7
Madison Park Funding XIII, Ltd.(7)		Subordinated Notes(6)			1/25		30.9	24.2	19.2
NYLIM Flatiron CLO 2006-1 LTD.(7)		Subordinated Securities(6)			8/20	10,000		4.4	2.7
Och Ziff Loan Management XIII, Ltd.(7)		Subordinated Notes(6)			7/27		15.0	13.1	12.0
Octagon Investment Partners XVIII, Ltd.(7)		Subordinated Notes(6)			12/24		16.4	12.0	8.3
Octagon Investment Partners XIX, Ltd.(7)		Subordinated Notes(6)			4/26		25.0	17.7	13.2
OHA Credit Partners XI, Ltd.(7)		Subordinated Notes(6)			10/28		33.5	30.4	27.3
Sapphire Valley CDO I, Ltd.(7)		Subordinated Notes(6)			12/22		14.0	18.7	10.0
THL Credit Wind River 2014-2 CLO Ltd.(7)		Income Notes			7/26		15.0	9.6	8.2
Vitesse CLO, Ltd.(7)		Preferred Securities(4)(6)			8/20	20,000,000		11.9	
Voya CLO 2014-4, Ltd.(7)		Subordinated Notes(6)			10/26		26.7	22.3	16.5

**Subtotal Non-Control / Non-Affiliate Investments (45% of total investments at fair value) \$2,073.3 \$ 1,819.3**

**AMERICAN CAPITAL AFFILIATE INVESTMENTS**

Primrose Holding Corporation	Diversified Consumer	Common Stock(4)(6)				7,227		\$ \$	10.5
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Explanation of Responses:

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	Services					
Roark Money Mailer, LLC	Media	Common Membership Units	6.0%			1.7
<b>Subtotal Affiliate Investments (less than 1% of total investments at fair value)</b>					<b>\$ \$</b>	<b>12.2</b>
<b>AMERICAN CAPITAL CONTROL INVESTMENTS</b>						
ACAS Real Estate Holdings Corporation	Real Estate	Common Stock(6)	100%	\$4.5	\$	9.4

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**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Alcami Holdings LLC	Life Sciences Tools & Services	First Lien Senior Debt(6)	6.5%	N/A	3/17 - 10/20		\$ 110.1	109.3	110.1
		Mezzanine Debt(6)	7.0%	6.2%	10/20		145.3	144.3	147.6
		Redeemable Preferred Stock(4)(6)				84,936		61.1	
							314.7	257.7	
American Capital Asset Management, LLC	Capital Markets	Mezzanine Debt(6)	5.0%	N/A	9/16		35.0	35.0	35.0
		Common Membership Interest(6)				100%		586.6	955.2
							621.6	990.2	
American Driveline Systems, Inc.	Diversified Consumer Services	Mezzanine Debt(5)(6)			3/21				
		Redeemable Preferred Stock(4)(6)	N/A	11.0%		7,121	50.3	45.0	40.7
		Common Stock(4)(6)				289,215		18.2	
							146.7	40.7	
EXPL Pipeline Holdings LLC(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6)	8.1%	N/A	1/17		40.0	39.7	39.7
		Common Membership Units(4)(6)				100,000		60.6	25.2
							100.3	64.9	
FAMS Acquisition, Inc.	Diversified Financial Services	Mezzanine Debt(6)	12.0%	2.0%	1/16		13.0	12.9	11.9
		Mezzanine Debt(5)(6)	12.5%	3.0%	1/16		26.4	14.4	12.8
							27.3	24.7	
FPI Holding Corporation	Food Products	First Lien Senior Debt(5)(6)	N/A	20.0%	8/16		0.5	0.4	
Group Montana, Inc.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	6.3%	N/A	1/17		5.0	5.0	5.0
		Convertible Preferred Stock(6)				4,000		6.8	7.1
		Common Stock(4)(6)				100%		12.6	1.6
							24.4	13.7	
Hallex Holdings, Inc.	Construction Materials	Second Lien Senior Debt(5)(6)	8.5%	N/A	1/18		15.5	15.5	15.5
		Common Stock(4)(6)				51,853		9.2	18.9
							24.7	34.4	
HALT Medical, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(5)(6)	N/A	22.0%	12/16		117.9	74.0	36.1
Hard 8 Games, LLC	Hotels, Restaurants & Leisure	First Lien Convertible Senior Debt	N/A	7.2%	12/16		63.3	63.3	63.3
		Membership Units(4)				2		24.0	23.1
							87.3	86.4	
	Personal Products								

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LLSC Holdings Corporation		Convertible Preferred Stock(4)(6)				9,000	10.8	17.7
Montgomery Lane, LLC(7)	Diversified Financial Services	Common Membership Units(4)(6)				100		3.8
NECCO Holdings, Inc.	Food Products	First Lien Senior Debt(5)(6)	6.5%	N/A	11/17		15.3	11.7
		Second Lien Senior Debt(5)(6)	N/A	18.0%	11/17		8.4	2.7
		Common Stock(4)(6)				860,189		0.1
							14.5	8.4
					F-303			

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**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
NECCO Realty Investments, LLC	Real Estate	First Lien Senior Debt(5)(6)	2.7%	11.3%	12/17		80.1	32.8	24.9
		Common Membership Units(4)(6)				7,450		4.9	
								37.7	24.9
RD Holdco Inc.	Household Durables	Second Lien Senior Debt(6)	11.3%	N/A	12/18		16.9	15.6	16.7
		Common Stock(4)(6)				458,596		23.6	26.3
		Common Stock Warrants(4)(6)			12/23	56,372		2.9	
								42.1	43.0
Rebellion Media Group Corp.(7)	Internet Software & Services	First Lien Senior Debt(5)(6)	N/A	12.0%	9/16		14.9	5.7	2.4
Scanner Holdings Corporation	Technology Hardware, Storage & Peripherals	Mezzanine Debt(6)	14.0%	N/A	6/22		16.6	16.6	16.6
		Convertible Preferred Stock(4)(6)				66,424,135		8.7	1.4
		Common Stock(4)				167,387		0.1	
								25.4	18.0
Soil Safe Acquisition Corp.	Professional Services	First Lien Senior Debt(6)	8.0%	N/A	1/18 - 12/18		19.6	19.5	19.6
		Second Lien Senior Debt(6)	10.8%	N/A	7/19		12.7	12.7	12.7
		Mezzanine Debt(6)	N/A	16.1%	12/19		78.4	78.3	78.4
		Common Stock(4)(6)				810		9.0	11.6
								119.5	122.3
TestAmerica Environmental Services, LLC	Commercial Services & Supplies	Mezzanine Debt(6)	10.0%	2.5%	6/18		43.3	16.9	43.3
<b>EUROPEAN CAPITAL CONTROL INVESTMENTS</b>									
Bellotto Holdings Limited(7)	Household Durables	Redeemable Preferred Stock				7,300,610	2.2	39.5	41.2
		Common Stock(4)				2,697,010		86.0	115.2
								125.5	156.4
Blue Topco GmbH(7)	Commercial Services & Supplies	First Lien Senior Debt	4.0%	1.0%	6/19		2.4	2.4	2.3
		Mezzanine Debt(5)	N/A	3.2%	6/19		13.7	7.1	8.2
								9.5	10.5
Columbo TopCo Limited(7)	Commercial Services & Supplies	Redeemable Preferred Stock(4)				34,028,135	26.4	71.9	43.0
		Common Stock(4)				745,352		1.0	
								72.9	43.0
European Capital Private Debt LP(7)	Diversified Financial Services	Partnership Interest				1,650		97.7	102.2

Explanation of Responses:

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European Capital UK SME Debt LP(7)	Diversified Financial Services	Partnership Interest				500	11.5	11.4
Financière Tarmac S.A.S.(7)	Commercial Services & Supplies	Redeemable Preferred Stock				31,303,601	32.3	34.7
		Common Stock(4)				4,987,267	23.2	6.8
							55.5	41.5
HCV1 S.A.S(7)	Machinery	First Lien Senior Debt	6.0%	7.8%	2/20		3.6	3.6
		Common Stock(4)				14,569,412	25.6	3.4
							29.2	3.4
Holding Saint Augustine S.A.S.(7)	Air Freight & Logistics	First Lien Senior Debt	N/A	N/A	9/19		4.4	4.4
Miles 33 Limited(7)	Software	First Lien Senior Debt	4.0%	1.3%	12/17 - 9/18		6.8	6.8
			F-304					6.8

**June 30, 2016**  
**(unaudited)**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Mezzanine Debt(5)	5.0%	5.0%	9/21		16.0	13.0	13.0
		Redeemable Preferred Stock(4)					1.2	1.2	
								21.0	19.8
<b>AMERICAN CAPITAL CONTROL CLO INVESTMENT</b>									
ACAS Wachovia Investments, L.P.(7)	Diversified Financial Services	Partnership Interest(4)				90%		1.8	0.4
<b>Subtotal Control Investments (55% of total investments at fair value)</b>								<b>\$2,127.5</b>	<b>\$ 2,230.6</b>
<b>Total Investment Assets</b>								<b>\$4,200.8</b>	<b>\$ 4,062.1</b>

Funds	Cost	Fair Value
<b>MONEY MARKET FUNDS(3)</b>		
JPMorgan Prime Money Market Fund(6)	\$ 76.2	\$ 76.2
BlackRock Cash Funds Prime Institutional Shares(6)	74.6	74.6
BlackRock Liquidity Funds TempFund Institutional Shares(6)	74.1	74.1
BlackRock Liquidity TempFund(6)	74.1	74.1
Fidelity Institutional Money Market Prime Money Market Portfolio Institutional CL(6)	74.1	74.1
Wells Fargo Heritage Money Market Fund(6)	74.1	74.1
<b>Total Money Market Funds</b>	<b>\$ 447.2</b>	<b>\$ 447.2</b>

(1) Certain of the securities are issued by affiliate(s) of the listed portfolio company.

(2) Interest rates represent the weighted average annual stated interest rate on loans and debt securities in effect on the date presented, which are presented by the nature of indebtedness by a single issuer. Some loans and debt securities bear interest at variable rates, primarily the three-month London Interbank Offered Rate ("LIBOR"), with interest rate floors. Payment-in-kind interest ("PIK") represents contractually deferred interest that is typically compounded into the principal balance of the loan or debt security, if not paid on a current basis. PIK interest may be prepaid by the portfolio company's election, but generally is paid upon a change of control transaction or maturity. The maturity date represents the latest date in which the loan or debt security is scheduled to terminate. The expiration date represents the date the warrants expire.

(3) Included in cash and cash equivalents and restricted cash and cash equivalents on our consolidated balance sheets.

(4) Some or all of the securities are non-income producing.

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- (5) Loan is on non-accrual status and therefore considered non-income producing.
- (6) All or a portion of the investments or instruments are pledged as collateral under various secured financing arrangements.
- (7) Investments that are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of June 30, 2016, non-qualifying assets were approximately \$1.0 billion, or 23% of net assets.

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**AMERICAN CAPITAL, LTD.**  
**CONSOLIDATED SCHEDULE OF INVESTMENTS**  
**December 31, 2015**  
**(in millions, except share data)**

Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/Expiration Date(2)	# of Shares/Units Owned	Principal	Cost	Fair Value
<b>AMERICAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
2 TransAm LLC(7)	Real Estate	First Lien Senior Debt(6)	5.4%	N/A	1/18		\$ 6.1	\$ 6.1	\$ 6.1
AmWINS Group, LLC	Insurance	Second Lien Senior Debt(6)	9.5%	N/A	9/20		46.0	45.0	45.7
Bensussen Deutsch & Associates, LLC	Distributors	Second Lien Senior Debt(6)	12.0%	2.0%	9/19		44.0	42.0	44.8
		Common Stock(4)				1,224,089		2.2	12.9
								44.2	57.7
BeyondTrust Software, Inc.	Software	First Lien Senior Debt(6)	8.0%	N/A	9/19		31.9	31.9	31.9
Blue Wolf Capital Fund II, L.P.(7)	Capital Markets	Limited Partnership Interest(4)						9.0	8.0
BRG Sports, Inc.	Leisure Products	Redeemable Preferred Stock(4)				2,009		2.5	3.0
		Common Units(4)				6,566,655		0.7	
								3.2	3.0
Buena Vida CRP 17, LP	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	10/18		3.8	3.8	3.8
CAMP International Holding Company	Transportation Infrastructure	Second Lien Senior Debt(6)	8.3%	N/A	11/19		15.0	15.0	14.6
Cast & Crew Payroll, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		36.0	35.7	35.5
CGSC of Delaware Holdings Corporation(7)	Insurance	Second Lien Senior Debt(6)	8.3%	N/A	10/20		2.0	2.0	1.9
Chariot Acquisition, LLC	Distributors	First Lien Senior Debt(6)	7.3%	N/A	9/21		29.9	29.6	29.6
Compusearch Software Systems, Inc.	Software	Second Lien Senior Debt(6)	9.8%	N/A	11/21		51.0	51.0	51.0
Convergint Technologies, LLC	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.0%	N/A	12/17 - 12/20		94.0	94.0	94.0
CPI Buyer, LLC	Trading Companies & Distributors	Second Lien Senior Debt(6)	8.5%	N/A	8/22		25.0	24.7	23.7
Crossroads Equity Holdings LLC	Real Estate	First Lien Senior Debt(6)	5.7%	N/A	6/18		3.2	3.2	3.2
Datapipe, Inc.	IT Services	Second Lien Senior Debt(6)	8.5%	N/A	9/19		29.5	29.1	28.8
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt(6)	N/A	13.5%	7/21		1.4	1.4	0.9
Denver II Hospitality, LLC	Real Estate	First Lien Senior Debt(6)	5.2%	N/A	7/18		12.0	12.0	12.0
DiversiTech Corporation	Building Products	Second Lien Senior Debt(6)	9.0%	N/A	11/22		9.5	9.4	9.4
Electronic Warfare Associates, Inc.	IT Services	First Lien Senior Debt(6)	13.0%	N/A	2/19		15.0	15.0	15.0
		Common Stock Warrants(4)(6)			2/25	863,887		0.8	0.8
								15.8	15.8
Exchange South Owner, LLC(7)	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	1/18		8.6	8.6	8.6
Financière OFIC S.A.S.(7)	Building Products	Warrants(4)			6/19				2.8
Flexera Software LLC	Software				4/21	3,047,200			

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		Second Lien Senior Debt(6)	8.0%	N/A		5.0	5.0	4.7
FXI Holdings, Inc.	Household Durables	Common Stock(4)						
						3,163		0.6
Galls, LLC	Specialty Retail	Second Lien Senior Debt(6)	9.5%	N/A	6/17 - 8/21		26.0	26.0
							26.0	26.0
The Gordian Group, Inc.	Internet Software & Services	First Lien Senior Debt(6)	5.4%	N/A	7/19		40.4	40.4
							40.4	39.6
			F-306					

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
HHG Stone Oak Hotel, LLC	Real Estate	First Lien Senior Debt(6)	5.2%	N/A	9/18		10.4	10.4	10.4
Hyland Software, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	7/23		10.0	10.0	9.4
Industrial Container Services, LLC	Containers & Packaging	First Lien Senior Debt(6)	6.8%	N/A	12/18		49.9	49.9	49.9
		Second Lien Senior Debt(6)	10.2%	N/A	12/19		10.0	9.9	9.9
								59.8	59.8
Infogix Parent Corporation	IT Services	First Lien Senior Debt(6)	7.8%	N/A	12/21		155.0	151.6	151.6
		Redeemable Preferred Stock(6)				2,475		2.5	2.5
								154.1	154.1
Inmar, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.0%	N/A	1/22		20.0	19.8	18.9
Iotum Global Holdings, Inc.(7)	Diversified Telecommunication Services	First Lien Senior Debt(6)	N/A	10.0%	5/17		1.5	1.5	1.5
iParadigms, LLC	Internet Software & Services	Second Lien Senior Debt(6)	8.3%	N/A	7/22		39.5	39.3	38.7
Jazz Acquisition, Inc.	Aerospace & Defense	Second Lien Senior Debt(6)	7.8%	N/A	6/22		25.0	24.9	22.5
Kele Holdco, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	7.0%	N/A	10/20 - 10/22		71.3	71.3	71.3
		Common Stock(4)(6)				30,000		3.0	3.0
								74.3	74.3
Landslide Holdings, Inc.	Software	Second Lien Senior Debt(6)	8.3%	N/A	2/21		9.0	9.0	8.3
Lenox Park C-F Owner, LLC	Real Estate	First Lien Senior Debt(6)	5.0%	N/A	4/18		17.0	17.0	17.0
LTG Acquisition, Inc.	Communications Equipment	Second Lien Senior Debt(6)	9.0%	N/A	10/20		46.0	46.0	42.9
		Common Stock(4)(6)				5,000		5.0	4.1
								51.0	47.0
Mitchell International, Inc.	Software	Second Lien Senior Debt(6)	8.5%	N/A	10/21		17.0	16.9	16.3
M-IV Lake Center LLC(7)	Real Estate	First Lien Senior Debt(6)	5.5%	N/A	12/17		7.0	7.0	7.0
Novetta Solutions, LLC	IT Services	First Lien Senior Debt(6)	6.0%	N/A	10/22		13.0	12.9	12.7
		Second Lien Senior Debt(6)	9.5%	N/A	10/23		31.0	30.7	30.8
								43.6	43.5
OnCourse Learning Corporation	Diversified Consumer Services	First Lien Senior Debt(6)	8.5%	N/A	2/19		19.6	19.5	19.5
Osmose Utility Services, Inc.	Commercial Services & Supplies	Second Lien Senior Debt(6)	8.8%	N/A	8/23		34.0	33.7	33.9
Park Place Technologies, LLC	IT Services	Second Lien Senior Debt(6)	10.0%	N/A	12/22		41.5	41.5	41.5
Parmenter Woodland Park Plaza, LLC	Real Estate	First Lien Senior Debt(6)	5.2%	N/A	9/18		16.9	16.9	16.9
Photonis Technologies S.A.S.(7)	Aerospace & Defense	First Lien Senior Debt(6)	8.5%	N/A	9/19		29.8	29.5	28.6
Project Silverback Holdings Corp.	IT Services	First Lien Senior Debt(6)	6.5%	N/A	7/20		24.7	24.5	24.8
		Convertible Preferred Stock(6)				743		0.8	0.8
		Common Stock(4)				308,224			0.4

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						25.3	26.0
Qualium I(7)	Capital Markets	Common Stock(4)					
					247,939	5.2	4.8
Ranpak Corp.	Containers & Packaging	Second Lien Senior Debt(6)	8.3%	N/A	10/22	25.0	25.0
Sage Products Holdings III, LLC	Health Care Equipment & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	6/20	20.6	20.7
Severin Acquisition, LLC	Software	Second Lien Senior Debt(6)	9.4%	N/A	7/22	25.5	25.1
			F-307				

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Systems Maintenance Services Holding, Inc.	IT Services	Second Lien Senior Debt(6)	9.3%	N/A	10/20		35.0	34.8	34.8
TA THI Parent, Inc.	Auto Components	Second Lien Senior Debt(6)	9.8%	N/A	1/21		41.5	41.0	41.9
		Convertible Preferred Stock(4)(6)				25,000		2.5	3.3
								43.5	45.2
Teasdale Foods, Inc.	Food & Staples Retailing	Second Lien Senior Debt(6)	8.8%	N/A	10/21		31.5	31.5	31.5
Tyche Holdings, LLC	IT Services	Second Lien Senior Debt(6)	9.0%	N/A	11/22		35.0	34.9	34.4
Tyden Cayman Holdings Corp.(7)	Electronic Equipment, Instruments & Components	Convertible Preferred Stock(4)(6)				46,276		0.1	0.1
		Common Stock(4)(6)				5,521,203		5.5	3.8
								5.6	3.9
W3 Co.	Commercial Services & Supplies	Second Lien Senior Debt(6)	9.3%	N/A	9/20		8.9	8.8	5.0
WP CPP Holdings, LLC	Aerospace & Defense	Second Lien Senior Debt(6)	8.8%	N/A	4/21		19.7	19.6	17.9
WRH, Inc.	Life Sciences Tools & Services	Mezzanine Debt(6)	9.0%	6.2%	8/18		102.8	102.5	98.5
<b>EUROPEAN CAPITAL NON-CONTROL / NON-AFFILIATE INVESTMENTS</b>									
Delsey Holding S.A.S.(7)	Textiles, Apparel & Luxury Goods	Mezzanine Debt	N/A	13.5%	7/21		7.4	7.4	5.4
Financière Newglass S.A.S.(7)	Building Products	Convertible Preferred Stock				15,000,000		17.3	14.0
Modacin France S.A.S.(7)	Specialty Retail	Mezzanine Debt(5)		4.3%	11/19		21.7	11.3	
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt	0.8%	N/A	10/17 - 12/17		2.3	2.1	2.0
Zodiac Marine and Pool S.A.(7)	Marine	Second Lien Senior Debt(5)		4.0%	3/17		35.5	24.8	
		Mezzanine Debt(5)		8.3%	9/17		76.1	38.9	
								63.7	
<b>SENIOR FLOATING RATE LOANS</b>									
Advantage Sales & Marketing Inc.	Professional Services	Second Lien Senior Debt(6)	7.5%	N/A	7/22		0.8	0.7	0.7
Aquilex LLC	Commercial Services & Supplies	First Lien Senior Debt(6)	5.0%	N/A	12/20		2.0	1.9	1.9
BarBri, Inc.	Diversified Consumer Services	First Lien Senior Debt(6)	4.5%	N/A	7/19		5.0	5.0	4.2
CT Technologies Intermediate Holdings, Inc.	Health Care Technology	First Lien Senior Debt(6)	5.3%	N/A	12/21		0.5	0.5	0.5
Drew Marine Group Inc.	Chemicals	First Lien Senior Debt(6)	4.3%	N/A	11/20		1.9	1.9	1.8
Hudson Products Holdings Inc.	Energy Equipment & Services	First Lien Senior Debt(6)	5.0%	N/A	3/19		5.0	5.0	4.3
Immucor, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	5.0%	N/A	8/18		6.3	6.4	6.1
Indra Holdings Corp.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6)	5.3%	N/A	5/21		3.0	3.0	2.8
Mitchell International, Inc.	Software	First Lien Senior Debt(6)	4.5%	N/A	10/20		9.2	9.2	8.7
Opal Acquisition, Inc.	Health Care Providers &	First Lien Senior Debt(6)	5.0%	N/A	11/20		9.3	9.3	7.7

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Services								
Southwire Company, LLC	Electrical Equipment	First Lien Senior Debt(6)	3.3%	N/A	2/21	12.6	12.6	12.3
STS Operating, Inc.	Trading Companies & Distributors	First Lien Senior Debt(6)	4.8%	N/A	2/21	2.0	2.0	1.9

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Wesco Aircraft Hardware Corp.(7)	Aerospace & Defense	First Lien Senior Debt(6)	3.3%	N/A	2/21		4.7	4.7	4.5
<b>AMERICAN CAPITAL CMBS INVESTMENTS</b>									
CD 2007-CD4 Commercial Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	12/49		16.0	1.1	3.8
CD 2007-CD5 Mortgage Trust(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.1%	N/A	12/17		8.8	3.6	0.8
Citigroup Commercial Mortgage Securities Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	7/17		45.4	15.9	9.3
Credit Suisse Commercial Mortgage Trust Series 2007-C4(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	8/17		5.9	2.2	1.8
LB-UBS Commercial Mortgage Trust 2007-C6(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	6.1%	N/A	8/17		4.9		1.8
Wachovia Bank Commercial Mortgage Trust 2007-C31(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.8%	N/A	5/17		20.0	10.6	1.0
Wachovia Bank Commercial Mortgage Trust, Series 2007-C32(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.7%	N/A	10/17		60.5	10.5	7.0
Wachovia Bank Commercial Mortgage Trust, Series 2007-C34(7)	Real Estate	Commercial Mortgage Pass-Through Certificates(4)(6)	5.9%	N/A	10/17		5.2	5.2	5.1
<b>AMERICAN CAPITAL CLO INVESTMENTS</b>									
ACAS CLO 2007-1, Ltd.(7)		Secured Notes(6)			4/21		8.5	8.4	8.3
		Subordinated Notes(6)			4/21		25.9	10.8	12.6
								19.2	20.9
Apidos CLO XVIII, Ltd.(7)		Subordinated Notes(6)			7/26		39.4	33.3	21.2
Apidos CLO XXI(7)		Subordinated Notes(6)			6/27		12.4	11.8	9.7
Ares IIIR/IVR CLO Ltd.(7)		Subordinated Notes(6)			4/21		20.0	11.0	5.2
Babson CLO Ltd. 2006-II(7)		Income Notes(4)(6)			10/20		15.0	2.9	
Babson CLO Ltd. 2013-II(7)		Income Notes(6)			1/25		5.0	3.9	2.9
Babson CLO Ltd. 2014-I(7)		Subordinated Notes(6)			7/25		8.5	6.4	4.0
Babson CLO Ltd. 2014-II(7)		Subordinated Notes(6)			9/26		25.0	20.7	10.7
Blue Hill CLO, Ltd.(7)		Subordinated Notes(6)			1/26		10.6	17.8	6.7
Carlyle Global Market Strategies CLO 2013-3, Ltd.(7)		Subordinated Notes(6)			7/25		5.0	3.5	3.1
Carlyle Global Market Strategies CLO 2015-3, Ltd.(7)		Subordinated Notes(6)			7/28		28.2	25.4	22.9
Cent CDO 12 Limited(7)		Income Notes(6)			11/20		26.4	12.7	29.0
Cent CLO 22 Limited(7)		Subordinated Notes(6)			11/26		45.4	38.1	19.6
Cent CLO 24 Limited(7)		Subordinated Notes(6)			10/26		28.0	25.9	22.7
Centurion CDO 8 Limited(7)		Subordinated Notes(4)(6)			3/17		5.0	0.2	
CoLTs 2005-1 Ltd.(7)		Preference Shares(4)(6)			3/16	360		1.7	0.1

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CoLTs 2005-2 Ltd.(7)	Preference Shares(4)(6)	12/18	34,170,000	11.1	0.4
CREST Exeter Street Solar 2004-1(7)	Preferred Securities(4)(6)	6/39	3,500,000	3.2	
	F-309				

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
Dryden 40 Senior Loan Fund(7)		Subordinated Notes(6)			8/28		9.5	8.2	7.0
Eaton Vance CDO X plc(7)		Secured Subordinated Notes(6)			2/27		15.0	11.3	5.6
Flagship CLO V(7)		Deferrable Notes(6)			9/19		1.7	1.5	1.7
		Subordinated Securities(6)			9/19	15,000		7.3	1.1
								8.8	2.8
Galaxy III CLO, Ltd(7)		Subordinated Notes(4)			8/16		4.0	0.2	
GoldenTree Loan Opportunities VII, Limited(7)		Subordinated Notes(6)			4/25		35.3	31.7	22.7
Halcyon Loan Advisors Funding 2014-1 Ltd.(7)		Subordinated Notes(6)			2/26		1.3	1.0	0.5
Halcyon Loan Advisors Funding 2015-2, Ltd.(7)		Subordinated Notes(6)			7/27		21.7	20.3	18.0
Herbert Park B.V.(7)		Subordinated Notes(6)			10/26		24.0	25.9	19.9
LightPoint CLO IV, LTD(7)		Income Notes(4)(6)			4/18		6.7	3.6	
LightPoint CLO VII, Ltd.(7)		Subordinated Notes(6)			5/21		9.0	2.6	1.4
Madison Park Funding XII, Ltd.(7)		Subordinated Notes(6)			7/26		10.0	8.6	7.1
Madison Park Funding XIII, Ltd.(7)		Subordinated Notes(6)			1/25		30.9	25.5	19.8
Mayport CLO Ltd.(7)		Income Notes			2/20		14.0	7.8	0.1
NYLIM Flatiron CLO 2006-1 LTD.(7)		Subordinated Securities(6)			8/20	10,000		4.4	2.4
Och Ziff Loan Management XIII, Ltd.(7)		Subordinated Notes(6)			7/27		15.0	14.2	12.3
Octagon Investment Partners XVIII, Ltd.(7)		Subordinated Notes(6)			12/24		16.4	12.9	9.4
Octagon Investment Partners XIX, Ltd.(7)		Subordinated Notes(6)			4/26		25.0	18.8	14.7
OHA Credit Partners XI, Ltd.(7)		Subordinated Notes(6)			10/28		33.5	29.7	27.9
Sapphire Valley CDO I, Ltd.(7)		Subordinated Notes(6)			12/22		14.0	16.7	11.6
THL Credit Wind River 2014-2 CLO Ltd.(7)		Income Notes			7/26		15.0	10.1	7.4
Vitesse CLO, Ltd.(7)		Preferred Securities(4)(6)			8/20	20,000,000		11.9	
Voya CLO 2014-4, Ltd.(7)		Subordinated Notes(6)			10/26		26.7	23.2	17.0
<b>Subtotal Non-Control / Non-Affiliate Investments (42% of total investments at fair value)</b>								<b>\$ 2,367.6</b>	<b>\$ 2,096.7</b>
<b>AMERICAN CAPITAL AFFILIATE INVESTMENTS</b>									
IS Holdings I, Inc.	Software	Common Stock(4)(6)				2,000,000	\$	5.2	\$ 13.7
Mobipark S.A.S.(7)	Electronic Equipment, Instruments & Components	First Lien Senior Debt(6)	2.2%	N/A	12/17		\$ 4.0	3.8	3.4
		Convertible Preferred Stock(4)(6)				28,317,268		9.0	21.0
		Redeemable Preferred Stock(4)(6)				25,751,312		7.3	24.0

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				20.1	48.4
Primrose Holding Corporation	Diversified Consumer Services	Common Stock(6)	7,227		6.5
Roark Money Mailer, LLC	Media	Common Membership Units(4)	6.0%	0.7	1.7
		F-310			

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/Expiration Date(2)	# of Shares/Units Owned	Principal	Cost	Fair Value
<b>EUROPEAN CAPITAL AFFILIATE INVESTMENTS</b>									
Blue Topco GmbH(7)	Commercial Services & Supplies	First Lien Senior Debt	2.9%	N/A	6/16 - 6/18		2.3	2.0	2.0
		Mezzanine Debt(5)	N/A	3.2%	12/18		8.0	6.9	4.9
								8.9	6.9
<b>Subtotal Affiliate Investments (2% of total investments at fair value)</b>							<b>\$ 34.9</b>	<b>\$ 77.2</b>	
<b>AMERICAN CAPITAL CONTROL INVESTMENTS</b>									
ACAS Real Estate Holdings Corporation	Real Estate	Mezzanine Debt(5)(6)	N/A	15.0%	5/16		\$ 6.5	\$ 3.9	\$ 4.5
		Common Stock(6)				100%		6.2	24.5
								10.1	29.0
ACEI Singapore Holdings Private LTD(7)	Electric Utilities	Common Stock(4)(6)				7,055,706		7.1	7.1
Alcami Holdings LLC	Life Sciences Tools & Services	First Lien Senior Debt(6)	6.5%	N/A	3/17 - 10/20		97.9	97.1	97.9
		Mezzanine Debt(6)	7.2%	6.0%	10/20		141.0	139.9	141.0
		Redeemable Preferred Stock(4)(6)				84,936		61.0	10.0
								298.0	248.9
American Capital Asset Management, LLC	Capital Markets	Mezzanine Debt(6)	5.0%	N/A	9/16		35.0	35.0	35.0
		Common Membership Interest(6)				100%		499.1	1,030.0
								534.1	1,065.0
American Driveline Systems, Inc.	Diversified Consumer Services	Mezzanine Debt(6)	N/A	11.0%	3/21		47.7	47.7	47.7
		Redeemable Preferred Stock(4)(6)				7,121		83.5	20.2
		Common Stock(4)(6)				289,215		18.2	
		Common Stock Warrants(4)(6)			3/16	233,603		9.8	
								159.2	67.9
ASAP Industries Holdings, LLC	Energy Equipment & Services	Mezzanine Debt(5)(6)	N/A	14.0%	12/18		22.7	19.5	
		Membership Units(4)(6)				106,911		30.3	
								49.8	
BMR Energy LLC(7)	Independent Power & Renewable Electricity Producers	Preferred Units(6)				32,481		34.5	34.5
		Common Units(4)(6)				85			17.5
								34.5	52.0
Capital.com, Inc.	Diversified Financial Services	Common Stock(4)(6)				8,500,100		0.9	

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ECA Acquisition Holdings, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(6)	10.0%	N/A	3/16		8.9	8.9	8.9	
		Mezzanine Debt(5)(6)	13.0%	3.5%	7/16		18.7	12.6	11.1	
		Redeemable Preferred Stock(4)(6)				1,550		1.6		
		Common Stock(4)(6)				1,000		14.9		
							38.0	20.0		
eLynx Holdings, Inc.	IT Services	Convertible Preferred Stock(6)				11,728		34.6	39.7	
		Redeemable Preferred Stock(4)(6)				30,162		12.4		
		Common Stock(4)(6)				16,087		1.1		
		Common Stock			6/16 - 9/16	1,026,321		5.5		
		Warrants(4)(6)								

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
EXPL Pipeline Holdings LLC(7)	Oil, Gas & Consumable Fuels	First Lien Senior Debt(6) Common Membership Units(4)(6)	8.1%	N/A	1/17	100,000	41.9	41.6 60.6	39.7 43.7 37.2
FAMS Acquisition, Inc.	Diversified Financial Services	Mezzanine Debt(6)	12.3%	2.7%	1/16		38.8	38.8	31.1
FPI Holding Corporation	Food Products	First Lien Senior Debt(5)(6)	N/A	20.0%	1/16		0.4	0.4	
Group Montana, Inc.	Textiles, Apparel & Luxury Goods	First Lien Senior Debt(6) Convertible Preferred Stock(4)(6) Common Stock(4)(6)	6.3%	N/A	1/17	4,000 100%	5.6	5.6 4.0 12.5	5.6 5.1
								22.1	10.7
Halex Holdings, Inc.	Construction Materials	Second Lien Senior Debt(5)(6) Common Stock(4)(6)	8.5%	N/A	1/18	51,853	15.6	15.6 9.3	15.6 11.7
HALT Medical, Inc.	Health Care Equipment & Supplies	First Lien Senior Debt(5)(6)	N/A	22.0%	6/16		96.0	61.2	23.3
Hard 8 Games, LLC	Hotels, Restaurants & Leisure	First Lien Convertible Senior Debt Membership Units(4)	N/A	6.6%	3/16	2	34.9	34.9 24.0	34.9 23.1
Hollyhock Limited(7)	Independent Power & Renewable Electricity Producers	Common Stock(4)(6)				34,000,000		34.0	33.2
LLSC Holdings Corporation	Personal Products	Convertible Preferred Stock(4)(6) Common Stock(4)(6) Common Stock Warrants(4)(6)			9/17	9,000 1,000 675		10.9	18.8 0.4 0.3
Montgomery Lane, LLC(7)	Diversified Financial Services	Common Membership Units(4)(6)				100			6.4
MW Acquisition Corporation	Health Care Providers & Services	Mezzanine Debt(6) Redeemable Preferred Stock(6) Convertible Preferred Stock(6) Common Stock(4)(6)	14.4%	1.0%	2/19		24.2	24.2 2.7 50.1 110,720	24.2 2.8 63.2 5.7
NECCO Holdings, Inc.	Food Products	First Lien Senior Debt(5)(6) Second Lien Senior Debt(5)(6) Common Stock(4)(6)	6.5%	N/A	11/16 11/16		19.1 7.7	16.2 3.1	14.0
						860,189		0.1	
								19.4	14.0
NECCO Realty Investments, LLC	Real Estate	First Lien Senior Debt(5)(6)	2.8%	11.2%	12/17		75.4	32.8	24.9

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		Common Membership Units(4)(6)				7,450		4.9	
								37.7	24.9
PHC Sharp Holdings, Inc.	Commercial Services & Supplies	First Lien Senior Debt(6)	12.5%	N/A	1/18			1.4	1.4
		Mezzanine Debt(6)	N/A	17.0%	1/18			11.6	11.6
			F-312						

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
		Mezzanine Debt(5)(6)	N/A	19.0%	1/18		30.3	20.2	20.5
		Common Stock(4)(6)				631,049		4.2	
								37.4	33.5
RD Holdco Inc.	Household Durables	Second Lien Senior Debt(6)	11.3%	N/A	12/18		16.9	15.4	16.6
		Common Stock(4)(6)				458,596		23.6	13.9
		Common Stock Warrants(4)(6)			12/23	56,372		2.9	1.7
								41.9	32.2
Rebellion Media Group Corp.(7)	Internet Software & Services	First Lien Senior Debt(5)(6)	N/A	12.0%	4/16		20.3	12.3	3.9
Scanner Holdings Corporation	Technology Hardware, Storage & Peripherals	Mezzanine Debt(6)	14.0%	N/A	6/22		16.6	16.6	16.6
		Convertible Preferred Stock(6)				66,424,135		8.7	11.2
		Common Stock				167,387		0.1	
								25.4	27.8
SEHAC Holding Corporation	Diversified Consumer Services	Convertible Preferred Stock(6)				14,850		14.8	158.5
		Common Stock(4)(6)				150		0.2	1.6
								15.0	160.1
Soil Safe Acquisition Corp.	Professional Services	First Lien Senior Debt(6)	8.0%	N/A	1/18 - 12/18		21.7	21.7	21.7
		Second Lien Senior Debt(6)	10.8%	N/A	7/19		12.7	12.7	12.7
		Mezzanine Debt(6)	8.6%	7.5%	12/19		72.3	72.2	72.3
		Common Stock(4)(6)				810		9.0	15.3
								115.6	122.0
Taiba Wind Energy, LLC(7)	Independent Power & Renewable Electricity Producers	Membership Units(4)(6)				100%		1.3	1.3
Warner Power, LLC	Electrical Equipment	Mezzanine Debt(5)(6)	N/A	14.6%	1/16		11.2	3.1	0.9
		Redeemable Preferred Membership Units(4)(6)				6,512,000		3.0	
		Common Membership Units(4)(6)				47,000		1.9	
								8.0	0.9
WIS Holding Company, Inc.	Commercial Services & Supplies	Convertible Preferred Stock(4)(6)				1,206,598		115.3	84.5
		Common Stock(4)(6)				301,650		16.0	
								131.3	84.5
<b>EUROPEAN CAPITAL CONTROL INVESTMENTS</b>									
Bellotto Holdings Limited(7)	Household Durables	Redeemable Preferred Stock				7,300,610	2.3	40.0	41.8
		Common Stock(4)				2,697,010		95.5	123.7
								135.5	165.5
Columbo TopCo Limited(7)	Commercial Services &	Redeemable Preferred Stock(4)				34,179,330	23.5	74.2	47.3

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	Supplies	Common Stock(4)				757,743		1.1	
								75.3	47.3
European Capital Private Debt LP(7)	Diversified Financial Services	Partnership Interest				1,650		80.5	84.9
European Capital UK SME Debt LP(7)	Diversified Financial Services	Partnership Interest				500		12.5	12.3
Financière Tarmac S.A.S.(7)	Commercial Services & Supplies	First Lien Senior Debt	4.0%	N/A	12/20			3.8	3.1
		Mezzanine Debt Convertible Preferred Stock(4)	N/A	4.0%	12/21	15,500,000		73.5	62.0
		Redeemable Preferred Stock(4)						5.3	7.3

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Company(1)	Industry	Investments	Cash Interest Rate(2)	PIK Interest Rate(2)	Maturity/ Expiration Date(2)	# of Shares/ Units Owned	Principal	Cost	Fair Value
								81.8	67.9
HCV1 S.A.S(7)	Machinery	First Lien Senior Debt			2/20				
		Common Stock(4)	6.0%	7.7%		14,569,412	3.4	3.4	3.4
								25.2	
								28.6	3.4
Holding Saint Augustine S.A.S.(7)	Air Freight & Logistics	First Lien Senior Debt	N/A	N/A	9/19		4.4	4.4	
Miles 33 Limited(7)	Software	First Lien Senior Debt			12/17 - 9/18				
		Mezzanine Debt(5)	4.0%	1.3%	9/21		7.5	7.5	7.5
			5.0%	5.0%			16.9	13.4	13.4
								20.9	20.9
<b>AMERICAN CAPITAL CONTROL CLO INVESTMENT</b>									
ACAS Wachovia Investments, L.P.(7)	Diversified Financial Services	Partnership Interest(4)					90%	1.9	0.5
<b>Subtotal Control Investments (56% of total investments at fair value)</b>								<b>\$ 2,502.4</b>	<b>\$ 2,823.7</b>
<b>Total Investment Assets</b>								<b>\$ 4,904.9</b>	<b>\$ 4,997.6</b>

Counterparty	Instrument	Interest Rate(2)	Expiration Date(2)	# of Contracts	Notional	Cost	Fair Value	
<b>DERIVATIVE AGREEMENTS</b>								
Citibank, N.A.	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	5/16 - 7/17	2	\$ 27.5	\$	\$ (2.3)	
BNP Paribas	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.7%/LIBOR	7/17	1	22.3		(2.1)	
Wells Fargo Bank, N.A	Interest Rate Swap Pay Fixed/ Receive Floating(6)	5.6%/LIBOR	8/16	1	11.9		(0.4)	
<b>Total Derivative Agreements</b>							<b>\$</b>	<b>\$ (4.8)</b>

Funds	Cost	Fair Value
<b>MONEY MARKET FUNDS(3)</b>		
JPMorgan Prime Money Market Fund	\$ 22.0	\$ 22.0
BlackRock Liquidity Funds TempFund Institutional Shares(6)	15.0	15.0
BofA Funds Series Trust BofA Money Market Reserves(6)	15.0	15.0
Fidelity Institutional Money Market Prime Money Market Portfolio Institutional CL(6)	15.0	15.0
Wells Fargo Heritage Money Market Fund(6)	15.0	15.0
Deutsche Global Liquidity Managed Sterling Fund	5.6	5.6
<b>Total Money Market Funds</b>	<b>\$ 87.6</b>	<b>\$ 87.6</b>

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- (1) Certain of the securities are issued by affiliate(s) of the listed portfolio company.
- (2) Interest rates represent the weighted average annual stated interest rate on loans and debt securities in effect on the date presented, which are presented by the nature of indebtedness by a single issuer. Some loans and debt securities bear interest at variable rates, primarily the three-month LIBOR, with interest rate floors. PIK represents contractually deferred interest that is typically compounded into the principal balance of the loan or debt security, if not paid on a current basis. PIK interest may be prepaid by the portfolio company's election, but generally is paid upon a change of control transaction or maturity. The maturity date represents the latest date in which the loan or debt security is scheduled to terminate. The expiration date represents the date the warrants expire.
- (3) Included in cash and cash equivalents and restricted cash and cash equivalents on our consolidated balance sheets.
- (4) Some or all of the securities are non-income producing.
- (5) Loan is on non-accrual status and therefore considered non-income producing.
- (6) All or a portion of the investments or instruments are pledged as collateral under various secured financing arrangements.
- (7) Investments that are not "qualifying assets" under Section 55(a) of the 1940 Act. Under the 1940 Act, we may not acquire any non-qualifying asset unless, at the time such acquisition is made, qualifying assets represent at least 70% of our total assets. As of December 31, 2015, non-qualifying assets were approximately \$1.2 billion, or 25% of net assets.

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## AMERICAN CAPITAL, LTD.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

(in millions, except per share data)

**Note 1. Unaudited Interim Consolidated Financial Statements**

Interim consolidated financial statements of American Capital, Ltd. (which is referred to throughout this report as "American Capital", "we", "us" and "our") are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with U.S. GAAP are omitted. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, necessary for the fair presentation of financial statements for the interim periods have been included. The current period's consolidated results of operations are not necessarily indicative of results that ultimately may be achieved for the year. The unaudited interim consolidated financial statements and notes thereto should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, as filed with the Securities and Exchange Commission ("SEC").

**Reclassifications**

We have reclassified certain prior period amounts in our consolidated financial statements to conform to our current period presentation.

Upon the adoption of Accounting Standards Update ("ASU") No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03") effective January 1, 2016, debt issuance costs associated with our borrowings, other than our revolving credit facilities, were reclassified as a direct deduction from the carrying amount of the related borrowing. In accordance with ASU No. 2015-15, *Interest Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, debt issuance costs associated with our revolving credit facilities remain classified as an asset, regardless of whether there are any outstanding borrowings on the facility. Pursuant to ASU 2015-03, we have reclassified unamortized debt issuance costs associated with our borrowings, excluding our revolving facilities, in our previously reported consolidated balance sheets as of December 31, 2015 as follows:

	As Presented, December 31, 2015	Reclassifications	As Adjusted, December 31, 2015
Other assets	\$ 98	\$ (4)	\$ 94
Total assets	\$ 6,244	\$ (4)	\$ 6,240
Debt	\$ 1,257	\$ (4)	\$ 1,253
Total liabilities	\$ 1,422	\$ (4)	\$ 1,418

Reclassifications had no impact on prior periods' net earnings or shareholders' equity.

**Consolidation**

Under the investment company rules and regulations pursuant to Article 6 of Regulation S-X, the SEC's Division of Investment Management's consolidation guidance in IM Guidance Update No. 2014-11 issued in October 2014 and Financial Accounting Standards Board ("FASB") Accounting

Standards Codification ("ASC") Topic 946, *Financial Services Investment Companies* ("ASC 946"), we are precluded from consolidating any entity other than another investment company that acts as an extension of our investment operations and facilitates the execution of our investment strategy. An exception to this guidance occurs if we have an investment in a controlled operating company that provides substantially all of its services to us.

We currently consolidate ACAS Funding I, LLC and ACAS Funding II, LLC, which are wholly-owned special purpose financing vehicles that were formed for the purpose of purchasing Senior Floating Rate Loans under a \$1.25 billion secured revolving credit facility and \$500 million secured revolving credit facility, respectively. As of June 30, 2016, ACAS Funding I, LLC and ACAS Funding II, LLC did not have any other operations or activities. As of December 31, 2015, we also consolidated American Capital TRS, LLC ("ACTRS"), which is a wholly-owned entity that has entered into non-recourse total return swaps ("TRS") with Citibank, N.A. As of December 31, 2015, ACTRS did not have any other operations or activities. The TRS is accounted for as a derivative pursuant to FASB ASC Topic 815, *Derivatives and Hedging*.

Our consolidated financial statements also include the accounts of European Capital Limited ("European Capital"), which is a wholly-owned investment company that, effective October 1, 2014, acts as an extension of our investment operations and facilitates the execution of our investment strategy. In addition, our consolidated financial statements include the accounts of AC Corporate Holdings, Inc. ("ACCH") and ACE Acquisition Holdings, LLC ("ACE Acquisition"), which are wholly-owned entities that have purchased certain investment securities on behalf of American Capital. As of June 30, 2016, European Capital, ACCH and ACE Acquisition did not have any other operations or activities and were considered to be investment companies under ASC 946, as amended by ASU No. 2013-08, *Financial Services Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements*.

## **Note 2. Organization**

We are a non-diversified closed end investment company that has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended ("1940 Act"). As a BDC, we have invested primarily in senior and mezzanine debt and equity in buyouts of private companies sponsored by us ("American Capital One Stop Buyouts®") or sponsored by other private equity funds and have provided capital directly to early stage and mature private and small public companies ("Sponsor Finance and Other Investments"). We also have invested in structured finance investments ("Structured Products"), including collateralized loan obligation ("CLO") securities. Our primary business objectives have been to increase our net earnings and net asset value ("NAV") by making investments with attractive current yields and/or potential for equity appreciation and realized gains.

Through our tax years ended September 30, 1998 through September 30, 2010, we qualified to be taxed as a regulated investment company ("RIC") under Subchapter M of the Internal Revenue Code of 1986, as amended (the "Code"). Effective with our tax year ended September 30, 2011, we did not qualify to be taxed as a RIC and became subject to taxation as a corporation under Subchapter C of the Code (a "Subchapter C corporation"). This change in tax status does not affect our status as a BDC under the 1940 Act or our compliance with the portfolio composition requirements of that statute.

## **Note 3. New Accounting Pronouncements**

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which amends and conforms the guidance on the recognition of assets and liabilities that arise from operating and finance leases. Under ASU 2016-02, all leases create an asset and a liability for the lessee that

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should be recognized in the statement of financial position as a liability to make lease payments (the lease liability), initially measured at the present value of the lease payments, and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. ASU 2016-02 also provides clarifying guidance on optional lease payments and variable lease payments as well as the income statement and cash flow presentation of operating and finance leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted. We do not believe the adoption of ASU 2016-02 will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-06, *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force)* ("ASU 2016-06"), which clarifies the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts and requires that an entity assess the embedded call (put) options solely in accordance with the four-step decision sequence in ASC 815. ASU 2016-06 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We do not believe the adoption of ASU 2016-06 will have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"), which is intended to improve the accounting for share-based payments and affects all organizations that issue share-based payment awards to their employees. ASU 2016-09 primarily simplifies the accounting for and classification of, income taxes related to share-based payment awards, including the impact of income taxes withheld on the classification of awards as equity or liabilities and the classification of income taxes on the statement of cash flows. ASU 2016-09 also permits an entity to elect a forfeiture rate assumption based on the estimated number of awards expected to vest or to account for forfeitures when they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We elected to early adopt ASU 2016-09 effective January 1, 2016. The provisions of ASU 2019-06 should be adopted on a modified retrospective, retrospective or prospective basis, depending on the provision. As a result of the early adoption on January 1, 2016, we recognized a deferred tax asset associated with excess tax benefits and a corresponding cumulative effect adjustment to our shareholders' equity of \$16 million on our consolidated balance sheets.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which amends the financial instruments impairment guidance so that an entity is required to measure expected credit losses for financial assets based on historical experience, current conditions and reasonable and supportable forecasts. As such, an entity will use forward-looking information to estimate credit losses. ASU 2016-13 also amends the guidance in FASB ASC Subtopic No. 325-40, *Investments - Other, Beneficial Interests in Securitized Financial Assets*, related to the subsequent measurement of accretible yield recognized as interest income over the life of a beneficial interest in securitized financial assets under the effective yield method. ASU 2016-13 is effective for public business entities that meet the U.S. GAAP definition of an SEC filer, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact of ASU 2016-13 on the recognition of interest income on our investments in Structured Products.

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**Note 4. Investments**

Our investments consist of loans and securities issued by public and privately-held companies, including senior debt, mezzanine debt, equity warrants and preferred and common equity securities. We also invest in Structured Products, which includes CLO securities.

We fair value our investments in accordance with the 1940 Act and FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820") as determined in good faith by our Board of Directors. We undertake a multi-step valuation process each quarter to determine the fair value of our investments in accordance with ASC 820. The quarterly valuation process begins with the development of a preliminary valuation recommendation for each investment by our Financial Advisory and Consulting Team ("FACT"), which is composed of valuation and audit professionals responsible for monitoring portfolio compliance and valuations. In preparing the preliminary valuation recommendations, FACT receives assistance from our investment professionals that both originated and monitor the investment as well as assistance from other departments including operations, accounting and legal. The preliminary valuation recommendations are reviewed by senior management and then presented to our Audit, Compliance and Valuation Committee for review and approval. Subsequent to the approval from our Audit, Compliance and Valuation Committee, the valuation recommendations are sent to our Board of Directors for final approval.

When available, we base the fair value of our investments that trade in active markets on directly observable market prices or on market data derived for comparable assets. For restricted securities of companies that are publicly traded, the value is based on the closing market quote on the valuation date less a discount for the restriction. For all other investments, inputs used to measure fair value reflect management's best estimate of assumptions that would be used by market participants in pricing the investment in a hypothetical transaction. For these investments, we estimate the fair value of our senior debt, mezzanine debt, redeemable and convertible preferred equity, common equity and equity warrants using either an enterprise value waterfall methodology, which generally combines market and income approaches, or a market yield valuation methodology, which utilizes the income approach. We estimate the fair value of our Structured Products using the market and income approaches, third-party broker quotes and counterparty marks.

ASC 820 provides a framework for measuring the fair value of assets and liabilities and provides guidance regarding a fair value hierarchy, which prioritizes information used to measure fair value and the effect of fair value measurements on earnings. Due to the uncertainty inherent in the valuation process, estimates of fair value may differ significantly from the values that would have been used had a ready market for our investments existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different than the valuations currently assigned.

ASC 820 defines fair value in terms of the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of our investments may include initial transaction costs. Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market for an asset is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

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The principal market in which we would sell our Senior Floating Rate Loans and certain of our non-controlled Sponsor Finance debt investments is an active over-the-counter secondary market. For our other debt and equity investments, there is no active market and we are generally repaid our debt investment or sell our equity investment upon a change of control transaction such as through the mergers and acquisitions ("M&A") market. Accordingly, the market in which we would sell certain of our non-controlled debt and all of our equity investments is the M&A market. However, under ASC 820, we have identified the M&A market as the principal market for our investments in these portfolio companies only if we have the ability to control the decision to sell the portfolio company as of the measurement date. We determine whether we have the ability to control the decision to sell a portfolio company based on our ability to control or gain control of the board of directors of the portfolio company as of the measurement date and rights within the shareholders agreement. In evaluating if we can control or gain control of a portfolio company as of the measurement date, we include our equity securities and those securities held by entities managed by our wholly-owned portfolio company, American Capital Asset Management, LLC ("ACAM"), on a fully diluted basis. For investments in portfolio companies for which we do not have the ability to control or gain control as of the measurement date and for which there is no active market, the principal market under ASC 820 is a hypothetical secondary market.

Accordingly, we use the M&A market as the principal market for our investments in portfolio companies that we control or can gain control as of the measurement date, and we use a hypothetical secondary market for our investments in portfolio companies that we do not control or cannot gain control as of the measurement date. However, to the extent that an active market exists for such investments, we will consider that as the principal market. Our valuation policy considers the fact that no ready active market exists for a significant amount of our investments and that the fair value for our investments must typically be determined using unobservable inputs.

### *Enterprise Value Waterfall Methodology*

For investments in portfolio companies that we have identified the M&A market as the principal market, we estimate the fair value based on the enterprise value waterfall ("Enterprise Value Waterfall") valuation methodology. For minority equity securities in which the principal market is the hypothetical secondary market, we also estimate the fair value using the Enterprise Value Waterfall valuation methodology.

Under the Enterprise Value Waterfall valuation methodology, we estimate the enterprise value of a portfolio company and then waterfall the enterprise value over the portfolio company's securities in order of their preference relative to one another. In applying the Enterprise Value Waterfall valuation methodology, we consider that in a change of control transaction, our loans are generally required to be repaid at par and that a buyer cannot assume the loan.

To estimate the enterprise value of the portfolio company, we prepare an analysis of traditional valuation methodologies including valuations of comparable public companies, recent sales of private and public comparable companies, discounting the forecasted cash flows of the portfolio company, estimating the liquidation or collateral value of the portfolio company's assets, third-party valuations of the portfolio company, offers from third-parties to buy the portfolio company and considering the value of recent third-party investments in the equity securities of the portfolio company. Significant inputs in these valuation methodologies to estimate enterprise value include the historical or projected operating results of the portfolio company, selection of comparable companies, discounts or premiums to the prices of comparable companies and discount rates applied to the forecasted cash flows. The operating results of a portfolio company may be unaudited, projected or pro forma financial information and may require adjustments for non-recurring items or to normalize the operating results that may require significant judgment in its determination. In addition, projecting future financial results requires significant judgment regarding future growth assumptions. In evaluating the operating results, we also

analyze the impact of exposure to litigation, loss of customers or other contingencies. The selection of a population of comparable companies requires significant judgment, including a qualitative and quantitative analysis of the comparability of the companies. In determining a discount or premium, if any, to prices of comparable companies, we use significant judgment for factors such as size, marketability, relative performance, and for portfolio companies in which we control, a control premium to the market price of comparable public companies. In determining a discount rate to apply to forecasted cash flows, we use significant judgment in the development of an appropriate discount rate including the evaluation of an appropriate risk premium.

In valuing convertible debt, equity or other similar securities, we value our investment based on its priority in the waterfall and based on our pro rata share of the residual equity value available after deducting all outstanding debt from the estimated enterprise value. We value non-convertible debt at the face amount of the debt to the extent that the estimated enterprise value of the portfolio company exceeds the outstanding debt of the portfolio company. If the estimated enterprise value is less than the outstanding debt of the portfolio company, we reduce the fair value of our debt investment beginning with the junior most debt such that the enterprise value less the fair value of the outstanding debt is zero.

#### *Market Yield Valuation Methodology*

For debt and redeemable preferred equity investments in portfolio companies for which we are required to identify a hypothetical secondary market as the principal market, we estimate the fair value based on the assumptions that we believe hypothetical market participants would use to value the investment in a current hypothetical sale using a market yield ("Market Yield") valuation methodology.

For debt and redeemable preferred equity investments of our investment portfolio for which we do not control or cannot gain control as of the measurement date and no active market exists, we estimate the fair value based on such factors as third-party broker quotes and our own assumptions in the absence of market observable data, including estimated remaining life, current market yield and interest rate spreads of similar loans and securities as of the measurement date. We weight the use of third-party broker quotes, if any, in determining fair value based on our understanding of the level of actual transactions used by the broker to develop the quote and whether the quote was an indicative price or binding offer. We estimate the remaining life based on market data of the average life of similar loans. However, if we have information available to us that the loan is expected to be repaid in the near term, we would use an estimated remaining life based on the expected repayment date, including considering the current maturity date of the loan. The average life used to estimate the fair value of our loans may be shorter than the legal maturity of the loans since our loans have historically been prepaid prior to the maturity date. The current interest rate spreads used to estimate the fair value of our loans is based on the current interest rate spreads on similar loans. We use significant judgment in determining the estimated remaining life as well as the current market yield and interest rate spreads. If there is a significant deterioration of the credit quality of a loan, we may consider other factors that a hypothetical market participant would use to estimate fair value, including the proceeds that would be received in a liquidation analysis.

We fair value our investments in Structured Products based on such factors as third-party broker quotes, counterparty marks, purchases or sales of the same or similar securities, and our cash flow forecasts. Cash flow forecasts are subject to assumptions a market participant would use regarding the investments' underlying collateral including, but not limited to, assumptions of default and recovery rates, reinvestment spreads and prepayment rates. Cash flow forecasts are discounted using a market participant's market yield assumptions that are derived from multiple sources including, but not limited to, third-party broker quotes, industry research reports and transactions of securities and indices with similar structure and risk characteristics. We weight the use of third-party broker quotes or

counterparty marks, if any, in determining fair value based on the correlation of changes in third-party broker quotes with underlying performance and other market indices.

*Third-party Vendor Pricing*

For debt investments that trade in an active market or that have similar assets that trade in an active market, we estimate the fair value based on evaluated prices from a nationally recognized, independent pricing service or from third-party brokers who make markets in such debt instruments. When possible, we make inquiries of third-party pricing sources to understand their use of significant inputs and assumptions. We review the price provided by the third-party pricing service and perform procedures to validate their reasonableness, including a review and analysis of executable broker quote(s), range and dispersion of third-party estimates, frequency of pricing updates, yields of similar securities or other qualitative and quantitative information. If the prices provided by the pricing service are consistent with such information, we will generally use the price provided by the pricing service as fair value.

*Investments in Investment Funds*

For an investment in an investment fund that does not have a readily determinable fair value, we measure the fair value of our investment predominately based on the NAV per share of the investment fund if the NAV of the investment fund is calculated in a manner consistent with the measurement principles of ASC 946 as of the measurement date, including measurement of all or substantially all of the underlying investments of the investee in accordance with ASC 820. However, in determining the fair value of our investment, we may make adjustments to the NAV per share in certain circumstances, based on our analysis of any restrictions on redemption of our shares of our investment as of the measurement date, any restrictions on the ability to receive dividends, comparisons of market price to NAV per share of comparable publicly traded funds and trades or sales of comparable private and publicly traded funds, recent actual sales or redemptions of shares of the investment fund, public to private liquidity discounts, expected future cash flows available to equity holders including the rate of return on those cash flows compared to an implied market return on equity required by market participants, or other uncertainties surrounding our ability to realize the full NAV of the investment fund.

*Partnership Interests*

For an investment in a partnership, we measure the fair value of our investment based on the NAV per share of the partnership or its equivalent as a practical expedient to measure an alternative investment at fair value consistent with the measurement principles of ASC 820, as amended by ASU No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. We make this election on an investment-by-investment basis and apply consistently to our entire position in the investment, unless it is probable at the measurement date that we will sell all or a portion of our investment at an amount other than NAV per share.

For the three months ended June 30, 2016, there were no changes to our valuation techniques or to the types of unobservable inputs used in the valuation process compared to the year ended December 31, 2015. The levels of fair value inputs used to measure our investments are characterized in accordance with the fair value hierarchy established by ASC 820. Where inputs for an asset or liability fall in more than one level in the fair value hierarchy, the investment is classified in its entirety based on the lowest level input that is significant to that investment's fair value measurement. We use judgment and consider factors specific to the investment in determining the significance of an input to a fair value measurement. Our policy is to recognize transfers in and out of levels as of the beginning

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of each reporting period. The three levels of the fair value hierarchy and investments that fall into each of the levels are described below:

**Level 1:** Level 1 inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2:** Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly.

**Level 3:** Level 3 inputs are unobservable and cannot be corroborated by observable market data.

The following fair value hierarchy tables set forth our assets and liabilities that are measured at fair value on a recurring basis by level as of June 30, 2016 and December 31, 2015:

June 30, 2016				
	Level 1	Level 2	Level 3	Total
First Lien Senior Debt	\$	\$	\$ 746	\$ 746
Second Lien Senior Debt		375	637	1,012
Mezzanine Debt			418	418
Preferred Equity			173	173
Common Equity			1,227	1,227
Structured Products			359	359
Investments measured at NAV(1)				127
Investments at Fair Value		375	3,560	4,062
Other Assets			41	41
Long Term Incentive Plan Liability			(32)	(32)
Other Assets and Liabilities at Fair Value			9	9
Total	\$	\$ 375	\$ 3,569	\$ 4,071

December 31, 2015				
	Level 1	Level 2	Level 3	Total
First Lien Senior Debt	\$	\$ 57	\$ 863	\$ 920
Second Lien Senior Debt		445	490	935
Mezzanine Debt			604	604
Preferred Equity			606	606
Common Equity			1,405	1,405
Structured Products			418	418
Investments measured at NAV(1)				110
Investments at Fair Value		502	4,386	4,998
Other Assets			31	31
Derivative Agreements		(5)		(5)
Long Term Incentive Plan Liability			(34)	(34)
Other Assets and Liabilities at Fair Value		(5)	(3)	(8)

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Total	\$	\$	497	\$	4,383	\$	4,990
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(1)

In accordance with ASU No. 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The

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fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in our consolidated balance sheets.

The following tables set forth the summary of changes in the fair value of investment assets and liabilities measured using Level 3 inputs for the three months ended June 30, 2016 and 2015:

	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Total
<b>Balances, April 1, 2016</b>	\$ 1,332	\$ 513	\$ 649	\$ 1,325	\$ 349	\$ 21	\$ (27)	\$ 4,162
Net realized gain (loss)(1)	14	(12)	200	(17)	3			188
Reversal of prior period net (appreciation) depreciation upon realization(2)	(16)	7	(185)	13		(2)		(183)
Net unrealized appreciation (depreciation)(2)(3)	15	32	(26)	(30)	20		(6)	5
Purchases(4)	130	21	7	5		24		187
Sales(5)	(26)		(469)	(51)				(546)
Settlements, net(6)	(66)	(142)		(16)	(13)	(2)		(239)
Effects of exchange rate changes		(1)	(3)	(2)			1	(5)
<b>Balances, June 30, 2016</b>	\$ 1,383	\$ 418	\$ 173	\$ 1,227	\$ 359	\$ 41	\$ (32)	\$ 3,569

	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Derivative Agreements	Total
<b>Balances, April 1, 2015</b>	\$ 1,061	\$ 652	\$ 658	\$ 1,502	\$ 641	\$ 42	\$ (30)	\$ (111)	\$ 4,415
Net realized (loss) gain(1)	(6)	(31)	(191)	(56)	1			45	(238)
Reversal of prior period net depreciation (appreciation) upon realization(2)	10	31	82	57	(1)			65	244
Net unrealized (depreciation) appreciation(2)(3)	(11)	(8)	13	(7)	(10)	1	1		(21)
Purchases(4)	151	7	106	57	194				515
Sales(5)	(147)	(27)	(27)	(53)					(254)
Settlements, net(6)	(31)	(1)			(99)	(11)		1	(141)
Effects of exchange rate changes	5	2	3	3					13
Transfers into Level 3(7)									
Transfers out of Level 3(7)	(3)								(3)
<b>Balances, June 30, 2015</b>	\$ 1,029	\$ 625	\$ 644	\$ 1,503	\$ 726	\$ 32	\$ (29)	\$	\$ 4,530

(1) Included in net realized gain (loss) in our consolidated statements of operations. Excludes gain (loss) on realized foreign currency transactions on American Capital other assets and liabilities that are denominated in a foreign currency and any tax benefit. Also, excludes realized loss from other assets and liabilities not measured at fair value.

(2) Included in net unrealized (depreciation) appreciation in our consolidated statements of operations.



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- (3) Excludes unrealized appreciation (depreciation) related to foreign currency translation for American Capital other assets and liabilities not measured at fair value that are denominated in a foreign currency.
- (4) Includes increases in the cost basis of investments resulting from new and add-on portfolio investments, the accrual or allowance of PIK interest or cumulative dividends and the amortization of discounts, premiums and closing fees.
- (5) Includes the proceeds from equity investments, collection of cumulative dividends, loan syndications and loan sales.
- (6) Includes principal repayments on debt investments, collection of PIK interest, collection of accreted loan discounts, the exchange of one or more existing securities for one or more new securities and net interest rate derivative periodic interest and termination payments.
- (7) Investments were transferred into and out of Level 3 and Level 2 due to changes in the quantity and quality of inputs obtained to support the fair value of each investment. Our policy is to recognize transfers as of the first day of a reporting period for investments existing as of the end of the period.

The following tables set forth the summary of changes in the fair value of investment assets and liabilities measured using Level 3 inputs for the six months ended June 30, 2016 and 2015:

	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Total
<b>Balances, January 1, 2016</b>	\$ 1,353	\$ 604	\$ 606	\$ 1,405	\$ 418	\$ 31	\$ (34)	\$ 4,383
Net realized gain (loss)(1)	13	(34)	197	(57)	(4)	(3)	(12)	100
Reversal of prior period net (appreciation) depreciation upon realization(2)	(17)	26	(164)	38	26		12	(79)
Net unrealized appreciation (depreciation)(2)(3)	10	33	(14)	(179)	(10)	1	(10)	(169)
Purchases(4)	239	25	36	31		24		355
Sales(5)	(134)	(25)	(469)	(56)	(43)			(727)
Settlements, net(6)	(82)	(213)	(20)	43	(28)	(12)	12	(300)
Effects of exchange rate changes	1	2	1	2				6
<b>Balances, June 30, 2016</b>	\$ 1,383	\$ 418	\$ 173	\$ 1,227	\$ 359	\$ 41	\$ (32)	\$ 3,569

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	Senior Debt	Mezzanine Debt	Preferred Equity	Common Equity	Structured Products	Other Assets	Long Term Incentive Plan Liability	Derivative Agreements	Total
<b>Balances, January 1, 2015</b>	\$ 1,217	\$ 472	\$ 462	\$ 1,546	\$ 583	\$ 51	\$ (82)	\$ (74)	\$ 4,175
Net realized (loss) gain(1)	(30)	(58)	(335)	(59)	(7)		(46)	45	(490)
Reversal of prior period net depreciation upon realization(2)	34	58	227	62	7		46	65	499
Net unrealized (depreciation) appreciation(2)(3)	(25)	(16)	87	(47)	(15)	(2)	(2)	(37)	(57)
Purchases(4)	248	77	204	73	269				871
Sales(5)	(157)	(27)	(56)	(65)	(2)				(307)
Settlements, net(6)	(232)	127	59	3	(106)	(17)	46	1	(119)
Effects of exchange rate changes	(24)	(8)	(4)	(10)	(3)		9		(40)
Transfers into Level 3(7)	3								3
Transfers out of Level 3(7)	(5)								(5)
<b>Balances, June 30, 2015</b>	\$ 1,029	\$ 625	\$ 644	\$ 1,503	\$ 726	\$ 32	\$ (29)	\$	\$ 4,530

- (1) Included in net realized gain (loss) in our consolidated statements of operations. Excludes gain (loss) on realized foreign currency transactions on American Capital other assets and liabilities that are denominated in a foreign currency and any tax benefit. Also, excludes realized loss from other assets and liabilities not measured at fair value.
- (2) Included in net unrealized (depreciation) appreciation in our consolidated statements of operations.
- (3) Excludes unrealized appreciation (depreciation) related to foreign currency translation for American Capital other assets and liabilities not measured at fair value that are denominated in a foreign currency.
- (4) Includes increases in the cost basis of investments resulting from new and add-on portfolio investments, the accrual or allowance of PIK interest or cumulative dividends and the amortization of discounts, premiums and closing fees.
- (5) Includes the proceeds from equity investments, collection of cumulative dividends, loan syndications and loan sales.
- (6) Includes principal repayments on debt investments, collection of PIK interest, collection of accreted loan discounts, the exchange of one or more existing securities for one or more new securities and net interest rate derivative periodic interest and termination payments.
- (7) Investments were transferred into and out of Level 3 and Level 2 due to changes in the quantity and quality of inputs obtained to support the fair value of each investment. Our policy is to recognize transfers as of the first day of a reporting period for investments existing as of the end of the period.

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Significant Unobservable Inputs

The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of June 30, 2016:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
<b>Enterprise Value Waterfall Methodology</b>						
<b>Senior Debt</b>	\$446	Enterprise discounted cash flow	Discount rate	10%	38%	21%
			Terminal value growth rate	2%	10%	5%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(50)%	(25)%	(43)%
		Sales of comparable companies	Control premium	%	16%	8%
			Premium or (discount) to multiples of comparable companies	(45)%	5%	(34)%
<b>Mezzanine Debt</b>	\$386	Enterprise discounted cash flow	Discount rate	10%	24%	15%
			Terminal value growth rate	2%	4%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(60)%	(25)%	(45)%
		Sales of comparable companies	Control premium	8%	16%	11%
			Premium or (discount) to multiples of comparable companies	(50)%	5%	(27)%
<b>Preferred Equity</b>	\$170	Enterprise discounted cash flow	Discount rate	7%	24%	15%
			Terminal value growth rate	2%	4%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(60)%	30%	(33)%
		Sales of comparable companies	Control premium	8%	17%	16%
			Premium or (discount) to multiples of comparable companies	(50)%	%	(25)%
<b>Common Equity</b>	\$1,227	Enterprise discounted cash flow	Discount rate	7%	38%	14%
			Terminal value growth rate	3%	10%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(60)%	(5)%	(29)%
		Sales of comparable companies	Control premium	%	17%	14%
			Premium or (discount) to multiples of comparable companies	(50)%	5%	%
<b>Long Term Incentive Plan Liability</b>	\$(32)	Discounted cash flow	Discount rate	10%	10%	10%
			Premium or (discount) due to lack of control and marketability	(20)%	(5)%	(13)%
<b>Market Yield Valuation Methodology</b>						
<b>Senior Debt</b>	\$933	Discounted cash flow	Market yield	6%	15%	9%
			Estimated remaining life	0 yrs	4 yrs	4 yrs
<b>Mezzanine Debt</b>	\$32	Discounted cash flow	Market yield	20%	20%	20%
			Estimated remaining life	3 yrs	4 yrs	4 yrs

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<b>Preferred Equity</b>	\$3	Discounted cash flow	Market yield	10%	10%	10%
			Estimated remaining life	4 yrs	4 yrs	4 yrs
<b>Structured Products</b>	\$359	Discounted cash flow	Discount rate	7%	47%	20%
			Constant prepayment rate	25%	30%	26%
			Constant default rate	1%	7%	3%
<i>Third-Party Vendor Pricing Service</i>						
<b>Senior Debt</b>	\$4	Third-party vendor pricing	Bid/Ask	40	47	44
<b>Total</b>	\$3,528					

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The following table summarizes the significant unobservable inputs in the fair value measurements of our Level 3 investments by category of investment and valuation technique as of December 31, 2015:

	Fair Value	Valuation Techniques	Unobservable Inputs	Range		Weighted Average
				Minimum	Maximum	
<b>Enterprise Value Waterfall Methodology</b>						
<b>Senior Debt</b>	\$409	Enterprise discounted cash flow	Discount rate	11%	40%	19%
			Terminal value growth rate	2%	10%	4%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(50)%	(15)%	(44)%
		Sales of comparable companies	Control premium	%	15%	9%
			Premium or (discount) to multiples of comparable companies	(45)%	30%	(32)%
<b>Mezzanine Debt</b>	\$468	Enterprise discounted cash flow	Discount rate	12%	35%	14%
			Terminal value growth rate	2%	4%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	30%	(35)%
		Sales of comparable companies	Control premium	9%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(24)%
<b>Preferred Equity</b>	\$546	Enterprise discounted cash flow	Discount rate	9%	37%	17%
			Terminal value growth rate	2%	4%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	30%	(38)%
		Sales of comparable companies	Control premium	9%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(22)%
<b>Common Equity</b>	\$1,405	Enterprise discounted cash flow	Discount rate	8%	40%	13%
			Terminal value growth rate	2%	10%	3%
		Public comparable companies	Premium or (discount) to multiples of comparable companies	(55)%	30%	17%
		Sales of comparable companies	Control premium	%	20%	13%
			Premium or (discount) to multiples of comparable companies	(45)%	10%	(5)%
<b>Long Term Incentive Plan Liability</b>	\$(34)	Discounted cash flow	Discount rate	11%	11%	11%
			(Discount) due to lack of control and marketability	(25)%	%	(23)%
<b>Market Yield Valuation Methodology</b>						
<b>Senior Debt</b>	\$871	Discounted cash flow	Market yield	5%	15%	9%
			Estimated remaining life	1 yr	4 yrs	4 yrs
<b>Mezzanine Debt</b>	\$136	Discounted cash flow	Market yield	14%	22%	16%
			Estimated remaining life	1 yr	4 yrs	2 yrs
<b>Preferred Equity</b>	\$60	Discounted cash flow	Market yield	14%	15%	14%
			Estimated remaining life	1 yr	4 yrs	1 yr

Explanation of Responses:

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<b>Structured Products</b>	\$418	Discounted cash flow	Discount rate	5%	52%	19%
			Constant prepayment rate	30%	35%	31%
			Constant default rate	%	2%	1%
<i>Third-Party Vendor Pricing Service</i>						
<b>Senior Debt</b>	\$73	Third-party vendor pricing	Bid/Ask	56	99	95
<b>Total</b>	\$4,352					

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The following tables show the composition summaries of our investment portfolio at cost basis and fair value, excluding derivative agreements, as a percentage of total investments as of June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
<b>Cost</b>		
First Lien Senior Debt	19.2%	20.1%
Second Lien Senior Debt	25.1%	19.9%
Mezzanine Debt	10.5%	14.0%
Preferred Equity	8.2%	12.4%
Common Equity	24.6%	21.4%
Structured Products	12.4%	12.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Fair Value</b>		
First Lien Senior Debt	18.4%	18.4%
Second Lien Senior Debt	24.9%	18.7%
Mezzanine Debt	10.3%	12.1%
Preferred Equity	4.3%	12.1%
Common Equity	33.3%	30.3%
Structured Products	8.8%	8.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

We use the Global Industry Classification Standards ("GICS®") for classifying the industry groupings of our portfolio companies. The GICS® was developed by MSCI, an independent provider of global indexes and benchmark-related products and services, and Standard & Poor's, an independent international financial data and investment services company and provider of global equity indexes. The following tables show the portfolio composition by industry grouping at cost and at fair value as a percentage of total investments as of June 30, 2016 and December 31, 2015. Our investments in CLO securities and derivative agreements are excluded from the table below. Our investments in

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commercial mortgages and commercial mortgage backed securities are classified in the Real Estate category.

	June 30, 2016	December 31, 2015
<b>Cost</b>		
Capital Markets	17.3%	12.6%
Commercial Services and Supplies	9.4%	12.1%
Life Sciences Tools and Services	8.6%	9.2%
IT Services	7.6%	9.9%
Software	7.3%	4.2%
Household Durables	4.6%	4.1%
Diversified Consumer Services	4.5%	4.5%
Diversified Financial Services	3.7%	3.0%
Professional Services	3.3%	2.7%
Oil, Gas and Consumable Fuels	2.7%	2.3%
Trading Companies and Distributors	2.7%	2.3%
Hotels, Restaurants and Leisure	2.4%	1.4%
Internet Software and Services	2.3%	2.1%
Containers and Packaging	2.3%	1.9%
Health Care Equipment and Supplies	2.0%	2.9%
Aerospace and Defense	2.0%	1.8%
Marine	1.7%	1.5%
Real Estate	1.6%	3.8%
Distributors	0.8%	1.7%
Health Care Providers and Services	%	2.0%
Independent Power and Renewable Electricity Producers	%	1.6%
Other	13.2%	12.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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	June 30, 2016	December 31, 2015
<b>Fair Value</b>		
Capital Markets	27.1%	23.4%
Commercial Services and Supplies	8.7%	9.3%
IT Services	7.5%	9.1%
Software	7.2%	4.1%
Life Sciences Tools and Services	7.0%	7.5%
Household Durables	5.4%	4.3%
Diversified Financial Services	3.9%	2.9%
Professional Services	3.3%	2.7%
Trading Companies and Distributors	2.6%	2.2%
Hotels, Restaurants and Leisure	2.3%	1.3%
Containers and Packaging	2.2%	1.8%
Internet Software and Services	2.1%	1.8%
Diversified Consumer Services	1.9%	5.6%
Aerospace and Defense	1.8%	1.6%
Oil, Gas and Consumable Fuels	1.8%	1.8%
Real Estate	1.3%	3.3%
Health Care Equipment and Supplies	1.0%	1.5%
Distributors	0.8%	1.9%
Health Care Providers and Services	%	2.2%
Independent Power and Renewable Electricity Producers	%	1.9%
Other	12.1%	9.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Note 5. Borrowings**

Our borrowings, net of deferred financing costs, consisted of the following as of June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Secured revolving credit facility due August 2016, \$250 million commitment	\$	\$ 167
Secured revolving credit facility due March 2017, \$100 million commitment		272
Secured revolving credit facility due October 2016, \$500 million commitment		33
Secured term loan due August 2017, net of discount	438	437
Unsecured Private Notes due September 2018, net of discount	346	344
<b>Total</b>	<b>\$ 784</b>	<b>\$ 1,253</b>

As discussed in Note 1, effective January 1, 2016, debt issuance costs associated with our borrowings, other than our revolving credit facilities, were reclassified as a direct deduction from the carrying amount of the related borrowing.

The daily weighted average debt balance, excluding deferred financing costs and discounts, for the three and six months ended June 30, 2016 was \$864 million and \$938 million, respectively, compared to \$2,197 million and \$2,025 million, respectively, for the comparable periods in 2015. The weighted average interest rate on all of our borrowings, including amortization and write-off of deferred financing costs and discounts, for the three and six months ended June 30, 2016 was 7.3% and 6.5%, respectively, compared to 3.7% and 3.6%, respectively, for the comparable periods in 2015. The weighted average interest rate on all of our borrowings, excluding amortization of deferred financing

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costs and discounts, for the three and six months ended June 30, 2016 was 4.9% and 4.7%, respectively, compared to 3.1% and 3.1%, respectively, for the comparable periods in 2015. The weighted average interest rate on all of our borrowings, excluding deferred financing costs and discounts, as of June 30, 2016 and December 31, 2015 was 4.8% and 4.0%, respectively.

As of June 30, 2016 and December 31, 2015, the aggregate fair value of our borrowings, excluding deferred financing costs and discounts, was \$797 million and \$1,273 million, respectively. The fair values of our borrowings are determined in accordance with ASC 820, which defines fair value in terms of the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions, and are measured using Level 3 inputs for our debt as of June 30, 2016 and December 31, 2015. It assumes that the liability is transferred to a market participant at the measurement date and that the nonperformance risk relating to that liability is the same before and after the transfer. Nonperformance risk refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred. The fair value of our borrowings is valued at the closing market quotes as of the measurement date or estimated based upon market interest rates for our own borrowings or entities with similar credit risk, adjusted for nonperformance risk, if any, based on a quantitative and/or qualitative evaluation of our credit risk.

### *Unsecured Private Notes*

On September 20, 2013, we entered into an indenture with U.S. Bank National Association, as Trustee ("Trustee"), relating to the issuance and sale by us of \$350 million in aggregate principal amount of senior unsecured five-year notes ("Private Notes"), for proceeds of \$342 million, net of underwriters' discounts. The Private Notes were sold in a private offering to qualified institutional buyers under Rule 144A and outside of the United States pursuant to Regulation S of the Securities Act of 1933, as amended. The Private Notes have a fixed interest rate of 6.50% and mature in September 2018. Interest payments are due semi-annually on March 15 and September 15 and all principal is due on maturity. The Private Notes are rated B3, BB and BB by Moody's Investor Services, Standard & Poor's Ratings Services and Fitch Ratings, respectively. The indenture contains restrictive covenants that, among other things, limit our ability to: (i) pay dividends or distributions, repurchase equity, prepay junior debt and make certain investments; (ii) incur additional debt and issue certain disqualified stock and preferred stock; (iii) incur certain liens; (iv) merge or consolidate with another company or sell substantially all of our assets; (v) enter into certain transactions with affiliates; and (vi) allow to exist certain restrictions on the ability of our subsidiaries to pay dividends or make other payments to us. The indenture also contains certain customary events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, a cross payment or acceleration default on an aggregate \$50 million or more of other indebtedness, covenant defaults, bankruptcy events and failure to pay judgments. As of June 30, 2016, we were in compliance with all of the covenants under the Private Notes.

On July 1, 2016, we provided notice to the Trustee of our election to redeem all of the Private Notes. The Private Notes will be redeemed on September 15, 2016 (the "Redemption Date") at a redemption price (the "Redemption Price") of 101.625% of the principal amount thereof, plus accrued and unpaid interest on the Private Notes to, but excluding, the Redemption Date. On July 1, 2016, we irrevocably deposited the aggregate Redemption Price plus accrued and unpaid interest required to redeem all of the Private Notes with the Trustee, and have irrevocably instructed the Trustee to apply such amount to the redemption in full of the Private Notes on the Redemption Date. We will record a loss on debt extinguishment of \$10 million as a result of writing off the deferred debt issuance costs and discount in conjunction with repaying the outstanding amounts under the Private Notes at the Redemption Price.

***Secured Term Loan Facility***

On February 26, 2014, we entered into an amendment (the "Amendment") to the amended secured term loan facility under our Senior Secured Term Loan Credit Agreement, dated as of August 23, 2013, with the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (the "Secured Term Loan Facility").

The Amendment reduced the interest rate on the Secured Term Loan Facility, which had an outstanding principal balance of \$450 million as of the closing date, from LIBOR plus 3.00%, with a LIBOR floor of 1.00%, to LIBOR plus 2.75%, with a LIBOR floor of 0.75%. The Amendment also extended the Secured Term Loan Facility's maturity date by one year to August 2017.

In accordance with FASB ASC Subtopic No. 470-50, *Modifications and Extinguishments*, \$447 million of debt exchanged with the same lenders met the criterion for and was accounted as a modification of debt. Existing unamortized deferred financing costs and discount attributable to the modification of the Secured Term Loan Facility of \$9 million will be amortized into interest expense over the life of the Secured Term Loan Facility using the effective interest method, while fees paid to other third-party advisors of \$1 million were expensed.

As of June 30, 2016, the interest rate on our Secured Term Loan Facility was 3.50%. The Secured Term Loan Facility contains various events of default, including but not limited to those relating to the failure to make principal or interest payments on such debt, an event of default under the \$250 Million Revolving Credit Facility, a cross default on an aggregate \$50 million or more of certain other indebtedness, the breach of representations or covenants, bankruptcy events, the failure to conduct our asset management business through ACAM, a change in control and the failure to pay judgments. As of June 30, 2016, we were in compliance with all of the covenants under the Secured Term Loan Facility.

On July 1, 2016, we terminated the Secured Term Loan Facility. The outstanding balance under the Secured Term Loan Facility was repaid in full in connection with the termination. We did not incur any early termination fees or penalties as a result of the termination of the Secured Term Loan Facility, which was effective on July 1, 2016. We will record a loss on debt extinguishment of \$3 million as a result of writing off the deferred debt issuance costs and discount.

***\$250 Million Revolving Credit Facility***

On August 22, 2012, we obtained a four-year \$250 million secured revolving credit facility (the "\$250 Million Revolving Credit Facility"), which bore interest at a rate per annum equal to LIBOR plus 3.75%.

On August 22, 2015, the commitments under the \$250 Million Revolving Credit Facility terminated. As a result, the outstanding balance under the \$250 Million Revolving Credit Facility was repayable ratably over the final 12 months until the maturity date on August 22, 2016. On June 22, 2016, the \$250 Million Revolving Credit Facility was repaid in full and terminated.

***\$1.25 Billion Revolving Credit Facility***

On June 27, 2014, ACAS Funding I, LLC, a wholly-owned financing subsidiary, obtained a \$750 million secured revolving credit facility with Bank of America, N.A. On March 6, 2015, the commitments under the existing \$750 million secured revolving credit facility were increased by \$500 million to \$1.25 billion (the "\$1.25 Billion Revolving Credit Facility"). In addition to the commitment increase, the maturity date of the facility was extended to March 6, 2017. On December 11, 2015, we amended certain covenants to permit ACAS Funding I, LLC to distribute back to us the remaining proceeds from its senior floating rate loan portfolio sales while settling any associated liabilities. In addition, commencing on December 27, 2015, the commitments under the

facility were reduced to the greater of total debt outstanding or \$100 million. On June 9, 2016, the \$1.25 Billion Revolving Credit Facility was terminated. We recorded interest expense of \$4 million as a result of writing off the deferred debt issuance costs.

***\$500 Million Revolving Credit Facility***

On October 30, 2014, ACAS Funding II, LLC, a wholly-owned financing subsidiary, obtained a \$500 million secured revolving credit facility (the "\$500 Million Revolving Credit Facility"), with Deutsche Bank AG. The \$500 Million Revolving Credit Facility was scheduled to mature in October 2016 and had an interest rate per annum equal to LIBOR plus 1.60%. On December 14, 2015, we amended certain covenants in the facility to permit ACAS Funding II, LLC to distribute back to us the remaining proceeds from its senior floating rate loan portfolio sales while settling any associated liabilities. On January 6, 2016, the \$500 Million Revolving Credit Facility was repaid in full and terminated. We recorded interest expense of \$1 million as a result of writing off the deferred debt issuance costs.

**Note 6. Stock Options**

We have stock option plans which provide for the granting of options to employees and non-employee directors to purchase shares of common stock at a price of not less than the fair market value of the common stock on the date of grant. Stock options granted under the employee stock option plans vest over either a three or five year period and may be exercised for a period of no more than ten years from the date of grant. Options granted under these plans may be either incentive stock options within the meaning of Section 422 of the Code or non-qualified stock options. As required by the 1940 Act, we are restricted from issuing awards to our employees and non-employee directors to the extent that the amount of voting securities that would result from the exercise of all such awards at the time of issuance exceeds 20% of our outstanding voting securities. As of June 30, 2016, there were 3.6 million shares available to be granted under the employee stock option plans and in accordance with the 1940 Act restrictions.

Our shareholders approved non-employee director stock option plans in 1998, 2000, 2006, 2007, 2008, 2009 and 2010 and we subsequently received orders from the SEC authorizing such plans. Stock options granted under the non-employee director stock option plans are non-qualified stock options that vest over a three year period and may be exercised for a period of no more than ten years from the date of grant. As of June 30, 2016, there were no shares available to be granted under the non-employee director stock option plans. No employee or non-employee director stock options were granted during the three and six months ended June 30, 2016 and 2015.

During the first quarter of 2014, we concluded that our Chief Executive Officer had been granted stock options in excess of the individual employee limits established in certain of our stock option plans. These stock option grants were made during fiscal years 2010, 2011 and 2012. As a result, the stock option grants in excess of the individual limits in any stock option plan have been considered null and void. The communication of the voided stock option grants to our Chief Executive Officer resulted in a financial obligation under U.S. GAAP to provide equity compensation commensurate with the terms of the voided stock option grants in return for services to be performed by our Chief Executive Officer during the option vesting periods. During the second quarter of 2014, pursuant to the Deferred Plan, an award of \$10 million was granted to our Chief Executive Officer that partially settled this financial obligation. During the first quarter of 2015, an award of \$7 million was granted to our Chief Executive Officer that settled the remainder of this financial obligation. These grants were funded with shares of common stock from the Trust that had previously been forfeited by former employees prior to being fully vested in their shares.

Due to changes in the composition of our investment portfolio and market conditions, we conducted strategic reviews of our business which resulted in workforce reductions of our employees. In conjunction with the restructuring, the vesting of any unvested stock options held by impacted employees as of the date of their separation was accelerated, and the employees were given a period of up to one year from their separation date, or less if the expiration of the option was within one year from their separation date, to exercise all outstanding options. During the six months ended June 30, 2016 and 2015, in accordance with FASB ASC Topic 718, *Compensation-Stock Compensation*, the acceleration of 0.8 million and 1.0 million, respectively, of unvested stock options was accounted for as a modification and resulted in additional stock-based compensation expense of approximately \$2 million and \$4 million, respectively, related to additional workforce reductions.

During the three and six months ended June 30, 2016, we recorded stock-based compensation expense attributable to our stock options of \$3 million and \$8 million, respectively. During the three and six months ended June 30, 2015, we recorded stock-based compensation expense attributable to our stock options of \$5 million and \$10 million, respectively. Stock-based compensation expense was recognized only for options expected to vest, using an estimated forfeiture rate based on historical experience.

#### **Note 7. Deferred Compensation Plan**

We have a non-qualified deferred compensation plan (the "Deferred Plan") for the purpose of granting cash bonus awards to our employees. The Compensation, Corporate Governance and Nominating Committee is the administrator of the Deferred Plan. The Deferred Plan is funded through a trust (the "Trust") which is administered by a third-party trustee. The Compensation, Corporate Governance and Nominating Committee determines cash bonus awards to be granted under the Deferred Plan and the terms of such awards, including vesting schedules. The cash bonus awards are invested by the Trust in our common stock by purchasing shares in the open market. Awards vest contingent on the employee's continued employment or the achievement of performance goals, if any, as determined by the Compensation, Corporate Governance and Nominating Committee. The Trust provides certain protections of its assets from events other than claims against our assets in the case of bankruptcy. The assets and liabilities of the Trust are consolidated in the accompanying consolidated financial statements. Shares of our common stock held by the Trust are accounted for as treasury stock in the accompanying consolidated balance sheets.

The Deferred Plan does not permit diversification and the cash bonus awards must be settled by the delivery of a fixed number of shares of our common stock. The awards under the Deferred Plan are accounted for as grants of unvested stock. We record stock-based compensation expense based on the fair market value of our stock on the date of grant. The compensation cost for awards with service conditions is recognized using the straight-line attribution method over the requisite service period. The compensation cost for bonus awards with performance and service conditions is recognized using the accelerated attribution method over the requisite service period. During the three and six months ended June 30, 2016, there were no grants under the Deferred Plan. During the six months ended June 30, 2015, cash bonus awards of \$10 million were granted under the Deferred Plan.

As discussed in Note 6, during the first quarter of 2014, we concluded that our Chief Executive Officer had been granted \$2.6 million of cash bonus awards in fiscal year 2007 in excess of the annual individual employee limit established in the Deferred Plan. As a result, the \$2.6 million of cash bonus awards have been considered null and void. The communication of the \$2.6 million of excess cash bonus awards to our Chief Executive Officer resulted in a financial obligation under U.S. GAAP to provide equity compensation commensurate with the terms of the cash bonus awards in return for services to be performed by our Chief Executive Officer during the award vesting period. During the second quarter of 2014, pursuant to the Deferred Plan, an award of \$10 million was granted to our Chief Executive Officer that partially settled this financial obligation. During the first quarter of 2015,

an award of \$7 million was granted to our Chief Executive Officer that settled the remainder of this financial obligation. These grants were funded with shares of common stock from the Trust that had previously been forfeited by former employees prior to being fully vested in their shares.

During the three and six months ended June 30, 2016, we recorded stock-based compensation expense of \$1 million and \$3 million, respectively, attributable to the Deferred Plan. During the three and six months ended June 30, 2015, we recorded stock-based compensation expense of \$2 million and \$5 million, respectively, attributable to the Deferred Plan.

#### ***Long Term Incentive Plan Liability***

European Capital has issued restricted mandatorily redeemable preferred shares ("Redeemable Preferred Shares") to participating employees of subsidiary companies of its manager, European Capital Asset Management Limited ("ECAM"), a wholly owned subsidiary of ACAM, under Long Term Incentive Plans (the "Plans") for an issue price determined at the time of issuance. The Plans have a 5-year vesting period. The Redeemable Preferred Shares are subdivided into subclasses of shares. The redemption value of each sub-class of Redeemable Preferred Shares is calculated using a predetermined formula and is based on the net liquidity proceeds, as defined in the Plans, on the exit of specifically referenced investments of European Capital in excess of certain hurdle rates. The Plans have annual calculation and redemption dates through December 31, 2018 and March 1, 2019, respectively, for sub-classes A, B and C and December 31, 2023 and March 1, 2024, respectively, for sub-classes D, E and F. Redeemable Preferred Shares related to specifically referenced investments not exited at the final annual calculation dates will be redeemed after the receipt of subsequent net liquidity proceeds or, if specifically referenced investments that remain outstanding on January 1, 2020 for sub-classes A, B and C and January 1, 2025 for sub-classes D, E and F, will be redeemed based on the realizable value of the remaining referenced investments. European Capital elected to recognize the Redeemable Preferred Shares at fair value in accordance with FASB ASC Topic 825, *Financial Instruments*.

The holders of the Redeemable Preferred Shares have no rights to participate in or receive notice of any general meeting of European Capital and the shares are generally not transferable. The Redeemable Preferred Shares have no rights to receive dividends. During the six months ended June 30, 2016 and 2015, a portion of the Redeemable Preferred Shares were redeemed and European Capital realized losses of \$12 million and \$46 million, respectively, associated with the redemptions, which was fully offset by reversals of unrealized depreciation of \$12 million and \$46 million, respectively, which is included in net realized gain (loss) and net unrealized (depreciation) appreciation in our consolidated statements of operations.

The fair value of the Redeemable Preferred Shares as of June 30, 2016 and December 31, 2015 is calculated using the net present value of the estimated future cash flows of the underlying European Capital investments with discounts applied for equity risk, liquidity risk, credit risk, minority interests, lack of marketability and a forfeiture rate. The fair value of the Redeemable Preferred Shares as of June 30, 2016 and December 31, 2015 was \$32 million and \$34 million, respectively. The fair value of the underlying European Capital investments as of June 30, 2016 and December 31, 2015 was \$269 million and \$367 million, respectively.

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There were no shares issued or redeemed for the three months ended June 30, 2016 and 2015. The following tables summarize the number of shares issued and redeemed (in thousands) for the three months ended March 31, 2016 and 2015:

	Class A	Class B	Class C	Class D	Class E	Class F	Total
Balance, December 31, 2015	344	345	491	100	100	100	1,480
Shares Issued							
Shares Redeemed	(69)	(69)	(98)	(10)	(10)	(10)	(266)
Balance, March 31, 2016	275	276	393	90	90	90	1,214

	Class A	Class B	Class C	Class D	Class E	Class F	Total
Balance, December 31, 2014	412	413	589	100	100	100	1,714
Shares Issued							
Shares Redeemed	(68)	(68)	(98)				(234)
Balance, March 31, 2015	344	345	491	100	100	100	1,480

### Note 8. Net Operating Income and Net Earnings Per Common Share

The following table sets forth the computation of basic and diluted net operating income and net earnings per common share for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator for basic and diluted net operating income per common share	\$ 46	\$ 67	\$ 120	\$ 117
Numerator for basic and diluted net earnings per common share	\$ 106	\$ 62	\$ 26	\$ 77
Denominator for basic weighted average common shares	216.6	272.4	225.8	271.8
Employee stock options and awards	10.1	11.0	5.0	11.4
Denominator for diluted weighted average common shares	226.7	283.4	230.8	283.2
Basic net operating income per common share	\$ 0.21	\$ 0.25	\$ 0.53	\$ 0.43
Diluted net operating income per common share	\$ 0.20	\$ 0.24	\$ 0.52	\$ 0.41
Basic net earnings per common share	\$ 0.49	\$ 0.23	\$ 0.12	\$ 0.28
Diluted net earnings per common share	\$ 0.47	\$ 0.22	\$ 0.11	\$ 0.27

In accordance with the provisions of FASB ASC Topic 260, *Earnings per Share*, basic earnings per share ("EPS") is computed by dividing earnings available to common shareholders by the weighted average number of shares outstanding during the period. Other potentially dilutive common shares, and the related impact to earnings, are considered when calculating EPS on a diluted basis.

In computing diluted EPS, only potential common shares that are dilutive, those that reduce EPS or increase loss per share, are included. The effect of stock options, unvested employee stock awards and contingently issuable shares are not included if the result would be anti-dilutive, such as when a net loss is reported.

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Stock options and unvested shares under our deferred compensation plan of 3.7 million and 18.1 million for the three and six months ended June 30, 2016, respectively, and 5.3 million and 6.0 million for the three and six months ended June 30, 2015, respectively, were not included in the computation of diluted EPS either because the respective exercise or grant prices are greater than the

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average market value of the underlying stock or their inclusion would have been anti-dilutive, as determined using the treasury stock method.

#### Note 9. Shareholders' Equity

Our common stock activity for the six months ended June 30, 2016 and 2015 was as follows:

	Six Months Ended June 30,	
	2016	2015
Common stock outstanding at beginning of period	242.6	266.9
Issuance of common stock under stock option plans	1.5	7.7
Repurchase of common stock	(32.7)	(6.5)
Distribution of common stock held in deferred compensation trust	1.3	
Common stock outstanding at end of period	212.7	268.1

#### Share Repurchase Program

Our Board of Directors authorized the purchase of \$600 million to \$1 billion of common stock through June 30, 2016 at prices per share below 85% of our most recent quarterly NAV per share, subject to certain conditions. We entered into a Rule 10b5-1 trading plan to undertake accretive share repurchases on a non-discretionary basis up to the \$1 billion limit. On May 16, 2016, our Board of Directors suspended the share repurchase program for an indefinite period, and under the May 23, 2016 Agreement and Plan of Merger (the "Merger Agreement") with Ares Capital Corporation, a Maryland corporation ("Ares Capital") and certain of its affiliates described in Note 15 below, we agreed to make no further repurchases of our common stock.

During the three and six months ended June 30, 2016, we repurchased a total of 11.5 million and 32.7 million shares, respectively, of our common stock in the open market for \$180 million and \$477 million, respectively, at an average price of \$15.74 per share and \$14.58 per share, respectively. During the three months ended June 30, 2015, we repurchased a total of 6.5 million shares of our common stock in the open market for \$93 million at an average price of \$14.32 per share.

#### Note 10. Income Taxes

As a taxable corporation under Subchapter C of the Code, we are subject to federal and applicable state corporate income taxes on our taxable ordinary income and capital gains. However, we estimate that for income tax purposes, we had net operating loss carryforwards as of June 30, 2016. Our tax fiscal year ends on September 30.

We file a consolidated federal income tax return with eligible corporate subsidiaries, including portfolio companies in which we hold 80% or more of the outstanding equity interest measured by both vote and fair value. As a result, we have entered into a tax sharing agreement under which members of the consolidated tax group are compensated for losses and other tax benefits by members that are able to use those losses and tax benefits on their pro forma stand-alone federal income tax return.

As of June 30, 2016, our deferred tax asset was \$564 million, our deferred tax liability was \$37 million, our valuation allowance was \$292 million and our net deferred tax asset was \$235 million.

We estimate the expected tax character of recognition of the reversal of the timing differences that give rise to the deferred tax assets and liabilities as either ordinary or capital income. However, the ultimate tax character of the deferred tax asset or liability may change from our estimated classification based on the ultimate form of recognition of the timing difference. As of June 30, 2016, we believe that

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it is more likely than not that we will have future ordinary income to realize the majority of our ordinary deferred tax assets and therefore did not record a valuation allowance against these ordinary deferred tax assets except for a significant portion of our net operating losses ("NOL") generated in New York City which will expire unutilized and the basis differences of the company's investment in European Capital. As of June 30, 2016, we have recorded a \$12 million valuation allowance against a \$13 million deferred tax asset related to \$144 million of NOLs generated in New York City and \$166 million valuation allowance against a \$170 million deferred tax asset related to the basis differences from our investment in European Capital.

We continue to maintain a valuation allowance against a significant portion of our capital deferred tax assets. We believe that it is more likely than not that we will be able to utilize \$58 million of our capital deferred tax assets as of June 30, 2016 and we have established a partial valuation allowance of \$104 million against certain capital deferred tax assets. We recognized a cumulative tax benefit of \$58 million associated with a decrease in the valuation allowance against our capital deferred tax assets associated with unrealized losses on equity investments treated as capital for tax purposes as of June 30, 2016.

We continue to assess our ability to realize our existing capital deferred tax assets. We believe that due to the recent decision to sell certain investments, these investments that had previously been determined to be long-lived assets will provide a source of taxable income to realize certain capital deferred tax assets. As such, we believe it is more likely than not that we will be able to utilize a portion of our capital deferred tax assets associated with taxable income from the sale of these investments.

Assessing the recoverability of a deferred tax asset requires management to make estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from investments and operations, the character of expected income or loss as either capital or ordinary, and the application of existing tax laws in each jurisdiction. To the extent that future cash flows or the amount or character of taxable income differ significantly from these estimates, our ability to realize the deferred tax assets could be impacted.

Effective January 1, 2016, we elected to early adopt the provisions of ASU 2016-09. The cumulative effect of the adoption was an increase to the beginning balance of shareholders' equity of \$16 million due to the recognition of a deferred tax asset for excess tax benefits associated with the share based compensation that was unrecorded in previous tax years. The deferred tax asset is ordinary in nature and we believe that it is more likely than not that we will have future sufficient ordinary income to utilize the deferred tax asset. Therefore, we did not establish a valuation allowance against this portion of the ordinary deferred tax asset.

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A reconciliation of the provision for income taxes computed at the U.S. federal statutory corporate income tax rate and our effective tax rate for the three and six months ended June 30, 2016 and 2015 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Tax on net earnings computed at federal statutory tax rate	\$ 28	\$ 28	\$ 1	\$ 55
State taxes, net of federal tax benefit	7	3	2	6
Valuation allowance	(59)	(17)	(10)	(38)
Change in state tax rate		8		8
Dividends received deduction	(1)	(2)	(7)	(3)
Tax basis difference in consolidated members	(2)		(5)	
Earnings of European Capital		(8)	(9)	10
Gain on tax consolidation of portfolio companies	3		4	
Capital gain on tax deconsolidation of subsidiary				35
Other	(2)	6	2	6
<b>Total (benefit) provision for income taxes</b>	<b>\$ (26)</b>	<b>\$ 18</b>	<b>\$ (22)</b>	<b>\$ 79</b>

We recognize tax benefits of uncertain tax positions only when the position is more likely than not to be sustained assuming examination by tax authorities. There has been no change in the amount of unrecognized tax benefits as of December 31, 2015. We do not reasonably expect any material changes to the unrecognized tax benefits within the next twelve months.

### Note 11. Commitments and Contingencies

In the normal course of business, we enter into contractual agreements that facilitate transactions or provide general indemnifications against losses, costs, claims and liabilities arising from the performance of our obligations under such agreements. We have not had any claims nor made any payments pursuant to such agreements. We cannot estimate the maximum potential exposure under these arrangements as this would involve future claims that may be made against us that have not yet occurred. However, based on our experience, we expect the risk of any material loss to us to be remote.

We are a party to certain legal proceedings incidental to the normal course of our business, including the enforcement of our rights under contracts with our portfolio companies. While the outcome of these legal proceedings cannot at this time be predicted with certainty, we do not expect that these proceedings will have a material effect on our financial condition or results of operations.

### *Loan and Financing Agreements*

As of June 30, 2016, we had commitments under loan and financing agreements to fund up to \$134 million to 17 portfolio companies. These commitments are primarily composed of working capital credit facilities, acquisition credit facilities and subscription agreements. The commitments are generally subject to the borrowers meeting certain criteria such as compliance with covenants and availability under borrowing base thresholds. The terms of the borrowings and financings subject to commitment are comparable to the terms of other loan and equity securities in our portfolio. As of June 30, 2016, European Capital and its affiliates had commitments of \$55 million to fund European Capital UK SME Debt LP and \$85 million to fund European Capital Private Debt LP ("ECAS Private Debt"). In addition, as of June 30, 2016, ACAM had a commitment of \$112 million to American Capital Equity III, LP, which is expected to be funded by an equity investment from American Capital. See

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Note 13 to our interim consolidated financial statements included in this Form 10-Q for further discussion of ACAM's American Capital Equity III, LP's commitment.

### Note 12. Significant Subsidiaries

We have determined that for the six months ended June 30, 2016, certain of our unconsolidated portfolio companies have met the conditions of a significant subsidiary under Rule 1-02(w) of Regulation S-X. Accordingly, pursuant to Rule 10-01(b)(1) of Regulation S-X, aggregate summarized income statement information for the six months ended June 30, 2016 and 2015 has been included as follows:

	Six Months Ended June 30,	
	2016	2015
Total revenue	\$ 1,154	\$ 1,132
Total operating expenses	\$ 1,044	\$ 1,003
Net operating income	\$ 110	\$ 129
Net income	\$ 75	\$ 186

### Note 13. Asset Sales

ECAS Private Debt is a private debt fund that closed during the second quarter of 2015 with €318 million of capital commitments, of which €165 million was committed by European Capital and its affiliates. The ECAS Private Debt fund provides debt financing to mid-market companies in Europe, primarily through unitranche, second lien and mezzanine financing, with secondary purchases of senior loans on an opportunistic basis. During the fourth quarter of 2015, the ECAS Private Debt fund had an additional closing of €69 million which increased the total capital commitments to €387 million. Upon its final closing in April 2016, the ECAS Private Debt fund raised an additional €86 million which increased the investment capacity of the fund to €473 million. The fund will have a three year investment period and a subsidiary of ACAM manages the ECAS Private Debt fund for an annual management fee of 1.50% on deployed capital and up to a 15% carried interest, subject to certain hurdles. The ECAS Private Debt fund will be dissolved on March 19, 2025, unless extended. In April 2015, European Capital sold €162 million (\$175 million) of investments at their approximate fair value in 9 portfolio companies to the ECAS Private Debt fund. European Capital received €158 million (\$170 million) for the sale of these assets and recognized a realized loss of €4 million (\$5 million). As of June 30, 2016, European Capital's investment in the ECAS Private Debt fund had a cost basis and fair value of \$98 million and \$102 million, respectively. As of June 30, 2016, European Capital had an unfunded commitment of €77 million (\$85 million) to the ECAS Private Debt fund.

On April 28, 2014, we completed a \$1.1 billion private placement of partnership interests in American Capital Equity III, LP ("ACE III" or "the Fund"), a new private equity fund focused on investing in U.S. companies in the lower middle market. Concurrent with the private placement, we entered into a Contribution and Redemption Agreement with the Fund pursuant to which we agreed to contribute 100% of our equity and equity-related investments in seven portfolio companies to the Fund and to provide the Fund with an option to acquire our equity investment in WRH, Inc. (the "Equity Option"), in exchange for partnership interests in the Fund. Collectively, the eight portfolio companies (including WRH, Inc., assuming the Equity Option is exercised) comprise the Secondary Portfolio for ACE III. On April 1, 2015, the Equity Option was exercised by the Fund for the exercise price of \$24 million. The Fund's aggregate \$1.1 billion capital commitment includes a commitment of \$200 million from ACAM for Primary Investments, of which \$112 million was undrawn as of June 30, 2016.

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**Note 14. Related Party Transactions**

As a BDC, we are required by law to make available significant managerial assistance to our eligible portfolio companies. Such assistance typically involves providing guidance and counsel concerning the management, operations and business objectives and policies of the portfolio company to its management and board of directors, including participating on the company's board of directors. As of June 30, 2016, we had board seats on 22 companies in our investment portfolio. Providing assistance to the companies in our investment portfolio serves as an opportunity for us to maximize their value.

The following table shows the operating revenue from our control investments, as defined under the 1940 Act for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Operating Revenue Control Investments</b>				
Interest and dividend income	\$ 67	\$ 66	\$ 157	\$ 126
Fee income	\$ 15	\$ 14	\$ 25	\$ 28

***American Capital Asset Management***

Our fund management business is conducted through ACAM. In general, ACAM provides investment management services through consolidated subsidiaries that enter into management agreements with each of its managed funds. In addition, American Capital or ACAM may invest directly into these funds and earn investment income from its investments in those funds. Under the management agreements, ACAM's responsibilities include, but are not limited to, sourcing, analyzing and executing investments and asset sales, delivering financial and compliance reports to investors in the funds under management, administering the daily business and affairs of the funds under management and performing other asset management duties. We have entered into service agreements with ACAM to provide it with additional asset management and administrative services support. Through these agreements, we provide investment advisory and oversight services to ACAM, as well as access to our employees, infrastructure, business relationships, management expertise and capital raising capabilities. During the three and six months ended June 30, 2016, we recognized operating revenues from our investment in ACAM of \$37 million and \$71 million, respectively, and \$36 million and \$69 million, respectively, for the comparable periods in 2015. During the three and six months ended June 30, 2016, we received an additional \$5 million and \$6 million, respectively, of dividends from ACAM, which were recorded as a reduction to the cost basis of our investment in ACAM and \$3 million and \$6 million, respectively, for the comparable periods in 2015.

During the first quarter of 2016, we transferred to ACAM 100% of our equity investments in ACEI Singapore Holdings Private LTD, BMR Energy LLC, Hollyhock Limited and Taiba Wind Energy, LLC. As of December 31, 2015, the cost basis and fair value of these transferred investments was \$77 million and \$94 million, respectively. As of June 30, 2016, the cost basis and fair value of these transferred investments was \$80 million and \$90 million, respectively.

***European Capital***

As discussed in Note 1 to these consolidated financial statements, we consolidated our investment in European Capital effective October 1, 2014. ACAM, through its subsidiary, ECAM, acts as the investment manager to European Capital. Under ACAM's investment management agreement with European Capital, ACAM is entitled to receive an annual management fee of 2% of the weighted average monthly consolidated gross asset value of all the investments at fair value of European Capital,

an incentive fee equal to 100% of the net earnings in excess of a return of 8% but less than a return of 10%, and 20% of the net earnings thereafter. The investment management agreement with European Capital was amended to waive the incentive fee for 2011, 2012, 2013 and 2014. During the first quarter of 2015, the investment management agreement with European Capital was amended to cancel the incentive fee for 2015 and going forward. The management fee charged by ACAM for the three and six months ended June 30, 2016 was \$2 million and \$4 million, respectively, and \$4 million and \$8 million, respectively, for the comparable periods in 2015.

As discussed in Note 7 to these consolidated financial statements, European Capital has issued Redeemable Preferred Shares to employees of ECAM as part of long-term employee incentive plans. These shares are redeemable by European Capital based on the aggregate returns on investments made after January 1, 2012 and are treated as mandatorily redeemable preferred stock in our consolidated balance sheets in accordance with FASB ASC Topic 480, *Distinguishing Liabilities from Equity*. The fair value of the Redeemable Preferred Shares as of June 30, 2016 and December 31, 2015 was \$32 million and \$34 million, respectively. During the six months ended June 30, 2016 and 2015, a portion of the Redeemable Preferred Shares were redeemed and European Capital realized losses of \$12 million and \$46 million, respectively, associated with the redemptions, which was fully offset by reversals of unrealized depreciation of \$12 million and \$46 million, respectively, which is included in net realized gain (loss) and net unrealized (depreciation) appreciation in our consolidated statements of operations.

#### **Note 15. Acquisition of American Capital**

On May 23, 2016, we entered into the Merger Agreement with Ares Capital, under which Ares Capital will acquire American Capital in a cash and stock transaction (the "Acquisition"). As of May 20, 2016, the last full trading day prior to the announcement of the Acquisition, the transaction had an implied value of approximately \$4.0 billion, or \$17.40 per fully diluted share of our common stock. As of June 30, 2016, the transaction had an implied value of approximately \$3.9 billion, or \$16.92 per fully diluted share of our common stock based on the trading price of Ares Capital's common stock.

Upon the completion of the Acquisition, each share of our common stock issued and outstanding immediately prior to the effective time of the Acquisition will be converted into the right to receive from Ares Capital, in accordance with the Merger Agreement, (i) \$6.41 per share in cash consideration, (ii) stock consideration at the fixed exchange ratio of 0.483 shares, par value \$0.001 per share, of Ares Capital's common stock (subject to certain limited exceptions) (the "Exchange Ratio") and (iii) (A) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the fourth quarter of 2016, 37.5% of the Exchange Ratio times Ares Capital's dividend for such quarter, plus (B) if the closing occurs after the record date with respect to Ares Capital's dividend payable with respect to the first quarter of 2017, 75% of the Exchange Ratio times Ares Capital's dividend for such quarter, plus (C) if the closing occurs after the record date with respect to Ares Capital's dividend for any subsequent quarter, 100% of the Exchange Ratio times Ares Capital's dividend for such quarter. The Exchange Ratio was fixed on the date of the Merger Agreement, and is not subject to adjustment based on changes in the trading price of Ares Capital's or American Capital's common stock before the closing of the transaction. Based on the fully diluted number of shares of our common stock outstanding on the date of the Merger Agreement, the above would result in approximately 110.8 million of Ares Capital's shares being exchanged for approximately 229.3 million outstanding shares of our common stock, subject to adjustment in certain limited circumstances.

Additionally, in accordance with the Merger Agreement, each share of our common stock issued and outstanding immediately prior to the effective time of the transaction will have the right to receive (i) \$275 million of cash consideration, or \$1.20 per share of American Capital's common stock and (ii) \$2.45 per share in cash, or \$562 million, which amount represents the per share cash consideration

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paid to American Capital pursuant to the sale of American Capital Mortgage Management, LLC ("ACMM"), a wholly owned subsidiary of ACAM to American Capital Agency Corp. ("AGNC").

The completion of the transaction is subject to certain conditions, including, among others, our stockholder approval, Ares Capital stockholder approval, required regulatory approvals, receipt of certain third-party consents, including third-party consents from certain funds managed by ACAM and its subsidiaries representing at least 75% of the aggregate assets under management of all such funds as of March 31, 2016 and other customary closing conditions. While there can be no assurances as to the exact timing, or that the transaction will be completed at all, Ares Capital has indicated that it expects to complete the transaction as early as the first week of January 2017.

Additionally, on May 23, 2016, Ares Capital entered into an agreement with Ares Capital Management LLC, its investment adviser (the "Transaction Support Agreement") in connection with the Acquisition. Under the terms of the Transaction Support Agreement, Ares Capital's investment adviser will (i) provide \$275 million of cash consideration, or \$1.20 per share of American Capital's common stock (as referenced above), payable to American Capital stockholders in accordance with the terms and conditions set forth in the Merger Agreement at closing and (ii) waive, for each of the first ten calendar quarters beginning with the first full calendar quarter after the closing of the Acquisition, the lesser of \$10 million of income based fees and the amount of income based fees for such quarter, in each case, to the extent earned and payable by Ares Capital in such quarter pursuant to and as calculated under Ares Capital's investment advisory and management agreement. The financial support contemplated by the Transaction Support Agreement is conditioned upon completion of the Acquisition, which is subject to the closing conditions described above.

### *Sale of American Capital Mortgage Management, LLC*

Concurrently with the execution of the Merger Agreement, on May 23, 2016, we entered into a Purchase and Sale Agreement (the "Mortgage Manager Purchase Agreement") with ACAM, ACMM and AGNC. ACMM is the parent company of both American Capital AGNC Management, LLC, the external manager of AGNC, and American Capital MTGE Management, LLC, the external manager of American Capital Mortgage Investment Corp. Immediately prior to the closing, as defined in the Mortgage Manager Purchase Agreement, our \$35 million debt investment in ACMM was settled by ACMM in connection with an equity contribution from ACAM to ACMM. On July 1, 2016, pursuant to the terms of the Mortgage Manager Purchase Agreement, AGNC acquired from ACAM all of the issued and outstanding limited liability company interests in ACMM for a purchase price of \$562 million, or \$2.45 per diluted share.

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**AGREEMENT AND PLAN OF MERGER**

By and Among

ARES CAPITAL CORPORATION,

ORION ACQUISITION SUB, INC.,

AMERICAN CAPITAL, LTD.,

AMERICAN CAPITAL ASSET MANAGEMENT, LLC,

IVY HILL ASSET MANAGEMENT, L.P.,

IVY HILL ASSET MANAGEMENT GP, LLC,  
in its capacity as general partner of Ivy Hill Asset Management, L.P.,

and,

solely for purposes of Section 2.2(a)(ii)(B), Section 2.3(a)(iii), Section 4.29, Section 4.30, Section 7.4 and Article VIII,

ARES CAPITAL MANAGEMENT LLC,  
in its capacity as Ares Capital Corporation's investment adviser

Dated as of May 23, 2016

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THIS AGREEMENT AND PLAN OF MERGER, dated as of May 23, 2016 (this "**Agreement**"), is made by and among Ares Capital Corporation, a Maryland corporation ("**Parent**"), Orion Acquisition Sub, Inc., a Delaware corporation and a direct wholly owned Subsidiary of Parent ("**Acquisition Sub**"), Ivy Hill Asset Management, L.P., a Delaware limited partnership ("**IHAM**"), Ivy Hill Asset Management GP, LLC, a Delaware limited liability company, in its capacity as general partner of IHAM ("**IHAM GP**"), American Capital, Ltd., a Delaware corporation (the "**Company**"), American Capital Asset Management, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("**Subsidiary Adviser**"), and, solely for purposes of Section 2.2(a)(ii)(B), Section 2.3(a)(iii), Section 4.29, Section 4.30, Section 7.4 and Article VIII, Ares Capital Management LLC, a Delaware limited liability company (the "**Parent External Adviser**"), in its capacity as Parent's investment adviser. Defined terms used in this Agreement have the respective meanings ascribed to them by definition in this Agreement or in Appendix A.

### WITNESSETH:

WHEREAS, the respective boards of directors of Parent, Acquisition Sub and the Company, have unanimously approved the acquisition of the Company by Parent upon the terms and subject to the conditions and limitations set forth in this Agreement.

WHEREAS, the board of directors of the Company (the "**Company Board**") and the board of managers of Subsidiary Adviser have unanimously approved and declared advisable, and the board of directors of Parent (the "**Parent Board**"), Parent, as the sole stockholder of Acquisition Sub, and IHAM GP, as the general partner of IHAM, have approved or adopted this Agreement and the transactions contemplated hereby, including (a) the merger of Subsidiary Adviser with and into IHAM, with IHAM surviving as a wholly owned subsidiary of Parent (the "**Adviser Merger**"), and (b) the merger of Acquisition Sub with and into the Company, with the Company surviving as a wholly owned Subsidiary of Parent (the "**Company Merger**" and, together with the Adviser Merger, the "**Mergers**"), in each case upon the terms and subject to the conditions and limitations set forth in this Agreement and in accordance with the Revised Uniform Limited Partnership Act of the State of Delaware ("**LP Act**") and the General Corporation Law of the State of Delaware (the "**DGCL**"), as applicable.

WHEREAS, the Company Board has, subject to Section 5.3(b) and Section 5.6, unanimously resolved to recommend that the Company's stockholders approve the adoption of this Agreement.

WHEREAS, the Parent Board has, subject to Section 5.3(c) and Section 5.6, unanimously resolved to recommend that Parent's stockholders approve the issuance of shares of Parent common stock, par value \$0.001 per share (the "**Parent Common Stock**"), in connection with the Company Merger (the "**Parent Stock Issuance**").

WHEREAS, (a) to induce Parent to enter into this Agreement and cause the Mergers to be consummated, (i) certain stockholders of the Company are executing support agreements in favor of Parent concurrently with the execution of this Agreement (the "**Company Support Agreements**") and (ii) Elliott Associates, L.P. and Elliott International, L.P. are executing a support agreement in favor of Parent concurrently with the execution of this Agreement (the "**Elliott Support Agreement**") and (b) to induce the Company to enter into this Agreement and cause the Mergers to be consummated, certain stockholders of the Parent are executing support agreements in favor of the Company concurrently with the execution of this Agreement (the "**Parent Support Agreements**").

WHEREAS, for United States federal income Tax purposes, the parties intend that receipt of the Merger Consideration by the Company's stockholders will qualify for the Intended Tax Treatment.

WHEREAS, (a) American Capital Mortgage Management, LLC, a Delaware limited liability company and an indirect wholly owned Subsidiary of the Company ("**Mortgage Manager**"), through its Subsidiaries, provides investment management services to each of American Capital Mortgage

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Investment Corp., a Maryland corporation ("**MTGE REIT**"), and American Capital Agency Corp., a Delaware corporation ("**Mortgage Manager Buyer**" and, together with MTGE REIT, each, a "**REIT**," and collectively, the "**REITs**"), pursuant to a management agreement with each such REIT and (b) concurrently with the execution and delivery of this Agreement, Subsidiary Adviser, Mortgage Manager, the Company and Mortgage Manager Buyer have entered into a Purchase and Sale Agreement (as the same may be amended from time to time, the "**Mortgage Manager Purchase Agreement**"), pursuant to which Subsidiary Adviser has agreed to sell all of the equity interests in Mortgage Manager to Mortgage Manager Buyer.

WHEREAS, each of Parent, Acquisition Sub, the Company, Subsidiary Adviser, IHAM and Parent External Adviser desire to make certain representations, warranties, covenants and agreements in connection with the Mergers and also to prescribe various conditions to the Mergers.

NOW, THEREFOR, in consideration of the foregoing and the representations, warranties and covenants and subject to the conditions herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

### ARTICLE I

#### THE MERGERS

Section 1.1 The Mergers. Upon the terms and subject to the conditions of this Agreement, and in accordance with the LP Act and DGCL, as applicable, (a) at the Adviser Merger Effective Time, Subsidiary Adviser shall be merged with and into IHAM, whereupon the separate existence of Subsidiary Adviser shall cease, and IHAM shall continue as the surviving entity of the Adviser Merger and a wholly owned subsidiary of Parent (IHAM, as the surviving entity in the Adviser Merger, sometimes being referred to herein as the "**Adviser Merger Surviving Entity**") and (b) at the Company Merger Effective Time, Acquisition Sub shall be merged with and into the Company, whereupon the separate existence of Acquisition Sub shall cease, and the Company shall continue as the surviving corporation of the Company Merger and a wholly owned Subsidiary of Parent (the Company, as the surviving entity in the Company Merger, sometimes being referred to herein as the "**Company Merger Surviving Corporation**").

Section 1.2 The Closing. Subject to the provisions of Article VI, the closing of the Mergers (the "**Closing**") shall take place at 10:00 a.m. (local time) on a date to be specified by the parties hereto, but no later than the second Business Day after the satisfaction or waiver of the conditions set forth in Article VI (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), unless another time, date or place is agreed to in writing by the parties hereto (such date being the "**Closing Date**"). The Closing shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square, New York, New York.

Section 1.3 Adviser Merger.

(a) Effective Time.

(i) Concurrently with the Closing, IHAM shall cause a certificate of merger with respect to the Adviser Merger (the "**Adviser Merger Certificate of Merger**") to be executed and filed with the Delaware Secretary of State as provided under the LP Act. The Adviser Merger shall become effective on the date and at the time at which the Adviser Merger Certificate of Merger has been duly filed with the Delaware Secretary of State or at such other date and time as is agreed between Subsidiary Adviser and IHAM and specified in the Adviser Merger Certificate of Merger (such date and time being hereinafter referred to as the "**Adviser Merger Effective Time**").

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(ii) The Adviser Merger shall have the effects set forth in this Agreement and the applicable provisions of the LP Act. Without limiting the generality of the foregoing, from and after the Adviser Merger Effective Time, IHAM shall possess all rights, privileges, powers and franchises of Subsidiary Adviser, and all of the obligations, liabilities and duties of Subsidiary Adviser shall become the obligations, liabilities and duties of IHAM.

(b) Certificate of Limited Partnership; Limited Partnership Agreement. At the Adviser Merger Effective Time, the certificate of limited partnership and the limited partnership agreement of IHAM, as in effect immediately prior to the Adviser Merger Effective Time, shall be the certificate of limited partnership and the limited partnership agreement of the Adviser Merger Surviving Entity until thereafter amended in accordance with Applicable Law and the applicable provisions of such certificate of limited partnership and limited partnership agreement (subject to Section 5.7).

(c) General Partner. The general partner of the Adviser Merger Surviving Entity effective as of, and immediately following, the Adviser Merger Effective Time shall be the general partner of IHAM immediately prior to the Adviser Merger Effective Time, to hold office in accordance with the operating agreement of the Adviser Merger Surviving Entity until the earlier of its resignation or removal.

(d) Officers. From and after the Adviser Merger Effective Time, the officers of IHAM at the Adviser Merger Effective Time shall be the officers of the Adviser Merger Surviving Entity, until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

### Section 1.4 Company Merger.

(a) Effective Time.

(i) Concurrently with the Closing, the Company shall cause a certificate of merger with respect to the Company Merger (the "**Company Merger Certificate of Merger**") to be executed and filed with the Delaware Secretary of State as provided under the DGCL. The Company Merger shall become effective on the date and at the time at which the Company Merger Certificate of Merger has been duly filed with the Delaware Secretary of State or at such other date and time as is agreed between the Company and Acquisition Sub and specified in the Company Merger Certificate of Merger (such date and time being herein referred to as the "**Company Merger Effective Time**").

(ii) The Company Merger shall have the effects set forth in this Agreement and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, from and after the Company Merger Effective Time, the Company Merger Surviving Corporation shall possess all rights, privileges, powers and franchises of the Company and Acquisition Sub, and all of the obligations, liabilities and duties of the Company and Acquisition Sub shall become the obligations, liabilities and duties of the Company Merger Surviving Corporation.

(b) Certificate of Incorporation; Bylaws. At the Company Merger Effective Time, the certificate of incorporation and the bylaws of the Company, as in effect immediately prior to the Company Merger Effective Time, shall be the certificate of incorporation and the bylaws of the Company Merger Surviving Corporation until thereafter amended in accordance with Applicable Law and the applicable provisions of such certificate of incorporation and bylaws (subject to Section 5.7).

(c) Board of Directors. The board of directors of the Company Merger Surviving Corporation effective as of, and immediately following, the Company Merger Effective Time shall consist of the members of the board of directors of Acquisition Sub immediately prior to the Company Merger Effective Time, to hold office in accordance with the certificate of incorporation and bylaws of the

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Company Merger Surviving Corporation until the earlier of their death, resignation or removal or until their respective successors are duly elected, designated or qualified, as the case may be.

(d) Officers. From and after the Company Merger Effective Time, the officers of Acquisition Sub shall be the officers of the Company Merger Surviving Corporation, until the earlier of their death, resignation or removal or until their respective successors are duly elected or appointed and qualified, as the case may be.

### ARTICLE II

#### **EFFECT OF THE MERGERS ON CAPITAL STOCK; EXCHANGE OF CERTIFICATES**

##### Section 2.1 Adviser Merger.

(a) Effect on Securities. At the Adviser Merger Effective Time, by virtue of the Adviser Merger and without any action on the part of Subsidiary Adviser or IHAM or any of the holders of any securities of Subsidiary Adviser or IHAM, each limited liability company membership interest of Subsidiary Adviser issued and outstanding immediately prior to the Adviser Merger Effective Time shall no longer be outstanding and shall automatically be canceled and shall cease to exist without any consideration being payable therefor.

(b) Further Action. If, at any time after the Adviser Merger Effective Time, any further action is determined by IHAM to be necessary or desirable to carry out the purposes of this Agreement or to vest the Adviser Merger Surviving Entity with full right, title and possession of and to all rights and property of Subsidiary Adviser, the officers and general partner of IHAM shall be fully authorized (in the name of IHAM, Subsidiary Adviser and otherwise) to take such action.

##### Section 2.2 Company Merger Effect on Securities.

(a) Effect of Company Merger. At the Company Merger Effective Time, by virtue of the Company Merger and without any action on the part of the Company, Parent, Acquisition Sub or the holders of any securities of the Company or Acquisition Sub:

(i) Cancellation of Company Securities. Each share of common stock, par value \$0.01 per share, of the Company (the "**Company Common Stock**") held by the Company as treasury stock or held, directly or indirectly, by Parent or Acquisition Sub immediately prior to the Company Merger Effective Time, except for the Company Incentive Awards issued pursuant to the Performance Incentive Plan and held by the Trust, shall automatically be canceled and retired and shall cease to exist, and no consideration or payment shall be delivered in exchange therefor or in respect thereof.

(ii) Conversion of Company Securities. Each share of Company Common Stock issued and outstanding immediately prior to the Company Merger Effective Time (including Company Common Stock issued in respect of Company Incentive Awards pursuant to Section 2.4(b) and excluding any shares canceled pursuant to Section 2.2(a)(i) and any Dissenting Shares) shall be converted into the right to receive, in accordance with the terms of this Agreement: (A) \$6.41 in cash, without interest, from Parent (such amount of cash, the "**Parent Cash Consideration**"), plus (B) subject to the proviso in Section 2.3(c), \$1.20 in cash, without interest, from Parent External Adviser, acting solely on its own behalf (such amount of cash, the "**Parent External Adviser Cash Consideration**"), plus (C) \$2.45 in cash, minus the Mortgage Manager TSA Insurance Amount, without interest, which amount represents such per share amount of cash consideration to be paid pursuant to the Mortgage Manager Purchase Agreement and which amount shall be freely available cash in the Company at the time of the Closing without giving effect to and prior to (i) any adjustments or payments contemplated by the Mortgage Manager Purchase Agreement or (ii) any debt repayments required or caused by the Merger, this Agreement or the Mortgage

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Manager Purchase Agreement or the transactions contemplated hereby or thereby (such amount of cash, the "**Mortgage Manager Cash Consideration**"), plus (D) the Make-up Dividend Amount, if any (together with the Parent Cash Consideration, the Parent External Adviser Cash Consideration and the Mortgage Manager Cash Consideration, the "**Cash Consideration**") plus (E) 0.483 (such ratio, as may be adjusted pursuant to Section 2.2(b), the "**Exchange Ratio**") of a validly issued, fully paid and non-assessable share of Parent Common Stock (and, if applicable, cash in lieu of fractional shares of Parent Common Stock payable in accordance with Section 2.2(c) and such share of Parent Common Stock and any such cash in lieu of fractional shares, together with the Cash Consideration, the "**Merger Consideration**"). Each share of Company Common Stock to be converted into the right to receive the Merger Consideration as provided in this Section 2.2(a)(ii) shall no longer be outstanding and shall be automatically canceled and shall cease to exist, and the holders of certificates (the "**Certificates**") or book-entry shares ("**Book-Entry Shares**"), which immediately prior to the Company Merger Effective Time represented such Company Common Stock, shall cease to have any rights with respect to such Company Common Stock other than the right to receive, upon surrender of such Certificates or Book-Entry Shares in accordance with Section 2.3, the Merger Consideration.

(iii) Conversion of Acquisition Sub Capital Stock. Each share of common stock, par value \$0.01 per share, of Acquisition Sub issued and outstanding immediately prior to the Company Merger Effective Time shall be converted into and become one (1) fully paid share of common stock, par value \$0.01 per share, of the Company Merger Surviving Corporation and constitute the only outstanding shares of capital stock of the Company Merger Surviving Corporation.

(b) Adjustments. Without limiting the other provisions of this Agreement, if at any time during the period between the date of this Agreement and the Company Merger Effective Time, any change in the number or type of outstanding shares of Parent Common Stock or Company Common Stock shall occur as a result of a reclassification, recapitalization, exchange, stock split (including a reverse stock split) or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period, the Exchange Ratio and any other similarly dependent items, as the case may be, shall be appropriately adjusted to provide the same economic effect as contemplated by this Agreement prior to such event. Nothing in this Section 2.2(c) shall be construed to permit any party to take any action that is otherwise prohibited or restricted by any other provision of this Agreement.

(c) Fractional Shares. No certificates or scrip representing fractional shares of Parent Common Stock shall be issued upon the conversion of Company Common Stock pursuant to Section 2.2(a)(ii), and such fractional share interests shall not entitle the owner thereof to any Parent Common Stock or to vote or to any other rights of a holder of Parent Common Stock. All fractional shares to which a single record holder of Company Common Stock would be otherwise entitled to receive shall be aggregated and calculations shall be rounded to three (3) decimal places. In lieu of any such fractional shares, each holder of Company Common Stock who would otherwise be entitled to such fractional shares shall be entitled to an amount in cash, without interest, rounded down to the nearest cent, equal to the product of (i) the amount of the fractional share interest in a share of Parent Common Stock to which such holder would, but for this Section 2.2(d), be entitled under Section 2.2(a)(ii) and (ii) an amount equal to the average of the volume weighted average price per share of Parent Common Stock on NASDAQ (as reported by Bloomberg L.P. or, if not reported therein, in another authoritative source mutually selected by Parent and the Company) on each of the five (5) consecutive trading days ending with the third (3rd) complete trading day immediately prior to the Closing Date. As soon as practicable after the determination of the amount of cash, if any, to be paid to holders of Company Common Stock in lieu of any fractional share interests in Parent Common Stock, the Exchange Agent shall make available such amount, without interest, to the holders of Company Common Stock entitled

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to receive such cash. The payment of cash in lieu of fractional share interests pursuant to this Section 2.2(d) is not a separately bargained-for consideration.

Section 2.3 Exchange of Certificates.

(a) Designation of Exchange Agent; Deposit of Exchange Fund. Prior to the Closing, Parent and Parent External Adviser shall enter into a customary exchange agreement with a nationally recognized financial institution designated by Parent and reasonably acceptable to the Company (the "**Exchange Agent**") for the payment of the Merger Consideration as provided in Section 2.2(a)(ii). At or prior to the Company Merger Effective Time, (i) Parent shall deposit, or cause to be deposited with the Exchange Agent, for exchange in accordance with this Article II, through the Exchange Agent book-entry shares (or certificates if requested) representing the full number of whole shares of Parent Common Stock issuable pursuant to Section 2.2(a)(ii) in exchange for outstanding shares of Company Common Stock, (ii) Parent shall deposit, or cause to be deposited with the Exchange Agent, cash in an aggregate amount necessary to pay the Parent Cash Consideration portion of the Merger Consideration, and Parent shall, after the Company Merger Effective Time on the appropriate payment date, if applicable, provide or cause to be provided to the Exchange Agent any dividends or other distributions payable on such shares of Parent Common Stock pursuant to Section 2.3(d) and (iii) Parent External Adviser shall deposit, or cause to be deposited with the Exchange Agent, cash in an aggregate amount necessary to pay the Parent External Adviser Cash Consideration portion of the Merger Consideration (such shares of Parent Common Stock, Parent Cash Consideration and Parent External Adviser Cash Consideration provided to the Exchange Agent, together with any dividends or other distributions with respect thereto, are hereinafter referred to as the "**Exchange Fund**"). For purposes of the deposit, Parent shall assume that there will not be any fractional shares of Parent Common Stock. Parent shall make available to Exchange Agent, for addition to the Exchange Fund, from time to time as needed, cash sufficient to pay cash in lieu of fractional shares in accordance with Section 2.2(d). In the event the Exchange Fund shall at any time be insufficient to make the payments contemplated by Section 2.2(a)(ii), Parent shall promptly deposit, or cause to be deposited, additional funds with the Exchange Agent in an amount which is equal to the deficiency in the amount required to make such payment. Parent, and with respect to the Parent External Adviser Cash Consideration, Parent External Adviser, shall cause the Exchange Fund to be (i) held for the benefit of the holders of Company Common Stock and (ii) applied promptly to making the payments pursuant to Section 2.2(a)(ii). The Exchange Fund shall not be used for any purpose other than to fund payments pursuant to Section 2.2, except as expressly provided for in this Agreement.

(b) As promptly as practicable following the Company Merger Effective Time and in any event not later than the second Business Day thereafter, Parent shall cause the Exchange Agent to mail to each holder of record of a Certificate or Book-Entry Share that immediately prior to the Company Merger Effective Time represented outstanding shares of Company Common Stock (i) a letter of transmittal, which shall specify that delivery shall be effected, and risk of loss and title to the Certificates or Book-Entry Shares, as applicable, shall pass, only upon proper delivery of the Certificates (or affidavits of loss in lieu thereof) or Book-Entry Shares to the Exchange Agent and which shall be in the form and have such other provisions as Parent and the Company may reasonably specify and (ii) instructions (which instructions shall be in the form and have such other provisions as Parent and the Company may reasonably specify) for use in effecting the surrender of the Certificates or Book-Entry Shares in exchange for (A) cash in an amount equal to the Cash Consideration multiplied by the number of shares of Company Common Stock previously represented by such Certificates or Book-Entry Shares, (B) the number of shares of Parent Common Stock (which shall be in book-entry form unless a certificate is requested) representing, in the aggregate, the whole number of shares that such holder has the right to receive in respect of such Certificates or Book-Entry Shares pursuant to Section 2.2(a)(ii), (C) any dividends or other distributions payable pursuant to Section 2.3(d) and (D) cash in lieu of fractional shares of Parent Common Stock payable pursuant to Section 2.2(d).

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(c) Upon surrender of a Certificate (or affidavit of loss in lieu thereof) or Book-Entry Share for cancellation to the Exchange Agent, together with a letter of transmittal duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate or Book-Entry Share shall be entitled to receive in exchange therefor, and Parent, and with respect to the Parent External Adviser Cash Consideration, Parent External Adviser, shall cause the Exchange Agent to pay and deliver in exchange thereof as promptly as practicable, but in any event within two (2) Business Days following the Exchange Agent's receipt of such Certificate (or affidavit of loss in lieu thereof) or Book-Entry Share, (A) cash in an amount equal to the Cash Consideration multiplied by the number of shares of Company Common Stock previously represented by such Certificate of Book-Entry Shares, (B) the number of shares of Parent Common Stock (which shall be in book-entry form unless a certificate is requested) representing, in the aggregate, the whole number of shares that such holder has the right to receive in respect of such Certificate or Book-Entry Shares pursuant to Section 2.2(a)(ii), (C) any dividends or other distributions payable pursuant to Section 2.3(d) and (D) cash in lieu of fractional shares of Parent Common Stock payable pursuant to Section 2.2(d), and the Certificate (or affidavit of loss in lieu thereof) or Book-Entry Share so surrendered shall be forthwith canceled; provided, however, that in no event shall Parent External Adviser Cash Consideration be used to make any payments required by Section 2.4. Until surrendered as contemplated by this Section 2.3(c), each Certificate (or affidavit of loss in lieu thereof) or Book-Entry Share shall be deemed, from and after the Company Merger Effective Time, to represent only the right to receive the applicable Merger Consideration as contemplated by this Section 2.3(c) and any dividends or other distributions payable pursuant to Section 2.3(d). The Exchange Agent shall accept such Certificates (or affidavits of loss in lieu thereof) or Book-Entry Shares upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices. No interest shall be paid or accrued for the benefit of holders of the Certificates or Book-Entry Shares on the cash payable upon the surrender of the Certificates or Book-Entry Shares.

(d) Distributions with Respect to Unexchanged Shares. Subject to Applicable Law, following surrender of a Certificate (or affidavit of loss in lieu thereof) or Book-Entry Shares for cancellation to the Exchange Agent, there shall be paid to the holder of the Parent Common Stock issued in exchange for such Certificate or Book-Entry Shares, without interest, (i) at the time of delivery of such Parent Common Stock by the Exchange Agent pursuant to Section 2.3(c), the amount of dividends or other distributions with a record date after the Company Merger Effective Time theretofore paid with respect to such shares of Parent Common Stock and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Company Merger Effective Time but prior to such delivery of such Parent Common Stock by the Exchange Agent pursuant to Section 2.3(c), and a payment date subsequent to such delivery of such Parent Common Stock by the Exchange Agent pursuant to Section 2.3(c), payable with respect to such shares of Parent Common Stock. For the avoidance of doubt, notwithstanding anything in this Agreement to the contrary, in no event will any former holder of Company Common Stock be entitled to receive any dividend or other amount pursuant to this Section 2.3(d) with respect to a calendar quarter in which any Make-Up Dividend Amount has increased the Merger Consideration.

(e) In the event of a transfer of ownership of Company Common Stock that is not registered in the transfer records of the Company, payment of the appropriate amount of Merger Consideration (and any dividends or other distributions with respect to Parent Common Stock as contemplated by Section 2.3(d)) may be made to a Person other than the Person in whose name the Certificate or Book-Entry Share so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer (and accompanied by all documents reasonably required by the Exchange Agent) or such Book-Entry Share shall be properly transferred and the Person requesting such payment shall pay any transfer or other Taxes required by reason of the payment to a Person

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other than the registered holder of such Certificate or Book-Entry Share or establish to the satisfaction of Parent that such Tax has been paid or is not applicable.

(f) Termination of Exchange Fund. Any portion of the Exchange Fund which remains undistributed to the holders of the Certificates or Book-Entry Shares for one (1) year after the Company Merger Effective Time shall be delivered to Parent or its designee, upon demand, and any such holders prior to the Company Merger who have not theretofore complied with this Article II shall thereafter look only to (i) Parent as general creditor thereof for payment of their claims for Merger Consideration (other than the Parent External Adviser Cash Consideration) and any dividends or distributions with respect to Parent Common Stock as contemplated by Section 2.3(d) and (ii) Parent External Adviser as general creditor thereof for payment of their claims for the Parent External Adviser Cash Consideration. Parent shall pay all charges and expenses, including those of the Exchange Agent, in connection with the exchange of Certificates or Book-Entry Shares for the Merger Consideration.

(g) No Liability. None of Parent, Acquisition Sub, the Company, Parent External Adviser or the Exchange Agent shall be liable to any Person in respect of any shares of Parent Common Stock (or dividends or distributions with respect thereto) or cash held in the Exchange Fund delivered to a Governmental Authority pursuant to any applicable abandoned property, escheat or similar Law. If any Certificates or Book-Entry Shares shall not have been surrendered immediately prior to the date on which any Merger Consideration in respect of such Certificate or Book-Entry Share would otherwise escheat to or become the property of any Governmental Authority, any such Merger Consideration in respect of such Certificate or Book-Entry Share shall, to the extent permitted by Applicable Law, become the property of Parent, or with respect to any such Merger Consideration consisting of Parent External Adviser Cash Consideration, Parent External Adviser, free and clear of all claims or interest of any Person previously entitled thereto.

(h) Investment of Exchange Fund. The Exchange Agent shall invest any cash included in the Exchange Fund as directed by Parent; provided, that (i) no such investment shall relieve Parent, Parent External Adviser or the Exchange Agent from making the payments required by this Article II, and following any losses Parent shall promptly provide additional funds to the Exchange Agent for the benefit of the holders of Company Common Stock in the amount of such losses, (ii) no such investment shall have maturities that could prevent or delay payments to be made pursuant to this Agreement and (iii) such investments shall be in short term obligations of the United States of America with maturities of no more than thirty (30) days or guaranteed by the United States of America and backed by the full faith and credit of the United States of America, or in commercial paper rated "A-1" or "P-1" or better by Moody's Investors Service, Inc. or Standard & Poor's Financial Services LLC, respectively. Any interest or income produced by such investments will be payable to Parent or its designee as directed by Parent.

(i) Withholding. Parent, Parent External Adviser and the Exchange Agent shall be entitled to deduct and withhold from the Merger Consideration and any amounts otherwise payable pursuant to this Agreement to any former holder of Company Common Stock or holder of Company Options and Company Incentive Awards such amounts as Parent, Parent External Adviser or the Exchange Agent are required to deduct and withhold with respect to the making of such payment under the Code or any provision of applicable Tax Law. If amounts are so withheld and paid over to the appropriate Taxing Authority by Parent, Parent External Adviser or the Exchange Agent on behalf of the Person, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by Parent, Parent External Adviser or the Exchange Agent.

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Section 2.4 Company Options; Company Incentive Awards.

(a) Treatment of Company Options. As of immediately prior to the Company Merger Effective Time, each vested and unvested Company Option that is outstanding other than an Underwater Option shall become vested and exercisable in full and shall, to the extent not exercised as of the Company Merger Effective Time, be canceled and shall entitle the holder thereof to receive at the Company Merger Effective Time the positive amount of Option Consideration (subject to any applicable withholding or other Taxes required by Applicable Law to be withheld, which withholding shall first be applied against the cash portion of the Option Consideration) attributable to such Company Option; provided, however, that the cash portion of such Option Consideration shall be payable solely from cash provided to the Exchange Agent by Parent (and not, for the avoidance of doubt, by Parent External Adviser); provided, further, that the foregoing shall in no way reduce the amount of Option Consideration payable in respect of a Company Option under this Agreement, it being understood and agreed that notwithstanding anything herein to the contrary, the Total Cash Consideration in respect of each Company Option shall be the same amount as the product of (i) the Cash Consideration as defined in Section 2.2(a)(ii) without reduction and (ii) the number of shares of Company Common Stock subject to such Company Option immediately prior to the Company Merger Effective Time. Following the Company Merger Effective Time, any such canceled Company Option shall no longer be exercisable for Company Common Stock and shall entitle the holder of such canceled Company Option only to the Option Consideration, which shall be paid as soon as practicable following the Company Merger Effective Time. Any Underwater Option shall be canceled and shall terminate at the Company Merger Effective Time with no consideration paid therefor.

(b) Treatment of Company Incentive Awards. Effective as of immediately prior to the Company Merger Effective Time, each vested and unvested Company Incentive Award that is outstanding shall become vested in full immediately prior to the Company Merger Effective Time and the corresponding shares of Company Common Stock shall be released from the Trust pursuant to and consistent with the terms of the Performance Incentive Plans, after which each such share of Company Common Stock shall be immediately converted into the right to receive at the Company Merger Effective Time the Merger Consideration (subject to any applicable withholding or other Taxes or other amounts required by Applicable Law to be withheld in accordance with the terms of the Performance Incentive Plans and any Company Incentive Award thereunder) (the "**Incentive Award Payment**"); provided, however, that the cash portion of such Incentive Award Payment shall be payable solely from cash provided to the Exchange Agent by Parent (and not, for the avoidance of doubt, by Parent External Adviser); provided, further, that the foregoing shall in no way reduce the amount of Incentive Award Payment payable in respect of a Company Incentive Award under this Agreement, it being understood and agreed that notwithstanding anything herein to the contrary, the Cash Consideration in respect of each such share of Company Common Stock released from the Trust as described in this Section 2.4(b) shall be the same amount per share as the Cash Consideration as defined in Section 2.2(a)(ii) without reduction. Each such share of Company Common Stock that is converted into the right to receive the Incentive Award Payment shall be canceled as provided in Section 2.2(a)(i), and the holders of such Company Common Stock shall cease to have any rights with respect to such Company Common Stock and any underlying Company Incentive Awards other than the right to receive the Incentive Award Payment. The Incentive Award Payment shall be paid at the Company Merger Effective Time.

Section 2.5 Lost Certificates. If any Certificate shall have been lost, stolen or destroyed, then upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration to which the holder thereof is entitled pursuant to this Article II.

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Section 2.6 Dissenting Shares. Notwithstanding anything in this Agreement to the contrary, to the extent that holders of Company Common Stock are entitled to appraisal rights under Section 262 of the DGCL, shares of Company Common Stock issued and outstanding immediately prior to the Company Merger Effective Time and held by a holder who has properly exercised and perfected his or her demand for appraisal rights under Section 262 of the DGCL and not effectively withdrawn or lost such holder's rights to appraisal (the "**Dissenting Shares**"), shall not be converted into the right to receive the Merger Consideration, but the holders of such Dissenting Shares shall be entitled to receive such consideration as shall be determined pursuant to Section 262 of the DGCL (it being understood and acknowledged that at the Company Merger Effective Time, such Dissenting Shares shall no longer be outstanding, shall automatically be canceled and shall cease to exist, and such holder shall cease to have any rights with respect thereto other than the right to receive the "fair value" of such Dissenting Shares as determined in accordance with Section 262 of the DGCL); provided, however, that if any such holder shall have failed to perfect or shall have effectively withdrawn or lost his, her or its right to appraisal and payment under the DGCL (whether occurring before, at or after the Company Merger Effective Time), such holder's shares of Company Common Stock shall thereupon be deemed to have been converted as of the Company Merger Effective Time into the right to receive the Merger Consideration, without any interest thereon, and such shares shall not be deemed to be Dissenting Shares. The Company shall give prompt notice to Parent of any demands for appraisal of any shares of Company Common Stock, withdrawals of such demands and any other instruments served pursuant to the DGCL received by the Company relating to appraisal demands, and Parent shall have the right to participate in all negotiations and Proceedings with respect to such demands. Prior to the Company Merger Effective Time, the Company shall not, without the prior written consent of Parent, make any payment with respect to or settle or compromise or offer to settle or compromise any such demand or Proceeding, or agree to do any of the foregoing.

Section 2.7 Transfers; No Further Ownership Rights. After the Company Merger Effective Time, there shall be no registration of transfers on the stock transfer books of the Company of shares of Company Common Stock that were outstanding immediately prior to the Company Merger Effective Time. If Certificates or Book-Entry Shares are presented to the Company Merger Surviving Corporation, Parent or the Exchange Agent for transfer following the Company Merger Effective Time, they shall be canceled against delivery of the applicable Merger Consideration, as provided for in Section 2.2(a)(ii), for each share of Company Common Stock formerly represented by such Certificates or Book-Entry Shares.

Section 2.8 Further Action. If, at any time after the Company Merger Effective Time, any further action is determined by Parent or the Company Merger Surviving Corporation to be necessary or desirable to carry out the purposes of this Agreement or to vest the Company Merger Surviving Corporation with full right, title and possession of and to all rights and property of the Company, the officers and managers of Parent shall be fully authorized (in the name of Acquisition Sub, in the name of the Company and otherwise) to take such action.

### ARTICLE III

#### **REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND SUBSIDIARY ADVISER**

Except as disclosed in the Company SEC Documents filed by the Company prior to the date of this Agreement (but in each case excluding any risk factor or similar disclosure under the headings "Risk Factors" or "Forward Looking Statements" or any similar non-specific, predictive, precautionary or forward-looking statements), or as disclosed in the Company Disclosure Letter, the Company hereby represents and warrants to Parent, except with respect to the representations and warranties in

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Section 3.1, Section 3.2, Section 3.3, Section 3.4, Section 3.5 and Section 3.24, which are hereby made by the Company and Subsidiary Adviser to Parent jointly and severally, as follows:

Section 3.1 Organization; Qualification. Each of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group is a corporation or other entity duly organized, validly existing and (to the extent applicable) in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite entity power and authority to conduct its business as it is now being conducted, to own and use its assets in the manner in which its assets are currently used, and to perform its obligations under all Company Material Contracts to which it is a party, except where the failure to be in good standing, to have such power and authority, to own and use such assets or to perform its obligations under such Company Material Contracts would not have a Company Material Adverse Effect. Each of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a Company Material Adverse Effect. The Company's Third Amended and Restated Certificate of Incorporation (as amended) and Second Amended and Restated Bylaws (as amended), as currently in effect, are included in the Company SEC Documents and the Company is not in violation of such documents. The Company has duly elected to be regulated as a business development company ("**BDC**") pursuant to the Investment Company Act and such election has not been revoked or withdrawn and is in full force and effect.

Section 3.2 Capitalization; Consolidated Subsidiaries.

(a) As of the close of business on May 20, 2016, the authorized capital stock of the Company consisted of (i) 1,000,000,000 shares of Company Common Stock, 214,378,836 of which were issued and outstanding (which number of issued and outstanding shares of Company Common Stock includes 2,642,800 shares of Company Common Stock held by the Trust pursuant to the Performance Incentive Plan, 2,621,948 of which are allocable to outstanding Company Incentive Awards and 20,852 of which are not allocable to outstanding Company Incentive Awards) and no shares of which were held by the Company as treasury stock, and (ii) 5,000,000 shares of preferred stock of the Company, par value \$0.01 per share, no shares of which were outstanding. As of the close of business on May 20, 2016, there were outstanding Company Options to purchase 31,143,057 shares of Company Common Stock.

(b) All of the issued and outstanding shares of Company Common Stock have been, and all of the issued and outstanding shares of Company Common Stock that may be issued pursuant to Company Options and Company Incentive Awards will be, duly authorized and validly issued and are or will be when issued fully paid, nonassessable and free of preemptive rights. All of the Company Common Stock has been sold pursuant to an effective registration statement filed under the federal securities Laws or an appropriate exemption therefrom and in accordance with the Investment Company Act.

(c) As of the close of business on May 20, 2016, other than as set forth in Section 3.2(a), there are no existing (i) options, warrants, calls, subscriptions or other rights, convertible securities, agreements or commitments of any character to which the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is a party obligating the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group to issue, transfer or sell any shares of capital stock or other equity interest in the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group to repurchase, redeem or otherwise acquire any capital stock of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group, or any securities representing the right to purchase or otherwise receive any capital stock of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary

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Adviser Group, (iii) voting trusts or similar agreements to which the Company is a party with respect to the voting of the capital stock of the Company or (iv) other equity-based awards, including any equity appreciation rights, issued by the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group.

(d) Each Consolidated Subsidiary of the Company on the date hereof is listed on Section 3.2(d) of the Company Disclosure Letter. Except as set forth on Section 3.2(d) of the Company Disclosure Letter, the Company owns, directly or indirectly, all of the issued and outstanding company, partnership or corporate (as applicable) ownership interests in each such Consolidated Subsidiary, free and clear of all Liens except for Permitted Liens, and all of such company, partnership or corporate (as applicable) ownership interests are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights. The Company has made available to Parent the currently effective corporate or other organizational documents for each Consolidated Subsidiary and member of the Subsidiary Adviser Group.

### Section 3.3 Authority Relative to Agreement.

(a) The Company and Subsidiary Adviser have all necessary corporate power and authority to execute and deliver this Agreement and, subject (in the case of the Company Merger) to obtaining the Company Stockholder Approval, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and Subsidiary Adviser, and the consummation by the Company and Subsidiary Adviser of the transactions contemplated by this Agreement, have been duly and validly authorized by all necessary corporate action by the Company and Subsidiary Adviser, and (in the case of the Adviser Merger, except for the filing of the Adviser Merger Certificate of Merger with the Delaware Secretary of State, and in the case of the Company Merger, except for the (i) Company Stockholder Approval and (ii) filing of the Company Merger Certificate of Merger with the Delaware Secretary of State) no other corporate action or proceeding on the part of the Company or Subsidiary Adviser is necessary to authorize the execution, delivery and performance of this Agreement by the Company and Subsidiary Adviser and the consummation by the Company and Subsidiary Adviser of the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by the Company and Subsidiary Adviser and, assuming due authorization, execution and delivery of this Agreement by the other parties hereto, constitutes a legal, valid and binding obligation of the Company and Subsidiary Adviser, enforceable against the Company and Subsidiary Adviser in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought.

(b) The Company Board and the similar governing body of Subsidiary Adviser has, by resolutions adopted by the directors or similar governing members, (i) adopted this Agreement and the transactions contemplated hereby, (ii) determined that this Agreement and the transactions contemplated hereby are advisable and in the best interests of the Company and Subsidiary Adviser and their respective stockholders or other equityholders, (iii) solely with respect to the Company, resolved to make the Company Recommendation (provided, that any change or modification or rescission of such recommendation by the Company Board in accordance with Section 5.6(e) shall not be a breach of the representation in this clause (iii)) and (iv) solely with respect to the Company, directed that the adoption of this Agreement be submitted to a vote at the Company Stockholders' Meeting.

(c) Neither the execution and delivery of this Agreement by the Company and Subsidiary Adviser nor the consummation by the Company and Subsidiary Adviser of the transactions contemplated hereby, nor compliance by the Company and Subsidiary Adviser with any of the terms or provisions of

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this Agreement, will (i) violate any provision of the Company's Third Amended and Restated Certificate of Incorporation (as amended) or Second Amended and Restated Bylaws (as amended) or the certificate of incorporation or bylaws (or equivalent organizational documents) of any Consolidated Subsidiary of the Company or any member of the Subsidiary Adviser Group, (ii) assuming that the Consents, registrations, declarations, filings and notices referred to in Section 3.4 have been obtained or made, conflict with or violate in any respect material to the Company any Law applicable to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group or by which any property or asset of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is bound or affected or (iii) assuming the repayment in full of all obligations under the Company's Existing Credit Facilities and termination of the commitments thereunder, violate, conflict with or result in any breach of any provision of, or loss of any benefit, or constitute a default (with or without notice or lapse of time, or both) under, give rise to any right of termination, acceleration or cancellation of, require the Consent, or notice to or filing with any Third Party pursuant to, any of the terms or provisions of any Company Material Contract, or result in the creation of a Lien, other than any Permitted Lien, upon any of the property or assets of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group, other than, in the case of clause (iii), any such conflict, violation, breach, default, termination, acceleration, cancellation or Lien that would not have a Company Material Adverse Effect.

Section 3.4 No Conflict; Required Filings and Consents. No consent, approval, license, permit, order or authorization (a "**Consent**") of, or registration, declaration or filing with, or notice to, any Governmental Authority is required to be obtained or made by or with respect to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, other than (i) applicable requirements of and filings with the SEC under the Exchange Act, the Investment Company Act and the Investment Advisers Act, (ii) the filing of the Adviser Merger Certificate of Merger or the Company Merger Certificate of Merger with the Delaware Secretary of State, (iii) applicable requirements under corporation or Blue Sky Laws of various states, (iv) such filings as may be required in connection with the Taxes described in Section 7.6, if any, (v) compliance with applicable rules and regulations of NASDAQ, (vi) such other items required solely by reason of the participation of Parent or Acquisition Sub in the transactions contemplated hereby, (vii) compliance with and filings or notifications under the HSR Act and any other applicable United States or foreign competition, antitrust, merger control or investment Laws (together with the HSR Act, "**Antitrust Laws**"), (viii) if the Hard 8 Restructuring shall not have occurred prior to the Closing, a finding of suitability of Parent and its necessary Affiliates by the Nevada Gaming Commission with regard to an investment in Hard 8 Games, LLC (the "**Nevada Gaming Commission Approval**") and (ix) such other Consents, registrations, declarations, filings or notices the failure of which to be obtained or made would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

Section 3.5 Permits; Compliance with Laws.

(a) The Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group are in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders necessary for the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group to carry on their respective businesses under and pursuant to all Applicable Laws (the "**Company Permits**"), and no suspension or cancellation of any of the Company Permits is pending or, to the Knowledge of the Company, threatened, except where the failure to be in possession of, or the suspension or cancellation of, any of the Company Permits would not have a Company Material Adverse Effect. Each employee of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group who is required to be registered or licensed as a registered representative, investment adviser representative,

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salesperson or an equivalent person with any Governmental Authority is duly registered or licensed as such and such registration or license is in full force and effect, except where the failure to be so registered or licensed or to have such registration or license in full force and effect would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

(b) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is, or during the one-year period prior to the date of this Agreement has been, in default or violation of any (i) Law applicable to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group or (ii) Company Permits, except for any such defaults or violations that would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole. Notwithstanding the foregoing, no representation or warranty in this Section 3.5 is made with respect to Company SEC Documents or financial statements, "disclosure controls and procedures" or "internal control over financial reporting," employee benefits matters, intellectual property matters, Tax matters, real property matters or environmental matters, which are addressed exclusively in Section 3.6 (Company SEC Documents; Financial Statements; Enforcement Actions), Section 3.8 (Disclosure Controls and Procedures), Section 3.16 (Employee Benefit Plans; Labor), Section 3.17 (Trademarks, Patents and Copyrights), Section 3.18 (Taxes), Section 3.20 (Real Property) and Section 3.21 (Environmental), respectively.

(c) The Company has written policies and procedures adopted pursuant to Rule 38a-1 under the Investment Company Act that are reasonably designed to prevent violations of the "Federal Securities Laws," as such term is defined in Rule 38a-1(e)(1) under the Investment Company Act. Since January 1, 2014, there have been no "Material Compliance Matters" for the Company, as such term is defined in Rule 38a-1(e)(2) under the Investment Company Act, other than those that have been reported to the Company Board and satisfactorily remedied or are in the process of being remedied or those that would not have a Company Material Adverse Effect.

(d) The Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group are, and have been at all times since January 1, 2014, in compliance with the FCPA, and all other applicable money laundering, anti-corruption or anti-bribery Laws of all jurisdictions having jurisdiction over the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group. The Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group have instituted policies and procedures reasonably designed to ensure compliance with the FCPA and other applicable money laundering, anti-corruption or anti-bribery Laws and maintain such policies and procedures in effect.

(e) Since January 1, 2014, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group or, to the Knowledge of the Company, any of their respective directors, officers or employees, has received any written or, to the Knowledge of the Company, oral notification from a Governmental Authority asserting that the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is not in compliance in all material respects with any material Laws or Company Permits.

### Section 3.6 Company SEC Documents; Financial Statements; Enforcement Actions.

(a) Since January 1, 2015, the Company has filed with the SEC on a timely basis all material forms, documents and reports required to be filed or furnished prior to the date hereof by it with the SEC (such forms, documents and reports so filed with the SEC by the Company since such date, including any amendments thereto, the "**Company SEC Documents**"). As of their respective dates, or, if amended, as of the date of the last such amendment, the Company SEC Documents complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act or the Investment Company Act, as the case may be, and the applicable rules and regulations promulgated

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thereunder, and none of the Company SEC Documents at the time it was filed contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, or are to be made, not misleading (or, in the case of a Company SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the Securities Act, as of the date such registration statement or amendment became effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading).

(b) The consolidated financial statements (including all related notes and the related consolidated schedules of investments) of the Company and its Consolidated Subsidiaries and the consolidated financial statements (including all related notes and the related consolidated schedules of investments) of the Subsidiary Adviser Group included in the Company SEC Documents (i) fairly present in all material respects the consolidated financial position, results of operations, cash flows and changes in stockholders' equity of the Company and its Consolidated Subsidiaries or the Subsidiary Adviser Group, as applicable, as at the respective dates thereof or the respective periods then ended, as applicable (subject, in the case of unaudited interim statements, to normal year-end audit adjustments, to the absence of notes and to any other adjustments described therein, including in any notes thereto), (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated therein or in the notes thereto), (iii) were prepared from, and are in accordance with, the books and records of the Company and its Consolidated Subsidiaries or the Subsidiary Adviser Group, as applicable, and (iv) comply as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto.

(c) Neither the Company nor any of its Consolidated Subsidiaries nor any member of the Subsidiary Adviser Group is subject to any cease-and-desist or other enforcement action by, or is a party to any Contract, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or has been ordered to pay any civil money penalty by, or is subject to any Order by, or has adopted any policies, procedures or board resolutions at the request of, any Governmental Authority that currently restrict the conduct of its business (or that would, to the Knowledge of the Company, upon consummation of the Mergers restrict in any respect the conduct of the business of Parent or any of its Consolidated Subsidiaries), or that relate to its capital adequacy, its ability to pay dividends, its credit, risk management or compliance policies, its internal controls, its management or its business, other than those of general application that apply to similarly situated BDCs or their Consolidated Subsidiaries, except as would not, individually or in the aggregate, have a material adverse effect on the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, nor has the Company or any of its Consolidated Subsidiaries been advised in writing or, to the Knowledge of the Company, verbally by any Governmental Authority that it is considering issuing, initiating, ordering or requesting any of the foregoing that would, individually or in the aggregate, have a material adverse effect on the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

Section 3.7 Information Supplied. None of the information supplied or to be supplied by or on behalf of the Company or any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group for inclusion or incorporation by reference in (a) the registration statement on Form N-14 to be filed with the SEC by Parent in connection with the registration under the Securities Act of the shares of Parent Common Stock to be issued in the Company Merger (as amended or supplemented from time to time, the "**Form N-14**") will, at the time the Form N-14 is filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein, in light of the circumstances under which they are made, not misleading

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and (b) the joint proxy statement to be sent to the stockholders of Parent relating to the Parent Stockholders' Meeting and to the stockholders of the Company relating to the Company Stockholders' Meeting (the "**Joint Proxy Statement**") will, at the date it or any amendment or supplement is mailed to stockholders of the Company and stockholders of Parent and at the time of the Company Stockholders' Meeting and at the time of the Parent Stockholders' Meeting, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading (except that no representation or warranty is made by the Company regarding such portions thereof that relate expressly to Parent or any of its Subsidiaries, including Acquisition Sub, or to statements made therein based on information supplied by or on behalf of Parent or Acquisition Sub for inclusion or incorporation by reference therein). The Joint Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder.

Section 3.8 Disclosure Controls and Procedures. The Company and its Consolidated Subsidiaries maintain "disclosure controls and procedures" and "internal control over financial reporting" (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 promulgated under the Exchange Act) as required by Rules 13a-15 and 15d-15 promulgated under the Exchange Act ("**Internal Controls**"). Such Internal Controls are designed to ensure that all information required to be disclosed in any Company SEC Documents are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and further designed and maintained to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of Company financial statements for external purposes in accordance with GAAP. The Company's management has completed an assessment of the effectiveness of the Company's system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the fiscal year ended December 31, 2015, and such assessment concluded that such Internal Controls were effective using the framework specified in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and, except as set forth on Section 3.8 of the Company Disclosure Letter, such assessment did not identify, and to the Knowledge of the Company, neither the Company, its Consolidated Subsidiaries nor members of the Subsidiary Adviser Group have been made aware of, (i) any significant deficiency or material weakness in the design or operation of internal control over financial reporting utilized by the Company or its Consolidated Subsidiaries or (ii) any illegal act or fraud, whether or not material, that involves management or employees of the Company or its Consolidated Subsidiaries. The principal executive officer and principal financial officer of the Company have made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act and any related rules and regulations promulgated by the SEC with respect to the Company SEC Documents, and the statements contained in any such certifications were true and correct on the date such certifications were made. The Company, each of its Consolidated Subsidiaries and each member of the Subsidiary Adviser Group, if applicable, is in compliance in all material respects with the applicable listing standards and corporate governance standards of NASDAQ or other listing exchanges or self-regulating organizations applicable to the Company, its Consolidated Subsidiaries and members of the Subsidiary Adviser Group and has not received any written (or to the Knowledge of the Company, any verbal) notice asserting any non-compliance with the listing standards and corporate governance standards of NASDAQ.

Section 3.9 Absence of Certain Changes or Events. Except as set forth on Section 3.9 of the Company Disclosure Letter, since December 31, 2015, through the date of this Agreement, except as otherwise contemplated or permitted by this Agreement, (a) the respective businesses of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group have been conducted in the ordinary course of business consistent with past practice, (b) there has not been any event, development or state of circumstances that has had a Company Material Adverse Effect and (c) there has not been any action that, if it had been taken after the date hereof, would have required the consent of Parent under Sections 5.1(a), (d), (e)(B), (e)(D), (j), (m), (o), (p), (q), (r) and (s).

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Section 3.10 No Undisclosed Liabilities. Except (a) as reflected, disclosed or reserved against in the Company's or Subsidiary Adviser's financial statements (as amended or restated, if applicable) or the notes thereto included in the Company SEC Documents, (b) for liabilities or obligations incurred in the ordinary course of business consistent with past practice since December 31, 2015, (c) for liabilities or obligations incurred in connection with the transactions contemplated hereby, (d) for liabilities and obligations which have been discharged or paid prior to the date of this Agreement or (e) for liabilities or obligations that would not be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, as of the date hereof, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet (or the notes thereto) of the Company.

Section 3.11 Litigation. As of the date of this Agreement, (i) there is no Proceeding pending or, to the Knowledge of the Company, threatened against the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group, and to the Knowledge of the Company, there is no Proceeding pending or threatened against a Fund, in each case that would, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, and (ii) there is no judgment or order of any Governmental Authority outstanding against, or, to the Knowledge of the Company, investigation by any Governmental Authority involving the Company, any of its Consolidated Subsidiaries, a Fund or any member of the Subsidiary Adviser Group that, in the case of this clause (ii), would reasonably be expected to have a Company Material Adverse Effect.

### Section 3.12 Regulatory Documents; Adviser Registrations; No Other Regulatory Registrations.

(a) During the two-year period prior to the date of this Agreement, each member of the Subsidiary Adviser Group has filed (after giving effect to any extensions) all Regulatory Documents that were required to be filed with any Governmental Authority, other than any such failure to file that would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

(b) Each member of the Subsidiary Adviser Group listed in Section 3.12(b) of the Company Disclosure Letter (each, an "**Adviser**") is, and at all times required by the Investment Advisers Act during the two-year period prior to the date of this Agreement has been, duly registered as an investment adviser under the Investment Advisers Act or registered as an investment adviser under Subsidiary Adviser's registration and Form ADV in reliance on American Bar Association, Business Law Section SEC No-Action Letter (January 18, 2012). Each Adviser is, and at all times required by Applicable Law (other than the Investment Advisers Act) during the two-year period prior to the date of this Agreement has been, duly registered, licensed or qualified as an investment adviser in each state or any other jurisdiction where the conduct of its business required such registration, licensing or qualification, except where the failure to be so registered, licensed or qualified would not have a Company Material Adverse Effect. Other than the Advisers, none of the Company, its Consolidated Subsidiaries or the members of the Subsidiary Adviser Group is, or is required to be, registered as an investment adviser under the Investment Advisers Act or is, or is required by Applicable Law (other than the Investment Advisers Act) to be, registered, licensed or qualified as an investment adviser in any state or other jurisdiction, except where the existence of any such registration, license or qualification, or the failure to be so registered, licensed or qualified, would not be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

(c) Each Adviser has implemented written policies and procedures as required by Rule 206(4)-7 under the Investment Advisers Act (complete and correct copies of which policies and procedures have

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been made available to Parent) and, during the two-year period prior to the date of this Agreement, each such Adviser has been in compliance with such policies and procedures, except where the failure to adopt such policies and procedures or to be in compliance would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

(d) None of the Company, its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is a broker-dealer, commodity pool operator, commodity trading advisor, futures commission merchant, bank, trust company, commodity broker-dealer, real estate broker, insurance company or insurance broker within the meaning of any Applicable Law. None of the Company, its Consolidated Subsidiaries or the members of the Subsidiary Adviser Group has received written notice from any Governmental Authority of any pending Proceeding concerning any failure to obtain any broker-dealer, commodity pool operator, commodity trading advisor, futures commission merchant, bank, trust company, commodity broker-dealer, real estate broker, insurance company or insurance broker registration, license or qualification.

(e) The Company has made available to Parent a complete and correct copy of each material no-action letter and exemptive order issued by the SEC to any of the Company, its Consolidated Subsidiaries, the members of the Subsidiary Adviser Group or, to the Knowledge of the Company, any Fund, on which any of them relies in the conduct of its respective business as conducted on the date of this Agreement. The Company, its Consolidated Subsidiaries, the Funds and the members and the Subsidiary Adviser Group are in compliance in all material respects with any such material no-action letters and exemptive orders.

(f) The Company has complied since January 1, 2015, and is in compliance, with its investment policies and restrictions and portfolio valuation methods, if any, as such policies and restrictions are set forth in the Company's registration statement (as amended from time to time), except for any noncompliance that would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole. The applicable member of the Subsidiary Adviser Group has complied since January 1, 2015, and is in compliance, with all provisions of the Advisory Agreements, except in each case for any noncompliance that would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

Section 3.13 Non-Regulated Funds.

(a) Section 3.13(a) of the Company Disclosure Letter sets forth a list of each Non-Regulated Fund as of the date of this Agreement. Except with respect to the Non-Regulated Funds, the Regulated Fund and their respective Subsidiaries, no member of the Subsidiary Adviser Group acts as investment adviser, sub-adviser, general partner, managing member, sponsor or in a similar capacity to any other pooled investment vehicle, managed account or other arrangement governed by an investment management agreement or similar contractual agreement as of the date hereof. Assuming that the representations of the applicable investors in each Non-Regulated Fund are true and correct, no Non-Regulated Fund is required to register as an investment company under the Investment Company Act.

(b) Each Non-Regulated Fund that is a juridical entity is duly formed or organized (as applicable) validly existing and, with respect to entities in jurisdictions that recognize the concept of "good standing," in good standing under the laws of the jurisdiction of its formation or organization (as applicable) and has the requisite corporate, trust, company or partnership power and authority to own its properties and to carry on its business as currently conducted, and is qualified to do business in each jurisdiction where it is required to be so qualified under Applicable Law, except where any failure to be so duly formed or organized (as applicable), validly existing, in good standing, licensed or qualified or to have such power would not have a Company Material Adverse Effect.

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(c) All of the outstanding shares or other ownership interests of each Non-Regulated Fund (as applicable) are duly authorized and validly issued under and sold in compliance with Applicable Law, and none of such shares or other ownership interests have been offered for sale or issued in violation of any Applicable Laws, except for any such violations that would not, individually or in the aggregate, be material to the applicable Non-Regulated Fund.

(d) There is no Order imposed upon, or to the Knowledge of the Company threatened against, any of the Non-Regulated Funds that has had or would reasonably be expected to have a material adverse effect on the applicable Non-Regulated Fund. All notifications to local regulatory and other bodies required by Applicable Laws have been made to permit such activities as are carried out by the Non-Regulated Funds (or as are expressly proposed to be carried out by such Non-Regulated Funds), and all authorizations, licenses, consents and approvals required by Applicable Laws have been obtained in relation to the Non-Regulated Funds, except where any such failure would not, individually or in the aggregate, be material to the applicable Non-Regulated Fund.

(e) The private placement memoranda or other similar offering documents in existence as of the date of this Agreement for the applicable Non-Regulated Funds, as well as all marketing activities carried out with respect to offering interests in such Non-Regulated Funds, complied with all Applicable Laws as of the date of such private placement memoranda (or other similar offering documents) or the date that any interests in such Non-Regulated Funds was first marketed, as applicable, except for any noncompliance that would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole.

(f) The Company has made available to Parent complete and correct copies of the audited financial statements, prepared in accordance with GAAP, of each of the Non-Regulated Funds (except any Non-Regulated Fund in respect of which such financial statements are not prepared in the ordinary course) for the last two (2) fiscal years, or such shorter period as such Non-Regulated Fund has been in existence (each hereinafter referred to as a "**Non-Regulated Fund Financial Statement**"). Each of the Non-Regulated Fund Financial Statements presents fairly in all material respects the financial position of the related Non-Regulated Fund in accordance with GAAP applied on a consistent basis (except as otherwise noted therein) at the respective date of such Non-Regulated Fund Financial Statement and the results of operations and cash flows for the respective periods indicated.

(g) Each of the investments made by a Non-Regulated Fund during the two-year period prior to the date of this Agreement (or, if shorter, the period of such Non-Regulated Fund's existence), has been made in accordance with Applicable Law and the investment restrictions applicable to such Non-Regulated Funds, at the time such investment was made, as set forth in its private placement memorandum or other similar applicable offering document and its constituent documents or, in the case of a CLO/CDO Issuer (as defined below), each CLO Indenture and Advisory Agreement thereof, in each case, as in effect at the time the investments were made, except where any such failure would not, individually or in the aggregate, be material to the applicable Non-Regulated Fund.

(h) In the case of each Non-Regulated Fund that is an issuer of a collateralized loan obligations or collateralized debt obligations (each, a "**CLO/CDO Issuer**"), to the Knowledge of the Company, no default or event of default under any applicable CLO Indenture, Advisory Agreement or other material transaction document (including any related side letter related thereto) has occurred and is continuing and neither the execution and delivery by the Company of this Agreement nor the consummation by the Company of the transactions contemplated hereby, nor compliance by the Company with any of the terms or provisions of this Agreement, will result in a default or an event of default by such CLO/CDO Issuer of any provision of any applicable CLO Indenture, Advisory Agreement or other material transaction document (including any related side letter related thereto), except where any such default

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or event of default would not, individually or in the aggregate, be material to the applicable Non-Regulated Fund.

### Section 3.14 Regulated Fund.

(a) The Regulated Fund is a company regulated as a BDC under the Investment Company Act and the election to be so regulated has not been revoked or withdrawn and is in full force and effect. No Fund is registered as an investment company under the Investment Company Act. No Fund other than the Regulated Fund is regulated as a BDC under the Investment Company Act.

(b) The Advisory Agreement with the Regulated Fund has been duly approved and is in compliance in all material respects with Section 15 of the Investment Company Act (to the extent applicable). The Adviser to the Regulated Fund is not in default under the Advisory Agreement with the Regulated Fund, except for any default that would not, individually or in the aggregate, be material to the Regulated Fund.

(c) The Regulated Fund is duly organized, validly existing and in good standing under the laws of the State of Maryland and has the requisite corporate, trust, company or partnership power and authority to own its properties and to carry on its business as currently conducted, and is qualified to do business in each jurisdiction where it is required to be so qualified under Applicable Law, except where any failure to be so duly organized, validly existing, in good standing, licensed or qualified or to have such power would not have a Company Material Adverse Effect.

(d) The Regulated Fund is, and has during the two-year period prior to the date of this Agreement (or, if shorter, the period of the Regulated Fund's existence), operated in compliance (i) with Applicable Law and (ii) with its fundamental investment restrictions, as set forth in the applicable prospectus and registration statement for the Regulated Fund, except where any failure to be in compliance would not have a Company Material Adverse Effect.

(e) The shares of the Regulated Fund have been issued and sold in compliance with Applicable Law, except where any failure of such compliance would not, individually or in the aggregate, be material to the Regulated Fund.

(f) The audited balance sheet of the Regulated Fund as of December 31, 2014 and December 31, 2015 and the related other financial statements for such two (2) most recently completed fiscal years (or such shorter time as is applicable for 2014) have been prepared in accordance with GAAP, and present fairly in all material respects the financial position and other financial results of such Regulated Fund at the dates and for the periods stated therein.

(g) Since January 15, 2014, the Regulated Fund has elected to be treated as, and has qualified to be classified as, a regulated investment company taxable under Subchapter M of Chapter 1 of the Code. The Regulated Fund has (i) timely filed (or caused to be timely filed) all material Tax Returns required to be filed by it (taking into account any applicable extensions or waivers) with the appropriate Taxing Authority and (ii) has timely paid (or caused to be paid) all material Taxes due and owing (whether or not shown on such Tax Returns) other than any such Taxes that are being contested in good faith by appropriate Proceedings and for which adequate reserves have been established in accordance with GAAP. There is no currently pending or proposed in writing audit of any material Tax Returns of the Regulated Fund. There are no outstanding waivers or comparable consents given by the Regulated Fund regarding the application of the statute of limitations with respect to Taxes.

(h) The Regulated Fund has written policies and procedures adopted pursuant to Rule 38a-1 under the Investment Company Act that are reasonably designed to prevent violations of the "Federal Securities Laws," as such term is defined in Rule 38a-1(e)(1) under the Investment Company Act. Since January 1, 2014, there have been no "Material Compliance Matters" for the Regulated Fund, as such term is defined in Rule 38a-1(e)(2) under the Investment Company Act, other than those that

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have been reported to the board of directors of the Regulated Fund and satisfactorily remedied or are in the process of being remedied or those that would not, individually or in the aggregate, be material to the Subsidiary Adviser Group, taken as a whole.

(i) During the two-year period prior to the date of this Agreement the Regulated Fund has filed (after giving effect to any extensions) with the SEC all material forms, documents and reports required to be filed or furnished prior to the date hereof by it with the SEC, other than such failures to file that would not, individually or in the aggregate, be material to the Regulated Fund, and such material forms, documents and reports, as of their respective dates of filing with the SEC, did not contain any untrue statement of a material fact or omit 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.

### Section 3.15 Ineligible Persons.

(a) No employee, officer or director of the Company has been subject to disqualification to serve in any capacity contemplated by the Investment Company Act under Sections 9(a) and 9(b) of the Investment Company Act, unless, in each case, such person has received exemptive relief from the SEC with respect to any such disqualification, nor is there any Proceeding pending or, to the Knowledge of the Company, threatened by any Governmental Authority that would result in any such disqualification of any employee, officer or director of the Company.

(b) No Adviser nor any "affiliated person" (as defined in the Investment Company Act) of any Adviser is ineligible pursuant to Sections 9(a) or 9(b) of the Investment Company Act to serve as an investment adviser to the Regulated Fund, nor is there any Proceeding pending or, to the Knowledge of the Company, threatened by any Governmental Authority that would result in the ineligibility of any Adviser or any such "affiliated person" to serve as an investment adviser to the Regulated Fund pursuant to Sections 9(a) or 9(b) of the Investment Company Act. No Adviser nor any "person associated with" (as defined in the Investment Advisers Act) any Adviser is ineligible pursuant to Sections 203(e) or 203(f) of the Investment Advisers Act to serve as an investment adviser or as a "person associated with" an investment adviser, nor is there any Proceeding pending or, to the Knowledge of the Company, threatened by any Governmental Authority that would result in the ineligibility of any Adviser or any such "person associated with" any Adviser to serve in any such capacities pursuant to Sections 203(e) or 203(f) of the Investment Advisers Act.

(c) None of the Company, its Subsidiaries, any member of the Subsidiary Adviser Group or any of their employees is subject to any "bad actor" disqualification specified under Rule 506 of Regulation D promulgated under the Securities Act.

### Section 3.16 Employee Benefit Plans: Labor.

(a) Section 3.16(a) of the Company Disclosure Letter sets forth a true and complete list, as of the date hereof, of (i) each material "employee benefit plan" (as such term is defined in Section 3(3) of ERISA) that the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group sponsors, participates in, is a party or contributes to or with respect to which the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group could reasonably be expected to have any liability; and (ii) each other material employment or employee benefit plan, program, policy, arrangement or agreement, including any equity option, equity purchase, equity appreciation right or other equity or equity-based incentive plan, cash bonus or incentive compensation arrangement, employment, change in control, retirement or deferred compensation profit-sharing unemployment or severance compensation plan, program, policy, arrangement or agreement for any current or former employee or director of, or other service provider to, the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group that does not constitute an "employee benefit plan" (as defined in Section 3(3) of ERISA), that the

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Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group presently sponsors, participates in, is a party or contributes to, or with respect to which the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group could reasonably be expected to have any material liability (each, a "**Company Benefit Plan**"). The Company has made available to Parent a true and complete copy of each Company Benefit Plan and all material amendments thereto. The Company has made available to Parent a true and complete copy of (i) each Company Benefit Plan and all material amendments thereto, (ii) each trust, insurance, annuity or other funding Contract related thereto, (iii) the most recent financial statements and actuarial or other valuation reports prepared with respect thereto, (iv) the most recent annual reports on Form 5500 required to be filed with the IRS with respect thereto and (v) the most recent summary plan description and any material modification with respect thereto.

(b) Except as would, individually or in the aggregate, be a material liability to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, each of the Company Benefit Plans has been operated and administered in all material respects in accordance with its terms and Applicable Laws, including ERISA and the Code.

(c) Each Company Benefit Plan intended to be qualified under Section 401(a) of the Code has either received a favorable determination letter from the IRS with respect to such Company Benefit Plan as to its qualified status under the Code, or with respect to a prototype Company Benefit Plan, the prototype sponsor has received a favorable IRS opinion letter, or the Company Benefit Plan or prototype sponsor has remaining a period of time under applicable Code regulations or pronouncements of the IRS in which to apply for such a letter and make any amendments necessary to obtain a favorable determination or opinion as to the qualified status of each such Company Benefit Plan. To the Knowledge of the Company, no event has occurred since the most recent determination or opinion letter or application therefor relating to any such Company Benefit Plan that would reasonably be expected to result in the revocation of such letter.

(d) Except as would, individually or in the aggregate, be a material liability to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, neither the Company nor any Person that is a member of a "controlled group of corporations" with, or is under "common control" with, or is a member of the same "affiliated service group" with the Company, in each case, as defined in Sections 414(b), (c), (m) or (o) of the Code maintains, contributes to, or sponsors (or has in the past six (6) years maintained, contributed to or sponsored) a multiemployer plan (as defined in Section 3(37) of ERISA) or a Company Benefit Plan that is subject to Title IV of ERISA or Section 412 of the Code.

(e) Except as would, individually or in the aggregate, be a material liability to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, there are no claims pending, or, to the Knowledge of the Company, threatened material Proceedings, disputes or claims (other than routine claims for benefits) against or affecting any Company Benefit Plan, by any employee or beneficiary covered under such Company Benefit Plan, as applicable, or otherwise involving such Company Benefit Plan. Neither the Company nor any of its Consolidated Subsidiaries is or has at any time been the "employer" or "connected or associated" with the "employer" (as those terms in quotation marks are used in the UK Pensions Act 2004) in relation to any pension, superannuation or other retirement benefits plan in respect of which benefits are calculated by reference to age, salary or length of service.

(f) Except as set forth on Section 3.16(f) of the Company Disclosure Letter, neither the execution or delivery of this Agreement nor the consummation of the Mergers will, either alone or in conjunction with any other event (including any termination of employment upon or following the consummation of the Mergers), (i) entitle any current or former director or employee of, or service provider to, the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group to any

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material payment, except as expressly provided in this Agreement, (ii) materially increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such director, employee or service provider or (iii) accelerate the time of payment or vesting of amounts due any such director, employee or service provider or, except as provided for in this Agreement. No amounts payable under the Company Benefit Plans or otherwise will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code as a result of the occurrence of the transactions contemplated by this Agreement, either alone or in combination with another event.

(g) Except as would, individually or in the aggregate, be a material liability to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has any material obligations for post-termination health, welfare or life insurance benefits under any Company Benefit Plan (other than for continuation coverage required to be provided pursuant to Section 4980B of the Code) or coverage in which the full cost of such benefit is borne entirely by the former employee (or such former employee's eligible dependents or beneficiaries).

(h) Since January 1, 2015, there have been no strikes, lockouts or other labor stoppages against the Company, the Consolidated Subsidiaries or any member of the Subsidiary Adviser Group.

(i) No employee of the Company or any of its Consolidated Subsidiaries has transferred to the Company or such Consolidated Subsidiary (as applicable) under a relevant transfer (as that term is defined in the Transfer of Undertakings (Protection of Employment) Regulations 2006), who immediately prior to the relevant transfer was a member of an occupational pension scheme that provided early retirement benefits unrelated to old age, invalidity or survivors.

### Section 3.17 Trademarks, Patents and Copyrights.

(a) Section 3.17(a) of the Company Disclosure Letter sets forth a complete and accurate list (in all material respects) of all material United States and foreign: (i) patents and patent applications; (ii) trademark registrations and applications (including internet domain name registrations); and (iii) copyright registrations and applications owned by the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group as of the date hereof. Such registrations for Intellectual Property Rights owned by the Company, its Consolidated Subsidiaries or members of the Subsidiary Adviser Group are in effect and subsisting and, to the Knowledge of the Company, valid.

(b) To the Knowledge of the Company, except as would not, individually, or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group own, validly license or have the right to use in the manner currently used, all patents, trademarks, trade names, copyrights, internet domain names, service marks, know-how, trade secrets and other intellectual property rights, and any registrations and applications therefor (the "**Intellectual Property Rights**"), that are material to the respective businesses of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group as currently conducted.

(c) To the Knowledge of the Company, except as would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, as of the date hereof, the conduct of the respective businesses of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group as currently conducted does not infringe upon or otherwise violate any Intellectual Property Rights of any other Person. As of the date of this Agreement, there is no such claim pending or, to the Knowledge of the Company, threatened, except for any such infringement or other violation that would not have a Company Material Adverse Effect. To the Knowledge of the Company, no other Person is infringing or otherwise violating any Intellectual Property Rights that are material to the respective businesses of the

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Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group as currently conducted, except for any such infringement or other violation as would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole. This [Section 3.17\(c\)](#) constitutes the only representation and warranty of the Company with regard to any actual or alleged infringement or other violation of any Intellectual Property Rights of any other Person.

### Section 3.18 Taxes.

(a) The Company, each of its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group have (i) timely filed or caused to be timely filed (taking into account any extension of time within which to file) all material Tax Returns required to be filed by any of them and all such filed Tax Returns (taking into account all amendments thereto) are true, complete and accurate in all material respects and (ii) paid all material Taxes due and owing (whether or not shown on such Tax Returns), except, in the case of clause (ii) hereof, with respect to Taxes contested in good faith by appropriate Proceedings and for which adequate reserves or accruals have been established in accordance with GAAP.

(b) The unpaid Taxes of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group did not, as of the date of their respective most recent consolidated financial statements, materially exceed the reserve for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of such consolidated financial statements (rather than in any notes thereto). Since the date of its most recent consolidated financial statements, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has incurred any material liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice.

(c) As of the date of this Agreement, there are no pending, threatened in writing or ongoing audits, examinations, investigations or other Proceedings by any Governmental Authority in respect of material Taxes of or with respect to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group. None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has waived any statute of limitations with respect to material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency. No written claim has been made by any Governmental Authority in a jurisdiction where the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group does not currently file a Tax Return that it is or may be subject to taxation by that jurisdiction in respect of Taxes that would be covered by or the subject of such Tax Return, nor has any such assertion been threatened or proposed in writing and received by the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group.

(d) All Taxes that the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group are or were required by Law to withhold or collect have been duly and timely withheld or collected in all material respects on behalf of its respective employees, independent contractors or other Third Parties and, have been timely paid to the proper Governmental Authority or other Person or properly set aside in accounts for this purpose.

(e) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has ever been a member of a consolidated, combined or unitary Tax group (other than such a group the common parent of which is the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group), and none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has any liability for Taxes of any other Person (other than Taxes of the Company, any Consolidated Subsidiary or any member of the Subsidiary Adviser Group) under Treasury Regulation Section 1.1502-6 (or any similar provision of foreign, state or local law), as a transferee or successor, by Contract or otherwise.

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(f) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is a party to or is bound by any Tax sharing, Tax allocation or Tax indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among the Company, its Consolidated Subsidiaries, the members of the Subsidiary Adviser Group and certain Portfolio Companies or customary commercial Contracts entered into in the ordinary course of business, the principle subject matter of which is not Taxes) that will not be terminated on or before the Closing Date without any future liability to the Company, its Consolidated Subsidiaries or the members of the Subsidiary Adviser Group.

(g) There are no Liens for Taxes on any of the assets of the Company or any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group other than Permitted Liens.

(h) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has participated in or been a party to a transaction that, as of the date of this Agreement, constitutes a "listed transaction" that is required to be reported to the IRS pursuant to Section 6011 of the Code and applicable Treasury Regulations thereunder.

(i) Within the last two (2) years, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has been a party to any transaction intended to qualify under Section 355 of the Code.

(j) As of the date of this Agreement and to the Knowledge of the Company, there are no limitations on the utilization of the net operating losses, tax credit carryovers or other tax attributes of the Company under Section 382 through Section 384 of the Code (or any corresponding or similar provisions of Applicable Law) or the separate return limitation year rules under the consolidated return provisions of the Treasury Regulations (or any corresponding or similar provisions of Applicable Law), other than any such limitation arising as a result of the consummation of the transactions contemplated by this Agreement.

(k) The transactions contemplated by the Mortgage Manager Purchase Agreement and any Pending Sale Agreement will not result in any material Tax liability (other than an increase in any liability for alternative minimum tax or an increase in any state or local Tax liability) imposed on or payable by the Company or any of its Consolidated Subsidiaries.

Except insofar as Section 3.16 relates to Taxes, this Section 3.18 contains the sole and exclusive representations and warranties of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group relating to Taxes.

### Section 3.19 Material Contracts.

(a) Section 3.19(a) of the Company Disclosure Letter sets forth a complete and correct list, as of the date hereof, of each Company Material Contract, a complete and correct copy of each of which has been made available to Parent. For purposes of this Agreement, "**Company Material Contract**" means any Contract to which the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is a party, except for this Agreement or as expressly set forth below, that:

(i) constitutes a "material contract" (as such term is defined in item 601(b)(10) of Regulation S-K under the Securities Act) of the Company and its Consolidated Subsidiaries, taken as a whole;

(ii) except with respect to investments set forth in the Company SEC Documents and other than any arrangement regarding a Portfolio Company, is a joint venture, alliance, partnership or similar agreement that is material to the operation of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as whole;

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(iii) except with respect to investments set forth in the Company SEC Documents, and other than any arrangement regarding any Portfolio Company or any Fund, is a loan, guarantee of Indebtedness or credit agreement, note, mortgage, indenture or other binding commitment (other than those between or among the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group) relating to Indebtedness (whether outstanding or as may be incurred) in an amount in excess of \$5,000,000 individually;

(iv) is (A) an Advisory Agreement or Collateral Management Agreement providing for collateral management, investment advisory or other management or advisory fees in excess of \$500,000 per year payable to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group or (B) any other agreement with a Fund for the provision of management, advisory or other services to, or that relates to the receipt of management fees, performance fees, performance allocations or other compensation from, a Fund;

(v) creates future payment obligations, including settlement agreements, outside the ordinary course of business in excess of \$2,500,000, or creates or would create a Lien on any asset of the Company or its Consolidated Subsidiaries or any members of the Subsidiary Adviser Group (other than Liens consisting of restrictions on transfer agreed to in respect of investments entered into in the ordinary course of business);

(vi) is with (A) any Consolidated Subsidiaries of the Company or any members of the Subsidiary Adviser Group or (B) any "associate" or member of the "immediate family" (as such terms are respectively defined in Rule 12b-2 and Rule 16a-1 of the Exchange Act) of a Person identified in clause (A), in each case in excess of \$10,000,000 (individually or together with all related Agreements);

(vii) is a Contract that obligates the Company, any of its Consolidated Subsidiaries or any members of the Subsidiary Adviser Group to conduct any business that is material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, on an exclusive basis with any Third Party, or upon consummation of the Mergers, will obligate Parent or any of their Consolidated Subsidiaries to conduct business with any Third Party on an exclusive basis;

(viii) is an Order or Consent of a Governmental Authority to which the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is subject, other than any such Order or Consent that does not (A) involve future monetary obligations by the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group in excess of \$1,000,000 or (B) impose material restrictions on the business of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group;

(ix) is a non-competition or non-solicitation Contract or any other Contract that limits or would reasonably be expected to limit in any material respect the manner in which, or the localities in which, any material business of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group (taken as a whole) is or could be conducted or the types of material businesses that the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group conduct; or

(x) is a Contract (including a Contract relating to acquisitions or dispositions of controlling interests in controlled Portfolio Companies but excluding any Contract relating to acquisitions or dispositions of debt investments in Portfolio Companies) relating to the acquisition or disposition of any business or operations (whether by merger, sale of stock, sale of assets or otherwise) as to which there are any ongoing material obligations or that was entered into after December 31, 2015 and that has not yet been consummated, in each case pursuant to which (A) the Company reasonably expects that it is required to pay total consideration (including assumption of debt)

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after the date hereof in excess of \$10,000,000 or (B) any other Person has the right to acquire any assets of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group (or any interests therein) after the date of this Agreement with total consideration realizable by or payable to the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group in excess of \$10,000,000.

(b) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is in breach of or default (or, with the giving of notice or lapse of time or both, would be in default) under the terms of, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Company Material Contract to which it is a party, except as would not have a Company Material Adverse Effect. As of the date of this Agreement, to the Knowledge of the Company, no other party to any Company Material Contract is in breach of or default (or, with the giving of notice or lapse of time or both, would be in default) under the terms of, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Company Material Contract except as would not have a Company Material Adverse Effect. Each Company Material Contract is (A) a valid and binding obligation of the Company, or its Consolidated Subsidiary or member of the Subsidiary Adviser Group that is a party thereto, as applicable, and, to the Knowledge of the Company, the other parties thereto, except such as would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole (provided, that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive relief and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought) and (B) in full force and effect other than as would not, individually or in the aggregate, have a Company Material Adverse Effect.

(c) Section 3.19(c) of the Company Disclosure Letter sets forth, opposite the name of each Fund (other than the CDO Fund), the amount of assets under management by the Subsidiary Adviser Group ("**AUM**") in respect of such Fund as of the Base Date.

### Section 3.20 Real Property.

(a) None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group owns any real property.

(b) Section 3.20(b) of the Company Disclosure Letter sets forth a complete and accurate list of each lease pursuant to which the Company, its Consolidated Subsidiaries and/or the members of the Subsidiary Adviser Group leases, subleases or licenses an interest in real property from any other Person (whether as a tenant, subtenant or pursuant to other occupancy arrangements) (collectively, the "**Company Leased Real Property**"). As of the date of this Agreement, except as would not have a Company Material Adverse Effect, the Company, its Consolidated Subsidiaries and/or the members of the Subsidiary Adviser Group have valid leasehold, subleasehold or license interests in all Company Leased Real Property. Each lease for Company Leased Real Property is a valid and binding obligation of the Company, or its Consolidated Subsidiary or member of the Subsidiary Adviser Group that is a party thereto, as applicable, and to the Knowledge of the Company, the other parties thereto, except such as would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole; provided, that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive relief and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought.

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(c) As of the date of this Agreement, except as would not have a Company Material Adverse Effect, none of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has received any written communication from, or given any written communication to, or to the Knowledge of the Company, received or given any other type of communication from or to, any other party to a lease for Company Leased Real Property or any lender, alleging that the Company, any of its Consolidated Subsidiaries, any member of the Subsidiary Adviser Group or such other party, as the case may be, is in default under such lease.

Section 3.21 Environmental. Except as would not have a Company Material Adverse Effect:

(a) the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group are in compliance with all applicable Environmental Laws, including possessing all Company Permits required for their operations under applicable Environmental Laws;

(b) there is no pending or, to the Knowledge of the Company, threatened Proceeding pursuant to any Environmental Law against the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group. None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has received written notice from any Person, including any Governmental Authority, alleging that the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has been or is in violation or is potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved. None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group is a party or subject to any Order pursuant to Environmental Law; and

(c) to the Knowledge of the Company, with respect to the Company Leased Real Property, there have been no Releases of Hazardous Materials on or underneath any of such real properties that has caused environmental contamination at such real properties that is reasonably likely to result in an obligation to remediate such environmental contamination pursuant to applicable Environmental Law or result in liability pursuant to applicable Environmental Law with respect to remediation conducted by other Persons.

Section 3.22 Takeover Statutes. Assuming the accuracy of the representations contained in Section 4.28, the Company Board has taken such actions and votes as are necessary to render the provisions of any "fair price," "moratorium," "control share acquisition" or any other takeover or anti-takeover statute or similar federal or state Law (including Section 203 of the DGCL) inapplicable to this Agreement, the Company Merger or any other transactions contemplated by this Agreement.

Section 3.23 Vote Required. The adoption of this Agreement and the transactions contemplated hereby by the holders of at least a majority of the outstanding shares of Company Common Stock entitled to vote thereon at the Company Stockholders' Meeting (the "**Company Stockholder Approval**") is the only vote of holders of securities of the Company that is required in connection with the consummation of the transactions contemplated hereby.

Section 3.24 Brokers. No investment banker, broker or finder other than Goldman, Sachs & Co. ("**Goldman Sachs**") and Credit Suisse Securities (USA) LLC ("**Credit Suisse**"), the fees and expenses of which will each be paid by the Company, is entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby based upon arrangements made by or on behalf of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group.

Section 3.25 Opinion of Financial Advisors. The Company has received the opinion of Goldman Sachs to the effect that, based upon and subject to the limitations and assumptions set forth in such opinion, as of the date hereof, the Merger Consideration (excluding the Make-up Dividend Amount) to be paid to holders (other than Parent, Parent External Adviser, any holders entering into the Elliott

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Support Agreement and their respective Affiliates) of Company Common Stock pursuant to this Agreement is fair from a financial point of view to such holders. The Company has received the opinion of Credit Suisse to the effect that, based upon and subject to the limitations and assumptions set forth in such opinion, as of the date hereof, the Merger Consideration (excluding the Make-up Dividend Amount) to be received by holders of Company Common Stock in the Company Merger is fair, from a financial point of view, to such holders, other than Parent, Parent External Adviser, any holders entering into the Elliott Support Agreement and their respective Affiliates.

Section 3.26 Insurance. The Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group have paid, or caused to be paid, all premiums due under all material insurance policies of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, and all such insurance policies are in full force and effect other than as would not, individually or in the aggregate, be material to the Company, its Consolidated Subsidiaries or the members of the Subsidiary Adviser Group, taken as a whole. None of the Company, its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has received written notice that they are in default with respect to any obligations under such policies other than as would not have a Company Material Adverse Effect. None of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group has received any written notice of cancellation or termination with respect to any existing material insurance policy, or refusal or denial of any material coverage, reservation of rights or rejection of any material claim under any existing material insurance policy, in each case that is held by, or for the benefit of, the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group, other than as would not reasonably be expected to have a Company Material Adverse Effect.

Section 3.27 Investment Assets. Each of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group has good title to all securities, indebtedness and other financial instruments held by it, free and clear of any material Liens, except for Permitted Liens to the extent such securities, indebtedness or other financial instruments, as applicable, are pledged in the ordinary course of business consistent with past practice to secure obligations of the Company, any of its Consolidated Subsidiaries or a member of the Subsidiary Adviser Group and except for Liens consisting of restrictions on transfer agreed to in respect of investments entered into in the ordinary course of business.

Section 3.28 No Other Representations or Warranties. Except for the representations and warranties contained in this Article III, neither the Company, Subsidiary Adviser nor any other Person on behalf of the Company or Subsidiary Adviser makes any express or implied representation or warranty with respect to the Company, any of its Subsidiaries (including the Subsidiary Adviser Group), any Portfolio Company, any Fund or any other information provided to Parent or Acquisition Sub in connection with the transactions contemplated hereby, including the accuracy, completeness or timeliness thereof. Other than in the case of intentional fraud, neither the Company, Subsidiary Adviser nor any other Person will have or be subject to any claim, liability or indemnification obligation to Parent, Acquisition Sub or any other Person resulting from the distribution or failure to distribute to Parent or Acquisition Sub, or Parent's or Acquisition Sub's use of, any such information, including any information, documents, projections, estimates, Forecasts or other material made available to Parent or Acquisition Sub in the electronic data room maintained by the Company for purposes of the transactions contemplated by this Agreement or management presentations in expectation of the transactions contemplated by this Agreement, unless and to the extent any such information is expressly included in a representation or warranty contained in this Article III.

Section 3.29 Acknowledgment of Disclaimer of Other Representations and Warranties. The Company acknowledges that, as of the date hereof, it and its Representatives (a) have received full access to such books and records, facilities, properties, premises, equipment, contracts and other assets of Parent, Parent External Adviser, their respective Subsidiaries, the Portfolio Companies and any funds

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managed by them which it and its Representatives, as of the date hereof, have requested to review; (b) have received and may continue to receive from Parent, Parent External Adviser and their respective Subsidiaries and Representatives certain estimates, forecasts, projections and other forward-looking information, as well as certain business plan information, regarding Parent, Parent External Adviser, their respective Subsidiaries, the Portfolio Companies and any funds managed by them and their respective businesses and operations (collectively, "**Parent Forecasts**"); and (c) have had full opportunity to meet with the management of Parent, Parent External Adviser and their respective Subsidiaries and to discuss the business and assets of Parent, Parent External Adviser, their respective Subsidiaries, the Portfolio Companies and any funds managed by them. The Company acknowledges and agrees that (1) there are uncertainties inherent in attempting to make Parent Forecasts, with which the Company is familiar, and the Company is taking full responsibility for making its own evaluation of the adequacy and accuracy of all Parent Forecasts (including the reasonableness of the assumptions underlying such Parent Forecasts), and the Company shall have no claim against Parent, Parent External Adviser, their respective Subsidiaries, the Portfolio Companies, any funds managed by them or any of their respective Representatives with respect to any such Parent Forecasts, other than with respect to intentional fraud, and (2) the Company has conducted, to its satisfaction, its own independent review and analysis of the businesses, assets, condition, operations and prospects of Parent, Parent External Adviser, their respective Subsidiaries, the Portfolio Companies and any funds managed by them and, in making its determination to proceed with the transactions contemplated by this Agreement, including the Company Merger, the Company has relied on the results of its own independent review and analysis. The Company further acknowledges and agrees that (I) any Parent Forecast, data, financial information, memorandum, presentation or any other materials or information provided or addressed to the Company or any of its Representatives, including any materials or information made available to them in connection with the transactions contemplated hereby, via confidential information packet, in connection with presentations by Parent's management or otherwise, are not and shall not be deemed to constitute or be the subject of any representation or warranty unless and only to the extent any such material or information is the subject of an express representation or warranty set forth in Article IV and (II) except for the representations and warranties expressly set forth in Article IV, (a) neither Parent, Parent External Adviser nor any of their respective Subsidiaries or Representatives makes, or has made, any representation or warranty relating to itself or its business or otherwise in connection with the Mergers and the Company is not relying on (and the Company shall have no claim against Parent, Parent External Adviser, any of their respective Subsidiaries, the Portfolio Companies, any funds managed by them or their respective Representatives in respect of, other than in the case of intentional fraud) any such representation or warranty and (b) no Person has been authorized by Parent, Parent External Adviser or any of their respective Subsidiaries or Representatives to make any representation or warranty relating to itself or its business or otherwise in connection with the Mergers.

#### ARTICLE IV

##### **REPRESENTATIONS AND WARRANTIES OF PARENT, PARENT EXTERNAL ADVISER, IHAM AND ACQUISITION SUB**

Except as disclosed in the Parent SEC Documents filed by Parent prior to the date of this Agreement (but in each case excluding any risk factor or similar disclosure under the headings "Risk Factors" or "Forward Looking Statements" or any similar non-specific, predictive, precautionary or forward-looking statements), or as disclosed in the Parent Disclosure Letter, Parent and Acquisition Sub hereby jointly and severally represent and warrant to the Company, except with respect to the representations and warranties in Section 4.29, which are hereby made by Parent External Adviser to the Company severally and not jointly, and except with respect to the representations and warranties in

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Section 4.1, Section 4.2, Section 4.3, Section 4.4, Section 4.5 and Section 4.22, which are hereby made by Parent, Acquisition Sub and IHAM to the Company jointly and severally, as follows:

**Section 4.1 Organization; Qualification.** Each of Parent, Acquisition Sub and IHAM is a corporation or other entity, duly organized, validly existing and (to the extent applicable) in good standing under the laws of the jurisdiction of its incorporation or organization and has the requisite entity or similar power and authority to conduct its business as it is now being conducted, to own and use its assets in the manner in which its assets are currently used, and to perform its obligations under all Parent Material Contracts to which it is a party, except where the failure to be in good standing or to have such power and authority, to own and use such assets or to perform its obligations under such Parent Material Contract would not have a Parent Material Adverse Effect. Each of Parent, Acquisition Sub and IHAM is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a Parent Material Adverse Effect. Parent has made available to the Company a copy of the Parent Organizational Documents, as currently in effect, and neither Parent, Acquisition Sub or IHAM is in violation of any provision of such documents. Parent has duly elected to be regulated as a BDC pursuant to the Investment Company Act and such election has not been revoked or withdrawn and is in full force and effect.

**Section 4.2 Capitalization; Subsidiaries.**

(a) As of the close of business on May 20, 2016, the authorized capital stock of Parent consisted of (i) 500,000,000 shares of Parent Common Stock, 313,954,008 of which were issued and outstanding. There are no (i) options to purchase shares of Parent Common Stock or (ii) shares of preferred stock of Parent authorized and outstanding.

(b) All of the issued and outstanding shares of Parent Common Stock have been duly authorized and validly issued, and the shares of Parent Common Stock issuable pursuant to this Agreement will (subject to obtaining the Parent Stockholder Approval) be when issued, fully paid, nonassessable and free of preemptive rights. All of Parent Common Stock has been sold pursuant to an effective registration statement filed under the federal securities Laws or an appropriate exemption therefrom and in accordance with the Investment Company Act.

(c) As of the close of business on May 20, 2016, other than as set forth in Section 4.2(a), there are no existing (i) options, warrants, calls, subscriptions or other rights, convertible securities, agreements or commitments of any character to which Parent, any of its Subsidiaries or IHAM is a party obligating Parent, any of its Subsidiaries or IHAM to issue, transfer or sell any shares of capital stock or other equity interest in Parent, any of its Subsidiaries or IHAM or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of Parent, any of its Subsidiaries or IHAM to repurchase, redeem or otherwise acquire any capital stock of Parent, any of its Subsidiaries or IHAM, or any securities representing the right to purchase or otherwise receive any capital stock of Parent, any of its Subsidiaries or IHAM, (iii) voting trusts or similar agreements to which Parent is a party with respect to the voting of the capital stock of Parent or (iv) other equity-based awards, including any equity appreciation rights, issued by Parent, any of its Subsidiaries or IHAM.

(d) As of the close of business on May 20, 2016, the authorized capital stock of Acquisition Sub consisted of (i) 100 shares of common stock, \$0.01 par value per share, 100 of which were issued and outstanding. As of the date hereof there are no existing (i) options, warrants, calls, subscriptions or other rights, convertible securities, agreements or commitments of any character to which Acquisition Sub or IHAM is a party obligating Acquisition Sub or IHAM to issue, transfer or sell any shares of capital stock or other equity interest in Acquisition Sub or IHAM or securities convertible into or exchangeable for such shares or equity interests, (ii) contractual obligations of Acquisition Sub or

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IHAM to repurchase, redeem or otherwise acquire any capital stock or other equity interests of Acquisition Sub or IHAM, or any securities representing the right to purchase or otherwise receive any capital stock or other equity interests of Acquisition Sub or IHAM, (iii) voting trusts or similar agreements to which Acquisition Sub or IHAM is a party with respect to the voting of the capital stock or other equity interests of Acquisition Sub or IHAM or (iv) other equity-based awards, including any equity appreciation rights, issued by Parent, IHAM or any of their respective Subsidiaries.

Section 4.3 Authority Relative to Agreement.

(a) Parent, Acquisition Sub and IHAM have all necessary entity power and authority to execute and deliver this Agreement and, subject (in the case of the issuance of shares of Parent Common Stock in connection with the Company Merger) to obtaining the Parent Stockholder Approval, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Parent, Acquisition Sub and IHAM, and the consummation by Parent, Acquisition Sub and IHAM of the transactions contemplated by this Agreement, have been duly and validly authorized by all necessary corporate or similar action by Parent, Acquisition Sub and IHAM, and (in the case of the Adviser Merger, except for the filing of the Adviser Merger Certificate of Merger with the Delaware Secretary of State, and in the case of the issuance of shares of Parent Common Stock in connection with the Company Merger, except for the (i) receipt of the Parent Stockholder Approval and (ii) filing of the Company Merger Certificate of Merger with the Delaware Secretary of State) no other Proceeding on the part of Parent, Acquisition Sub or IHAM is necessary to authorize the execution, delivery and performance of this Agreement by Parent, Acquisition Sub and IHAM and the consummation by Parent, Acquisition Sub and IHAM of the transactions contemplated by this Agreement. This Agreement has been duly executed and delivered by Parent, Acquisition Sub and IHAM and, assuming due authorization, execution and delivery of this Agreement by the other parties hereto, constitutes a legal, valid and binding obligation of each of Parent, Acquisition Sub and IHAM, enforceable against each of Parent, Acquisition Sub and IHAM in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought.

(b) The board of directors or similar governing body of each of Parent, Acquisition Sub and IHAM has, by resolutions adopted by the directors or similar governing members, (i) adopted this Agreement and the transactions contemplated hereby, (ii) determined that this Agreement and the transactions contemplated hereby are advisable and in the best interests of Parent, Acquisition Sub and IHAM and their respective stockholders or other equityholders, as applicable, (iii) solely with respect to Parent, resolved to make the Parent Recommendation (provided, that any change or modification or rescission of such recommendation by the Parent Board in accordance with Section 5.3(c) shall not be a breach of the representation in this clause (iii)) and (iv) solely with respect to Parent, directed that the Parent Stock Issuance be submitted to a vote at the Parent Stockholders' Meeting. Parent, acting in its capacity as the sole stockholder of Acquisition Sub, has approved and adopted this Agreement. IHAM GP, acting in its capacity as the general partner of IHAM, has approved and adopted this Agreement.

(c) Neither the execution and delivery of this Agreement by Parent, Acquisition Sub or IHAM nor the consummation by Parent, Acquisition Sub or IHAM of the transactions contemplated hereby, nor compliance by Parent, Acquisition Sub or IHAM with any of the terms or provisions of this Agreement, will (i) violate any provision of the certificate of incorporation or bylaws (or equivalent organizational documents) of Parent, any of its Subsidiaries or IHAM, (ii) assuming that the Consents, registrations, declarations, filings and notices referred to in Section 4.4 have been obtained or made, conflict with or violate in any respect material to Parent any Law applicable to Parent, any of its

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Subsidiaries or IHAM or by which any property or asset of Parent, any of its Subsidiaries or IHAM is bound or affected or (iii) violate, conflict with or result in any breach of any provision of, or loss of any benefit, or constitute a default (with or without notice or lapse of time, or both) under, give rise to any right of termination, acceleration or cancellation of, require the Consent, or notice to, any Third Party pursuant to, any of the terms or provisions of any Parent Material Contract, or result in the creation of a Lien, other than any Permitted Lien, upon any of the property or assets of Parent, any of its Subsidiaries or IHAM, other than, in the case of clause (iii), any such conflict, violation, breach, default, termination, acceleration, cancellation or Lien that would not have a Parent Material Adverse Effect.

### Section 4.4 No Conflict: Required Filings and Consents.

(a) No Consent of, or registration, declaration or filing with, or notice to, any Governmental Authority is required to be obtained or made by or with respect to Parent, any of its Subsidiaries or IHAM in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, other than (i) applicable requirements of and filings with the SEC under the Exchange Act, the Investment Company Act and the Investment Advisers Act, (ii) the filing of the Adviser Merger Certificate of Merger and Company Merger Certificate of Merger with the Delaware Secretary of State, (iii) applicable requirements under corporation or Blue Sky Laws of various states, (iv) such filings as may be required in connection with the Taxes described in Section 7.6, (v) compliance with applicable rules and regulations of NASDAQ, (vi) such other items required solely by reason of the participation of the Company in the transactions contemplated hereby, (vii) compliance with and filings or notifications under Antitrust Laws, (viii) if the Hard 8 Restructuring shall not have occurred prior to the Closing, the Nevada Gaming Commission Approval and (ix) such other Consents, registrations, declarations, filings or notices the failure of which to be obtained or made would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. No approval under Section 57(f) of the Investment Company Act is necessary in connection with the execution and delivery by Parent, Acquisition Sub or IHAM of this Agreement or the consummation by Parent, Acquisition Sub or IHAM of the transactions contemplated hereby.

(b) Parent has received an order from the SEC under the Investment Company Act granting Parent an exemption from Section 12(d)(3) of the Investment Company Act to own and operate IHAM in accordance with the terms of such order (the "**Parent Exemptive Order**"), and the Parent Exemptive Order has not been rescinded.

### Section 4.5 Permits: Compliance with Laws: No Regulatory Registrations: IHAM.

(a) Parent, its Subsidiaries and IHAM are in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders necessary for Parent and its Subsidiaries to carry on their respective businesses under and pursuant to all Applicable Laws (the "**Parent Permits**"), and no suspension or cancellation of any of the Parent Permits is pending or, to the Knowledge of Parent, threatened, except where the failure to be in possession of, or the suspension or cancellation of, any of the Parent Permits would not have a Parent Material Adverse Effect. Each employee of Parent, its Subsidiaries and IHAM who is required to be registered or licensed as a registered representative, investment adviser representative, salesperson or an equivalent person with any Governmental Authority is duly registered or licensed as such and such registration or license is in full force and effect, except where the failure to be so registered or licensed or to have such registration or license in full force and effect would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(b) None of Parent, its Subsidiaries or IHAM is, or during the one-year period prior to the date of this Agreement has been, in default or violation of any (i) Law applicable to Parent, any of its Subsidiaries or IHAM or (ii) Parent Permits, except for any such defaults or violations that would not,

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individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. Notwithstanding the foregoing, no representation or warranty in this [Section 4.5](#) is made with respect to Parent SEC Documents or financial statements, "disclosure controls and procedures" or "internal control over financial reporting," employee benefits matters, intellectual property matters, Tax matters, real property matters or environmental matters, which are addressed exclusively in [Section 4.6](#) (Parent SEC Documents; Financial Statements; Enforcement Actions), [Section 4.8](#) (Disclosure Controls and Procedures), [Section 4.14](#) (Employee Benefit Plans; Labor), [Section 4.15](#) (Trademarks, Patents and Copyrights), [Section 4.16](#) (Taxes), [Section 4.18](#) (Real Property) and [Section 4.19](#) (Environmental), respectively.

(c) Parent has written policies and procedures adopted pursuant to Rule 38a-1 under the Investment Company Act that are reasonably designed to prevent material violations of the "Federal Securities Laws," as such term is defined in Rule 38a-1(e)(1) under the Investment Company Act. Since January 1, 2014, there have been no "Material Compliance Matters" for Parent, as such term is defined in Rule 38a-1(e)(2) under the Investment Company Act, other than those that have been reported to the Parent Board and satisfactorily remedied or are in the process of being remedied or those that would not have a Parent Material Adverse Effect.

(d) Parent, its Subsidiaries and IHAM are, and have been at all times since January 1, 2014, in compliance with the FCPA, and all other applicable money laundering, anti-corruption or anti-bribery Laws of all jurisdictions having jurisdiction over Parent, its Subsidiaries and IHAM. Parent, its Subsidiaries and IHAM have instituted policies and procedures reasonably designed to ensure compliance with the FCPA and other applicable money laundering, anti-corruption or anti-bribery Laws and maintain such policies and procedures in effect.

(e) Since January 1, 2014, none of Parent, any of its Subsidiaries or IHAM or, to the Knowledge of Parent, any of their respective directors, officers or employees, has received any written or, to the Knowledge of Parent, oral notification from a Governmental Authority asserting that Parent, any of its Subsidiaries or IHAM is not in compliance in all material respects with any material Laws or Parent Permits.

(f) Neither Parent nor any of its Subsidiaries is, or is required to be, registered as an investment adviser under the Investment Advisers Act or is, or is required by Applicable Law (other than the Investment Advisers Act) to be, registered, licensed or qualified as an investment adviser in any state or other jurisdiction, except where the existence of any such registration, license or qualification, or the failure to be so registered, licensed or qualified, would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. Neither Parent nor any of its Subsidiaries is a broker-dealer, commodity pool operator, commodity trading advisor, futures commission merchant, bank, trust company, commodity broker-dealer, real estate broker, insurance company or insurance broker within the meaning of any Applicable Law. Neither Parent nor any of its Subsidiaries has received written notice from any Governmental Authority of any failure to obtain any investment adviser, broker-dealer, commodity pool operator, commodity trading advisor, futures commission merchant, bank, trust company, commodity broker-dealer, real estate broker, insurance company or insurance broker registration, license or qualification.

(g) [IHAM](#).

(i) During the two-year period prior to the date of this Agreement, IHAM has filed (after giving effect to any extensions) all Regulatory Documents that were required to be filed with any Governmental Authority, other than such failure to file that would not, individually or in the aggregate, be material to IHAM and its Subsidiaries, taken as a whole.

(ii) IHAM is, and at all times required by the Investment Advisers Act during the two-year period prior to the date of this Agreement has been, duly registered as an investment adviser

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under the Investment Advisers Act. IHAM is, and at all times required by Applicable Law (other than the Investment Advisers Act) during the two-year period prior to the date of this Agreement has been, duly registered, licensed or qualified as an investment adviser in each state or any other jurisdiction where the conduct of its business required such registration, licensing or qualification, except where the failure to be so registered, licensed or qualified would not have a Parent Material Adverse Effect. Other than IHAM, none of Parent and its Subsidiaries is, or is required to be, registered as an investment adviser under the Investment Advisers Act or is, or is required by Applicable Law (other than the Investment Advisers Act) to be, registered, licensed or qualified as an investment adviser in any state or other jurisdiction, except where the existence of any such registration, license or qualification, or the failure to be so registered, licensed or qualified, would not be material to IHAM and its Subsidiaries, taken as a whole.

(iii) IHAM has implemented written policies and procedures as required by Rule 206(4)-7 under the Investment Advisers Act (complete and correct copies of which policies and procedures have been made available to the Company) and, during the two-year period prior to the date of this Agreement, IHAM has been in compliance with such policies and procedures, except where the failure to adopt such policies and procedures or to be in compliance would not, individually or in the aggregate, be material to IHAM and its Subsidiaries, taken as a whole.

(iv) The transactions contemplated by this Agreement will not (A) violate any provision of the limited partnership agreement of IHAM, (B) assuming that the Consents, registrations, declarations, filings and notices referred to in Section 4.4 have been obtained or made, and except for any Consents, filings or other notices that may be required or advisable under applicable Law or as set forth on Section 4.5(g)(iv) of the Parent Disclosure Letter, conflict with or violate in any respect material to IHAM any Law applicable to IHAM or by which any property or asset of IHAM is bound or affected or (C) violate, conflict with or result in any breach of any provision of, or loss of any benefit, or constitute a default (with or without notice or lapse of time, or both) under, give rise to any right of termination, acceleration or cancellation of, require the Consent, or notice to, any Third Party pursuant to, any of the terms or provisions of any Contract to which IHAM is a party, or result in the creation of a material Lien, other than any Permitted Lien, upon any of the property or assets of IHAM, other than, in the case of clauses (B) and (C), any such conflict, violation, breach, default, termination, acceleration, cancellation or Lien that would have or reasonably be expected to have a material adverse effect on the business, assets and operations of IHAM or the consummation of the transactions contemplated by this Agreement.

(h) Parent has made available to the Company a complete and correct copy of each material no-action letter and exemptive order issued by the SEC to any of Parent and its Subsidiaries, on which any of them relies in the conduct of its respective business as conducted on the date of this Agreement. Parent and its Subsidiaries are in compliance in all material respects with any such material no-action letters and exemptive orders.

(i) Parent has complied since January 1, 2015, and is in compliance, with its investment policies and restrictions and portfolio valuation methods, if any, as such policies and restrictions may be set forth in Parent's registration statement (as amended from time to time), except for any noncompliance that would not, individually or in the aggregate, have a Parent Material Adverse Effect.

### Section 4.6 Parent SEC Documents; Financial Statements; Enforcement Actions.

(a) Since January 1, 2015, Parent has filed with the SEC on a timely basis all material forms, documents and reports required to be filed or furnished prior to the date hereof by it with the SEC (such forms, documents and reports so filed with the SEC by Parent since such date, including any amendments thereto, the "**Parent SEC Documents**"). As of their respective dates, or, if amended, as of the date of the last such amendment, the Parent SEC Documents complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act or the Investment Company Act,

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as the case may be, and the applicable rules and regulations promulgated thereunder, and none of the Parent SEC Documents at the time it was filed contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, or are to be made, not misleading (or, in the case of a Parent SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the Securities Act, as of the date such registration statement or amendment became effective, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading).

(b) Parent has made available to the Company a complete and correct copy of each material no-action letter and exemptive order issued by the SEC to Parent or any of its Subsidiaries on which any of them relies in the conduct of its respective business as conducted on the date of this Agreement. Parent and its Subsidiaries are in compliance in all material respects with any such material no-action letters and exemptive orders, except where the failure to so be in compliance would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(c) The consolidated financial statements (including all related notes and the related consolidated schedules of investments) of Parent and its Subsidiaries included in the Parent SEC Documents (i) fairly present in all material respects the consolidated financial position, results of operations, cash flows and changes in stockholders' equity of Parent and its Subsidiaries as at the respective dates thereof or the respective periods then ended, as applicable (subject, in the case of unaudited interim statements, to normal year-end audit adjustments, to the absence of notes and to any other adjustments described therein, including in any notes thereto), (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated therein or in the notes thereto), (iii) were prepared from, and are in accordance with, the books and records of Parent and its Subsidiaries, as applicable, and (iv) comply as to form, as of their respective dates of filing with the SEC, in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto.

(d) Neither Parent nor any of its Subsidiaries is subject to any cease-and-desist or other enforcement action by, or is a party to any Contract consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or has been ordered to pay any civil money penalty by, or is subject to any Order by, or has adopted any policies, procedures or board resolutions at the request of, any Governmental Authority that currently restrict the conduct of its business (or that would, to the Knowledge of Parent, upon consummation of the Mergers restrict in any respect the conduct of the business of Parent or any of its Subsidiaries), or that relate to its capital adequacy, its ability to pay dividends, its credit, risk management or compliance policies, its internal controls, its management or its business, other than those of general application that apply to similarly situated BDCs or their Subsidiaries, except as would not, individually or in the aggregate, have a material adverse effect on Parent or any of its Subsidiaries, nor has Parent or any of its Subsidiaries been advised in writing or, to the Knowledge of Parent, verbally by any Governmental Authority that it is considering issuing, initiating, ordering or requesting any of the foregoing that would, individually or in the aggregate, have a material adverse effect on Parent or any of its Subsidiaries, taken as a whole.

Section 4.7 Information Supplied. None of the information supplied or to be supplied by or on behalf of Parent or any of its Subsidiaries for inclusion or incorporation by reference in (a) the Form N-14 will, at the time the Form N-14 is filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein, in light of the circumstances under which they are made, not misleading and (b) the Joint Proxy Statement will, at the date it or any amendment or supplement is mailed to stockholders of the Company and

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stockholders of Parent and at the time of the Company Stockholders' Meeting and at the time of the Parent Stockholders' Meeting, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading (except that no representation or warranty is made by Parent or Acquisition Sub regarding such portions thereof that relate expressly to the Company or any of its Subsidiaries or Parent External Adviser, or to statements made therein based on information supplied by or on behalf of the Company or, if applicable, Parent External Adviser, for inclusion or incorporation by reference therein). The Joint Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder.

Section 4.8 Disclosure Controls and Procedures. Parent and its Subsidiaries maintain Internal Controls. Such Internal Controls are designed to ensure that all information required to be disclosed in any Parent SEC Documents are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and further designed and maintained to provide reasonable assurance regarding the reliability of Parent's financial reporting and the preparation of Parent's financial statements for external purposes in accordance with GAAP. Parent's management has completed an assessment of the effectiveness of Parent's system of internal controls over financial reporting in compliance with the requirements of Section 404 of the Sarbanes-Oxley Act for the fiscal year ended December 31, 2015 and such assessment concluded that such Internal Controls were effective using the framework specified in Parent's Annual Report on Form 10-K for the year ended December 31, 2015 and, except as set forth on Section 4.8 of the Parent Disclosure Letter, such assessment did not identify, and to the Knowledge of Parent, neither Parent nor any of its Subsidiaries has been made aware of, (i) any significant deficiency or material weakness in the design or operation of internal control over financial reporting utilized by Parent or its Subsidiaries or (ii) any illegal act or fraud, whether or not material, that involves management or employees of Parent or its Subsidiaries. The principal executive officer and principal financial officer of Parent have made all certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act and any related rules and regulations promulgated by the SEC with respect to the Parent SEC Documents, and the statements contained in any such certifications were true and correct on the date such certifications were made and such officers would be able to make such certifications as of the date hereof and as of the Closing Date as if required to be made as of such dates. Parent and each of its Subsidiaries, if applicable, is in compliance in all material respects with the applicable listing standards and corporate governance standards of NASDAQ or other listing exchanges or self-regulating organizations applicable to Parent and its Subsidiaries, and has not received any written (or to the Knowledge of Parent, any verbal) notice asserting any non-compliance with the listing standards and corporate governance standards of NASDAQ.

Section 4.9 Absence of Certain Changes or Events. Since December 31, 2015, through the date of this Agreement, except as otherwise contemplated or permitted by this Agreement, (a) the respective businesses of Parent and its Subsidiaries have been conducted in the ordinary course of business consistent with past practice, (b) there has not been any event, development or state of circumstances that has had a Parent Material Adverse Effect and (c) there has not been any action that, if it had been taken after the date hereof, would have required the consent of the Company under Sections 5.2(a), (d), (f), (i) and (j).

Section 4.10 No Undisclosed Liabilities. Except (a) as reflected, disclosed or reserved against in Parent's financial statements (as amended or restated, if applicable) or the notes thereto included in the Parent SEC Documents, (b) for liabilities or obligations incurred in the ordinary course of business consistent with past practice since December 31, 2015, (c) for liabilities or obligations incurred in connection with the transactions contemplated hereby, (d) for liabilities and obligations which have been discharged or paid prior to the date of this Agreement or (e) for liabilities or obligations that would not be material to Parent and its Subsidiaries, taken as a whole, as of the date hereof, none of

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Parent or its Subsidiaries has any liabilities or obligations of any nature, whether or not accrued, contingent or otherwise, that would be required by GAAP to be reflected on a consolidated balance sheet (or the notes thereto) of Parent.

Section 4.11 Litigation. As of the date of this Agreement, (i) there is no Proceeding pending or, to the Knowledge of Parent, threatened against Parent or any of its Subsidiaries that would, individually or in the aggregate, be material to Parent or its Subsidiaries, taken as a whole, and (ii) there is no judgment or order of any Governmental Authority outstanding against, or, to the Knowledge of Parent, investigation by any Governmental Authority involving, Parent or any of its Subsidiaries that, in the case of this clause (ii), would reasonably be expected to have a Parent Material Adverse Effect.

Section 4.12 Absence of Certain Agreements. Neither Parent nor any of its Affiliates has entered into any Contract, arrangement or understanding (in each case, whether oral or written), or authorized, committed or agreed to enter into any Contract, arrangement or understanding (in each case, whether oral or written), pursuant to which: (a) any stockholder of the Company would be entitled to receive consideration of a different amount or nature than the Merger Consideration or pursuant to which any stockholder of the Company (i) agrees to vote to adopt this Agreement or the Company Merger or (ii) agrees to vote against any Superior Proposal or (b) any Third Party has agreed to provide, directly or indirectly, equity capital to Parent or the Company to finance in whole or in part the Company Merger.

Section 4.13 Ineligible Persons. No employee, officer or director of Parent has been subject to disqualification to serve in any capacity contemplated by the Investment Company Act under Sections 9(a) and 9(b) of the Investment Company Act unless, in each case, such person has received exemptive relief from the SEC with respect to any such disqualification, nor is there any Proceeding pending or, to the Knowledge of Parent, threatened by any Governmental Authority that would result in any such disqualification of any employee, officer or director of Parent. Neither Parent nor any of its "associated persons" is subject to a "statutory disqualification" (as such terms are defined in the Exchange Act) and there is no Proceeding pending or, to the Knowledge of Parent, threatened by any Governmental Authority that would result in Parent or any of its "associated persons" becoming so subject. None of the Parent, its Subsidiaries or any of its employees is subject to any "bad actor" disqualification specified under Rule 506 of Regulation D promulgated under the Securities Act.

Section 4.14 Employee Benefit Plans; Labor(a) .

(a) None of the Parent or any of its Consolidated Subsidiaries has any employees.

(b) Except as would, individually or in the aggregate, be a material liability to Parent and its Subsidiaries, taken as a whole, neither Parent nor any Person that is a member of a "controlled group of corporations" with, or is under "common control" with, or is a member of the same "affiliated service group" with Parent, in each case, as defined in Sections 414(b), (c), (m) or (o) of the Code maintains, contributes to, or sponsors (or has in the past six (6) years maintained, contributed to or sponsored) a multiemployer plan (as defined in Section 3(37) of ERISA) or any employee benefit plan that is subject to Title IV of ERISA or Section 412 of the Code.

(c) Except as set forth on Section 4.14(c) of the Parent Disclosure Letter, neither the execution or delivery of this Agreement nor the consummation of the Mergers will, either alone or in conjunction with any other event (including any termination of employment upon or following the consummation of the Mergers), (i) entitle any current or former director of, or service provider to, Parent or any of its Subsidiaries to any material payment, except as expressly provided in this Agreement, (ii) materially increase the amount or value of any benefit or compensation otherwise payable or required to be provided to any such director or service provider or (iii) accelerate the time of payment or vesting of amounts due any such director or service provider or, except as provided for in this Agreement. No amounts payable under any employee benefit plan or otherwise will fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code as a result of the occurrence of the transactions contemplated by this Agreement, either alone or in combination with another event.

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(d) Parent has not, and has never been the "employer" or "connected or associated" with the "employer" (as those terms in quotation marks are used in the UK Pensions Act 2004) in relation to any pension, superannuation or other retirement benefits plan in respect of which benefits are calculated by reference to age, salary or length of service.

### Section 4.15 Trademarks, Patents and Copyrights.

(a) Section 4.15(a) of the Parent Disclosure Letter sets forth a complete and accurate list (in all material respects) of all material United States and foreign: (i) patents and patent applications; (ii) trademark registrations and applications (including internet domain name registrations); and (iii) copyright registrations and applications owned by Parent and its Subsidiaries as of the date hereof. Such registrations for Intellectual Property Rights owned by Parent or its Subsidiaries are in effect and subsisting and, to the Knowledge of Parent, valid.

(b) To the Knowledge of Parent, except as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole, Parent and its Subsidiaries own, validly license or have all Intellectual Property Rights that are material to the respective businesses of Parent and its Subsidiaries as currently conducted.

(c) To the Knowledge of Parent, except as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole, as of the date hereof, the conduct of the respective businesses of Parent and its Subsidiaries as currently conducted does not infringe upon or otherwise violate any Intellectual Property Rights of any other Person. As of the date of this Agreement, there is no such claim pending or, to the Knowledge of Parent, threatened, except for any such infringement or other violation that would not have a Parent Material Adverse Effect. To the Knowledge of Parent, no other Person is infringing or otherwise violating any Intellectual Property Rights that are material to the respective businesses of Parent and its Subsidiaries as currently conducted, except for any such infringement or other violation as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. This Section 4.15(c) constitutes the only representation and warranty of Parent with regard to any actual or alleged infringement or other violation of any Intellectual Property Rights of any other Person.

### Section 4.16 Taxes.

(a) Since January 1, 2012, Parent has elected to be treated as, and has operated in conformity with the requirements for qualification and taxation as, a regulated investment company taxable under Subchapter M of Chapter 1 of the Code, and its proposed method of operation will enable it to continue to meet the requirements for qualification and taxation as a regulated investment company under Subchapter M of Chapter 1 of the Code. Parent and each of its Subsidiaries have (i) timely filed or caused to be timely filed (taking into account any extension of time within which to file) all material Tax Returns required to be filed by any of them and all such filed Tax Returns (taking into account all amendments thereto) are true, complete and accurate in all material respects and (ii) paid all material Taxes due and owing (whether or not shown on such Tax Returns), except, in the case of clause (ii) hereof, with respect to Taxes contested in good faith by appropriate Proceedings and for which adequate reserves or accruals have been established in accordance with GAAP.

(b) The unpaid Taxes of Parent and its Subsidiaries did not, as of the date of its most recent consolidated financial statements, materially exceed the reserve or accrual for Tax liability (excluding any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the face of such consolidated financial statements (rather than in any notes thereto). Since the date of its most recent consolidated financial statements, neither Parent nor any of its Subsidiaries has incurred any material liability for Taxes outside the ordinary course of business or otherwise inconsistent with past custom and practice.

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(c) As of the date of this Agreement, there are no pending, threatened in writing or ongoing audits, examinations, investigations or other Proceedings by any Governmental Authority in respect of material Taxes of or with respect to Parent or any of its Subsidiaries. Neither Parent nor any of its Subsidiaries has waived any statute of limitations with respect to material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency. No written claim has been made by any Governmental Authority in a jurisdiction where Parent or any of its Subsidiaries does not currently file a Tax Return that it is or may be subject to taxation by that jurisdiction in respect of Taxes that would be covered by or the subject of such Tax Return, nor has any such assertion been threatened or proposed in writing and received by Parent or any of its Subsidiaries.

(d) All Taxes that Parent or any of its Subsidiaries are or were required by Law to withhold or collect have been duly and timely withheld or collected in all material respects on behalf of its respective employees, independent contractors or other Third Parties and, have been timely paid to the proper Governmental Authority or other Person or properly set aside in accounts for this purpose.

(e) Neither Parent nor any of its Subsidiaries has ever been a member of a consolidated, combined or unitary Tax group (other than such a group the common parent of which is Parent or any of its Subsidiaries), and neither Parent nor any of its Subsidiaries has any liability for Taxes of any other Person (other than Taxes of Parent or any Subsidiary) under Treasury Regulation Section 1.1502-6 (or any similar provision of foreign, state or local law), as a transferee or successor, by Contract or otherwise.

(f) Neither Parent nor any of its Subsidiaries is a party to or is bound by any Tax sharing, Tax allocation or Tax indemnification agreement or arrangement (other than such an agreement or arrangement exclusively between or among Parent and its Subsidiaries or customary commercial Contracts entered into in the ordinary course of business, the principle subject matter of which is not Taxes) that will not be terminated on or before the Closing Date without any future liability to the Company or its Subsidiaries.

(g) There are no Liens for Taxes on any of the assets of Parent or any of its Subsidiaries other than Permitted Liens.

(h) Neither Parent nor any of its Subsidiaries has participated in or been a party to a transaction that, as of the date of this Agreement, constitutes a "listed transaction" that is required to be reported to the IRS pursuant to Section 6011 of the Code and applicable Treasury Regulations thereunder.

(i) Within the last two (2) years, neither Parent nor any of its Subsidiaries has been a party to any transaction intended to qualify under Section 355 of the Code.

This [Section 4.16](#) contains the sole and exclusive representations and warranties of Parent and its Subsidiaries relating to Taxes.

### Section 4.17 [Material Contracts](#).

(a) [Section 4.17\(a\) of the Parent Disclosure Letter](#) sets forth a complete and correct list, as of the date hereof, of each Parent Material Contract, a complete and correct copy of each of which has been made available to the Company. For purposes of this Agreement, "**Parent Material Contract**" means any Contract to which Parent or any of its Subsidiaries is a party, except for this Agreement or as expressly set forth below, that:

(i) constitutes a "material contract" (as such term is defined in item 601(b)(10) of Regulation S-K under the Securities Act) of Parent and its Subsidiaries, taken as a whole;

(ii) except with respect to investments set forth in the Parent SEC Documents, is a joint venture, alliance, partnership or similar agreement that is material to the operation of Parent and its Subsidiaries, taken as whole;

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(iii) except with respect to investments set forth in the Parent SEC Documents (and other than any arrangement regarding any Portfolio Company), is a loan, guarantee of Indebtedness or credit agreement, note, mortgage, indenture or other binding commitment (other than those between or among Parent and its Subsidiaries) relating to Indebtedness (whether outstanding or as may be incurred) in an amount in excess of \$5,000,000 individually;

(iv) creates future payment obligations, including settlement agreements, outside the ordinary course of business in excess of \$10,000,000, or creates or would create a Lien on any asset of Parent or any of its Subsidiaries (other than Liens consisting of restrictions on transfer agreed to in respect of investments entered into in the ordinary course of business);

(v) is with (A) any Subsidiaries of Parent or (B) any "associate" or member of the "immediate family" (as such terms are respectively defined in Rule 12b-2 and Rule 16a-1 of the Exchange Act) of a Person identified in clause (A), in each case in excess of \$10,000,000 (individually or together with all related Agreements);

(vi) is a Contract that obligates Parent or any of its Subsidiaries to conduct any business that is material to Parent or its Subsidiaries, taken as a whole, on an exclusive basis with any Third Party;

(vii) is an Order or Consent of a Governmental Authority to which Parent or any of its Subsidiaries is subject, other than any such Order or Consent that does not (A) involve future monetary obligations by Parent or any of its Subsidiaries in excess of \$1,000,000 or (B) impose material restrictions on the business of Parent or any of its Subsidiaries;

(viii) is a non-competition or non-solicitation Contract or any other Contract that limits or would reasonably be expected to limit in any material respect the manner in which, or the localities in which, any material business of Parent and its Subsidiaries (taken as a whole) is or could be conducted or the types of material businesses that Parent and its Subsidiaries conduct;

(ix) is a Contract (excluding any Contract relating to acquisitions or dispositions of debt investments in Portfolio Companies) relating to the acquisition or disposition of any business or operations (whether by merger, sale of stock, sale of assets or otherwise) as to which there are any ongoing material obligations or that was entered into after December 31, 2015 and that has not yet been consummated, in each case pursuant to which (A) Parent reasonably expects that it is required to pay total consideration (including assumption of debt) after the date hereof in excess of \$10,000,000 or (B) any other Person has the right to acquire any assets of Parent or any of its Subsidiaries (or any interests therein) after the date of this Agreement with total consideration realizable by or payable to Parent or any of its Subsidiaries in excess of \$10,000,000.

(x) is the Parent External Advisory Agreement or the Parent Administration Agreement.

(b) None of Parent or any Subsidiary of Parent is in breach of or default (or, with the giving of notice or lapse of time or both, would be in default) under the terms of, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Parent Material Contract to which it is a party, except as would not have a Parent Material Adverse Effect. As of the date of this Agreement, to the Knowledge of Parent, no other party to any Parent Material Contract is in breach of or default (or, with the giving of notice or lapse of time or both, would be in default) under the terms of, and has not taken any action resulting in the termination of, acceleration of performance required by, or resulting in a right of termination or acceleration under, any Parent Material Contract except as would not have a Parent Material Adverse Effect. Each Parent Material Contract is (A) a valid and binding obligation of Parent or its Subsidiary that is a party thereto, as applicable, and, to the Knowledge of Parent, the other parties thereto, except such as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole (provided, that (i) such enforcement may be subject to applicable

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bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought) and (B) in full force and effect other than as would not, individually or in the aggregate, have a Parent Material Adverse Effect.

### Section 4.18 Real Property.

(a) None of the Parent nor any of its Subsidiaries owns any real property.

(b) Section 4.18(b) of the Parent Disclosure Letter sets forth a complete and accurate list of each lease pursuant to which Parent and/or its Subsidiaries leases, subleases or licenses an interest in real property from any other Person (whether as a tenant, subtenant or pursuant to other occupancy arrangements) (collectively, the "**Parent Leased Real Property**"). As of the date of this Agreement, except as would not have a Parent Material Adverse Effect, Parent and/or its Subsidiaries have valid leasehold, subleasehold or license interests in all Parent Leased Real Property. Each lease for Parent Leased Real Property is a valid and binding obligation of Parent or its Subsidiary that is a party thereto, as applicable, and to the Knowledge of Parent, the other parties thereto, except such as would not, individually or in the aggregate, be material to Parent or its Subsidiaries, taken as a whole; provided, that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive relief and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought.

(c) As of the date of this Agreement, except as would not have a Parent Material Adverse Effect, none of Parent or any of its Subsidiaries has received any written communication from, or given any written communication to, or to the Knowledge of Parent, received or given any other type of communication from or to, any other party to a lease for Parent Leased Real Property or any lender, alleging that Parent or any of its Subsidiaries or such other party, as the case may be, is in default under such lease.

### Section 4.19 Environmental. Except as would not have a Parent Material Adverse Effect:

(a) Parent and its Subsidiaries are in compliance with all applicable Environmental Laws, including possessing all Parent Permits required for their operations under applicable Environmental Laws;

(b) there is no pending or, to the Knowledge of Parent, threatened Proceeding pursuant to any Environmental Law against Parent or any of its Subsidiaries. None of Parent or any of its Subsidiaries has received written notice from any Person, including any Governmental Authority, alleging that Parent or any of its Subsidiaries has been or is in violation or is potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved. None of Parent or any of its Subsidiaries is a party or subject to any Order pursuant to Environmental Law; and

(c) to the Knowledge of Parent, with respect to the Parent Leased Real Property, there have been no Releases of Hazardous Materials on or underneath any of such real properties that has caused environmental contamination at such real properties that is reasonably likely to result in an obligation to remediate such environmental contamination pursuant to applicable Environmental Law or result in liability pursuant to applicable Environmental Law with respect to remediation conducted by other Persons.

Section 4.20 Vote Required. The approval (a) by a majority of votes cast at the Parent Stockholders' Meeting of the Parent Stock Issuance and (b) as required under the Investment Company

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Act as set out on Section 4.20 of the Parent Disclosure Letter (the approvals in clauses (a) and (b), the "**Parent Stockholder Approval**"), are the only votes of holders of securities of Parent that are required in connection with the consummation of the transactions contemplated hereby.

### Section 4.21 Sufficient Funds.

(a) Parent has delivered to Company true, correct and complete copies of (i) the fully executed debt commitment letter, dated as of the date hereof, from Bank of America, N.A. and Wells Fargo Bank, National Association (such debt commitment letter, together with all exhibits, schedules, annexes, supplements, term sheets, amendments, supplements or modifications to such letter in effect as of the date hereof, and the Fee Letter, collectively, the "**Debt Commitment Letter**"), pursuant to which, and subject to the terms and conditions of which, the lenders party thereto have committed to lend the amounts set forth therein for the purpose of funding the transactions contemplated by this Agreement and related fees and expenses (the "**Debt Financing**"), (ii) the fully executed fee letter associated therewith (provided, that the fee amounts, pricing caps and economic terms (other than covenants) set forth therein, none of which could adversely affect the conditionality, enforceability, availability, termination or aggregate principal amount of the Debt Financing, may be redacted), together with all exhibits, schedules, annexes, supplements, term sheets, amendments, supplements or modifications to such letter in effect as of the date hereof (the "**Fee Letter**").

(b) As of the date of this Agreement, the Debt Commitment Letter, in the form so delivered, is in full force and effect as to Parent and the other parties thereto and has not been withdrawn or terminated, or otherwise amended, supplemented or modified in any respect, and is valid, binding and enforceable against all of the parties thereto in accordance with its terms, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights and remedies generally and (ii) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought. There are not, nor are there contemplated to be, any other agreements, side letters or arrangements relating to the Debt Commitment Letter to which Parent, Acquisition Sub or any of their Affiliates is a party. No event has occurred that, with or without notice, lapse of time or both, would or would reasonably be expected to (i) constitute a failure to satisfy any condition of the Debt Commitment Letter, (ii) result in any portion of the Debt Financing to be unavailable on or before the Closing Date or (iii) result in a default or breach on the part of Parent, Acquisition Sub or any other Subsidiary of Parent, or to the Knowledge of Parent, any other party thereto, under any term or condition of the Debt Commitment Letter. Each of Parent, Acquisition Sub and each Subsidiary of Parent has no reason to believe that it or any other party to the Debt Commitment Letter will be unable to satisfy on a timely basis, any term or condition of closing to be satisfied by such party, contained in the Debt Commitment Letter. Parent has fully paid, or caused to be paid, any and all commitment fees or other fees required by the Debt Financing to be paid on or before the date of this Agreement and will pay in full any such amounts due on or before the Closing Date. The aggregate net proceeds from the Debt Financing (both before and after giving effect to the exercise of any or all market flex provisions related thereto), cash on Parent's balance sheet and the Parent External Adviser Cash Consideration constitute all of the financing required for the consummation of the transactions contemplated by this Agreement, are sufficient in amount for the satisfaction of all of Parent's and Acquisition Sub's obligations under this Agreement and are sufficient in amount to consummate the transactions contemplated by this Agreement, including the payment of the Merger Consideration and the payment of all associated fees, costs and expenses (including fees, cash and expenses related to the Debt Financing). The Debt Commitment Letter contains all of the conditions precedent to the obligations of the parties thereunder to make the Debt Financing available to Parent and Acquisition Sub. The only conditions precedent or other contingencies related to the initial funding of the Debt Financing on the Closing Date to be included in the final documentation regarding the Debt Financing

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will be the conditions expressly contained in the Debt Commitment Letter. The Debt Commitment Letter has not been withdrawn, repudiated, terminated or rescinded in any respect. To the Knowledge of Parent, there are no facts or circumstances that could result in any of the conditions set forth in the Debt Commitment Letter not being satisfied.

(c) Neither Parent's nor Acquisition Sub's obligations under this Agreement are contingent upon or otherwise subject to (i) any conditions regarding Parent's, any of its Affiliate's or any other Person's ability to obtain financing for the consummation of the transactions contemplated hereby or (ii) Parent's consummation of any financing arrangements.

(d) Any breach of, or inaccuracy in, the provisions of this Section 4.21 shall not result in a failure of a condition pursuant to Section 6.3(a) if Parent is capable of satisfying its obligations to pay the Merger Consideration payable by it in accordance with the provisions of this Agreement.

Section 4.22 Brokers. No investment banker, broker or finder other than Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, the fees and expenses of which will be paid by Parent, is entitled to any investment banking, brokerage, finder's or similar fee or commission in connection with this Agreement or the transactions contemplated hereby based upon arrangements made by or on behalf of Parent, Acquisition Sub or any of their respective Affiliates.

Section 4.23 Opinion of Financial Advisor. Parent has received the opinion of Wells Fargo Securities, LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, each dated as of the date hereof, to the effect that, as of the date hereof, and based upon and subject to the limitations and assumptions set forth in each such opinion, respectively, the Parent Cash Consideration and the Exchange Ratio to be paid by Parent pursuant to this Agreement collectively are fair, from a financial point of view, to Parent.

Section 4.24 Insurance. Parent and its Subsidiaries have paid, or caused to be paid, all premiums due under all material insurance policies of Parent and its Subsidiaries and all such insurance policies are in full force and effect other than as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. None of Parent or any of its Subsidiaries has received written notice that they are in default with respect to any obligations under such policies other than as would not have a Parent Material Adverse Effect. None of Parent or any of its Subsidiaries has received any written notice of cancellation or termination with respect to any existing material insurance policy, or refusal or denial of any material coverage, reservation of rights or rejection of any material claim under any existing material insurance policy, in each case that is held by, or for the benefit of, Parent or any of its Subsidiaries, other than as would not reasonably be expected to have a Parent Material Adverse Effect. Parent and its Subsidiaries are insured against such losses and risks and in such amounts as are customary in the businesses in which they are engaged.

Section 4.25 Solvency. Neither Parent nor Acquisition Sub is entering into the transactions contemplated by this Agreement with the actual intent to hinder, delay or defraud either present or future creditors of the Company or any of its Subsidiaries (including any member of the Subsidiary Adviser Group). Each of Parent and Acquisition Sub is solvent as of the date of this Agreement, and Parent will, after giving effect to all of the transactions contemplated by this Agreement, including the payment of any amounts required to be paid in connection with the consummation of the transactions contemplated by this Agreement and the payment of all related fees and expenses, be solvent at and immediately after the Company Merger Effective Time. As used in this Section 4.25, the term "solvent" means, with respect to a particular date, that on such date, (a) the sum of the assets, at a fair valuation, of Parent and Acquisition Sub and, after the Company Merger, Parent and its Subsidiaries will exceed their debts, (b) each of Parent and Acquisition Sub and, after the Company Merger, Parent and its Subsidiaries have not incurred debts beyond its ability to pay such debts as such debts mature and (c) each of Parent and Acquisition Sub and, after the Company Merger, Parent and its Subsidiaries has sufficient capital and liquidity with which to conduct its business. For purposes of this Section 4.25,

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"debt" means any liability on a claim, and "claim" means any (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, and (ii) any right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

Section 4.26 Share Ownership. None of Parent, Acquisition Sub or any of their Affiliates has been, at any time during the three (3) years preceding the date hereof, an "interested stockholder" of the Company, as defined in Section 203 of the DGCL. As of the date of this Agreement, none of Parent, Acquisition Sub or their respective Affiliates owns (directly or indirectly, beneficially or of record) any Company Common Stock and none of Parent, Acquisition Sub or their respective Affiliates holds any rights to acquire any Company Common Stock except pursuant to this Agreement.

Section 4.27 Management Agreements. Other than this Agreement, as of the date hereof, there are no Contracts, undertakings, commitments, agreements or obligations or understandings between Parent or Acquisition Sub or any of their Affiliates, on the one hand, and any member of the Company's management or the Company Board, on the other hand, relating in any way to the transactions contemplated by this Agreement or the operations of the Company after the Company Merger Effective Time.

Section 4.28 Investment Assets. Each of Parent and its Subsidiaries has good title to all securities, Indebtedness and other financial instruments held by it, free and clear of any material Liens, except for Permitted Liens to the extent such securities, Indebtedness or other financial instruments, as applicable, are pledged in the ordinary course of business consistent with past practice to secure obligations of Parent and any of its Subsidiaries and except for Liens consisting of restrictions on transfer agreed to in respect of investments entered into in the ordinary course of business.

Section 4.29 Parent External Adviser. Parent External Adviser hereby represents and warrants to the Company as follows:

(a) Organization; Qualification. Parent External Adviser is a limited liability company, duly formed, validly existing and (to the extent applicable) in good standing under the laws of the jurisdiction of its formation and has the requisite limited liability company power and authority to conduct its business as it is now being conducted, except where the failure to be in good standing or to have such power and authority would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. Parent External Adviser is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a Parent Material Adverse Effect. Parent has made available to the Company a copy of the Parent External Adviser Organizational Documents, as currently in effect, and Parent External Adviser is not in violation of any provision of such documents. Parent External Adviser does not have any Subsidiaries.

(b) Authority Relative to Agreement.

(i) Parent External Adviser has all necessary corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by Parent External Adviser, and the consummation by Parent External Adviser of the transactions contemplated by this Agreement, have been duly and validly authorized by all necessary corporate or similar action by Parent External Adviser and no other Proceeding on the part of Parent External Adviser is necessary to authorize the execution, delivery and performance of this Agreement by Parent External Adviser and the consummation by Parent External Adviser of the transactions contemplated by this Agreement. This Agreement has

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been duly executed and delivered by Parent External Adviser and, assuming due authorization, execution and delivery of this Agreement by the other parties hereto, constitutes a legal, valid and binding obligation of Parent External Adviser, enforceable against it in accordance with its terms, except that (A) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, affecting creditors' rights and remedies generally and (B) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought.

(ii) Neither the execution and delivery of this Agreement by Parent External Adviser nor the consummation by Parent External Adviser of the transactions contemplated hereby, nor compliance by Parent External Adviser with any of the terms or provisions of this Agreement with respect to which it is a party, will (A) violate any provision of the certificate of incorporation or bylaws (or equivalent organizational documents) of Parent External Adviser, (B) assuming that the Consents, registrations, declarations, filings and notices referred to in Section 4.29(c) have been obtained or made, conflict with or violate any Law applicable to Parent External Adviser or by which any property or asset of Parent External Adviser is bound or affected or (C) violate, conflict with or result in any breach of any provision of, or loss of any benefit, or constitute a default (with or without notice or lapse of time, or both) under, give rise to any right of termination, acceleration or cancellation of, require the Consent of, or notice to, any Third Party pursuant to, any of the terms or provisions of any Contract material to Parent External Adviser, or result in the creation of a Lien, other than any Permitted Lien, upon any of the property or assets of Parent External Adviser, other than, in the case of clauses (B) and (C), any such conflict, violation, breach, default, termination, acceleration, cancellation or Lien that would not have a Parent Material Adverse Effect.

(c) No Consents; Required Filings and Consents. No Consent of, or registration, declaration or filing with, or notice to, any Governmental Authority is required to be obtained or made by or with respect to Parent External Adviser in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, other than (i) applicable requirements of and filings with the SEC under the Exchange Act, the Investment Company Act and the Investment Advisers Act, (ii) applicable requirements under corporation or Blue Sky Laws of various states, (iii) such filings as may be required in connection with the Taxes described in Section 7.6, (iv) compliance with applicable rules and regulations of The New York Stock Exchange, (v) such other items required solely by reason of the participation of the Company in the transactions contemplated hereby, (vi) compliance with and filings or notifications under Antitrust Laws, (vii) the Nevada Gaming Commission Approval and (viii) such other Consents, registrations, declarations, filings or notices the failure of which to be obtained or made would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(d) Permits; Compliance with Laws; Regulatory Registrations.

(i) Parent External Adviser is in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders necessary for Parent External Adviser to carry on its business as it is now being conducted under and pursuant to all Applicable Laws (the "**Parent External Adviser Permits**"), and no suspension or cancellation of any of the Parent External Adviser Permits is pending or, to the Knowledge of Parent External Adviser, threatened, except where the failure to be in possession of, or the suspension or cancellation of, any of the Parent External Adviser Permits would not have a Parent Material Adverse Effect.

(ii) Parent External Adviser is not, and during the one-year period prior to the date of this Agreement has not been, in default or violation of any (A) Law applicable to Parent External

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Adviser or (B) Parent External Adviser Permits, except for any such defaults or violations that would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(iii) During the two-year period prior to the date of this Agreement, Parent External Adviser has filed (after giving effect to any extensions) all Regulatory Documents that were required to be filed with any Governmental Authority, other than such failures to file that would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(iv) Parent External Adviser is, and at all times required by the Investment Advisers Act during the two-year period prior to the date of this Agreement has been, duly registered as an investment adviser under the Investment Advisers Act. Parent External Adviser is, and at all times required by Applicable Law (other than the Investment Advisers Act) during the two-year period prior to the date of this Agreement has been, duly registered, licensed or qualified as an investment adviser in each state or any other jurisdiction where the conduct of its business required such registration, licensing or qualification, except where the failure to be so registered, licensed or qualified would not have a Parent Material Adverse Effect. Parent has made available to the Company a complete and correct copy of the Form ADV of Parent External Adviser as in effect on the date of this Agreement.

(v) The Parent External Advisory Agreement has been duly approved, continued and at all times has been in compliance in all material respects with Section 15 of the Investment Company Act (to the extent applicable). Neither Parent nor Parent External Adviser is in default under the Parent External Advisory Agreement, except where such default would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole. The Parent External Advisory Agreement is a valid and binding obligation of Parent and Parent External Adviser, except as would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole; provided, that (A) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights and remedies generally and (B) the remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Proceeding therefor may be brought. There is no Proceeding pending or, to the Knowledge of Parent External Adviser, threatened, and, to the Knowledge of Parent External Adviser, there do not exist any facts or circumstances which would reasonably be expected to adversely affect the registration of Parent External Adviser as an investment adviser under the Investment Advisers Act or the ability of an investment adviser to perform its obligations under the Parent External Advisory Agreement.

(vi) Neither Parent External Adviser nor any "affiliated person" (as defined in the Investment Company Act) of Parent External Adviser is ineligible pursuant to Sections 9(a) or 9(b) of the Investment Company Act to serve as an investment adviser to a registered investment company (or BDC), nor is there any Proceeding pending or, to the Knowledge of Parent External Adviser, threatened by any Governmental Authority that would result in the ineligibility of Parent External Adviser or any such "affiliated person" to serve as an investment adviser to a registered investment company (or BDC) pursuant to Sections 9(a) or 9(b) of the Investment Company Act. Neither Parent External Adviser nor any "person associated with" (as defined in the Investment Advisers Act) Parent External Adviser is ineligible pursuant to Sections 203(e) or 203(f) of the Investment Advisers Act to serve as an investment adviser or as a "person associated with" an investment adviser, nor is there any Proceeding pending or, to the Knowledge of Parent External Adviser, threatened by any Governmental Authority that would result in the ineligibility of Parent External Adviser or any such "person associated with" Parent External Adviser to serve in any such capacities pursuant to Sections 203(e) or 203(f) of the Investment Advisers Act.

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(e) Regulatory Documents. Parent External Adviser has made available to the Company a complete and correct copy of each material no-action letter and exemptive order issued by the SEC to Parent External Adviser on which it relies in providing investment advisory services to Parent. Parent External Adviser is in compliance in all material respects with any such material no-action letters and exemptive orders.

(f) Information Supplied. None of the information supplied in writing by Parent External Adviser with respect to itself for inclusion or incorporation by reference in the Form N-14 will, at the time the Form N-14 is filed with the SEC, and at any time it is amended or supplemented or at the time it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein, in light of the circumstances under which they are made, not misleading.

(g) Controls and Procedures. Parent External Adviser has implemented written policies and procedures as required by Rule 206(4)-7 under the Investment Advisers Act (complete and correct copies of which have been made available to the Company) and, during the two-year period prior to the date of this Agreement, Parent External Adviser has been in compliance with such policies and procedures, except where the failures to adopt such policies and procedures or to be in compliance would not, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

(h) Absence of Certain Changes. During the two-year period prior to the date of this Agreement, there has been no material adverse change in the operations, affairs or regulatory status of Parent External Adviser.

(i) Litigation. As of the date of this Agreement, there is no Proceeding pending or, to the Knowledge of Parent External Adviser, threatened against Parent External Adviser that would, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole, nor is there any judgment or order of any Governmental Authority outstanding against, or, to the Knowledge of Parent External Adviser, investigation by any Governmental Authority involving, Parent External Adviser that would, individually or in the aggregate, be material to Parent and its Subsidiaries, taken as a whole.

Section 4.30 No Other Representations or Warranties(a) . Except for the representations and warranties contained in this Article IV, neither Parent, Acquisition Sub, Parent External Adviser, IHAM nor any other Person on behalf of Parent, Acquisition Sub, IHAM or Parent External Adviser makes any express or implied representation or warranty with respect to Parent, Parent External Adviser, IHAM, any of their respective Subsidiaries, any Portfolio Company, any fund managed by them or any other information provided to the Company in connection with the transactions contemplated hereby, including the accuracy, completeness or timeliness thereof. Other than in the case of intentional fraud, neither Parent, Acquisition Sub, IHAM, Parent External Adviser nor any other Person will have or be subject to any claim, liability or indemnification obligation to the Company or any other Person resulting from the distribution or failure to distribute to the Company, or the Company's use of, any such information, including any information, documents, projections, estimates, Parent Forecasts or other material made available to the Company or management presentations in expectation of the transactions contemplated by this Agreement, unless and to the extent any such information is expressly included in a representation or warranty contained in this Article IV.

Section 4.31 Acknowledgment of Disclaimer of Other Representations and Warranties. Each of Parent and Acquisition Sub acknowledges that, as of the date hereof, they and their Representatives (a) have received full access to (i) such books and records, facilities, properties, premises, equipment, contracts and other assets of the Company, its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies and the Funds which they and their Representatives, as of the date hereof, have requested to review and (ii) the electronic data room in connection with the transactions contemplated hereby; (b) have received and may continue to receive from the Company and its

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Subsidiaries (including the Subsidiary Adviser Group) and their respective Representatives certain estimates, forecasts, projections and other forward-looking information, as well as certain business plan information, regarding the Company, its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies and the Funds and their respective businesses and operations (collectively, "Forecasts"); and (c) have had full opportunity to meet with the management of the Company and its Subsidiaries (including the Subsidiary Adviser Group) and to discuss the business and assets of the Company, its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies and the Funds. Parent and Acquisition Sub acknowledge and agree that (1) there are uncertainties inherent in attempting to make Forecasts, with which Parent and Acquisition Sub are familiar, and Parent and Acquisition Sub are taking full responsibility for making their own evaluation of the adequacy and accuracy of all Forecasts (including the reasonableness of the assumptions underlying such Forecasts), and Parent and Acquisition Sub shall have no claim against the Company, its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies, the Funds or any of their respective Representatives with respect to any such Forecasts, other than with respect to intentional fraud, and (2) each of Parent and Acquisition Sub has conducted, to its satisfaction, its own independent review and analysis of the businesses, assets, condition, operations and prospects of the Company, its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies and the Funds and, in making its determination to proceed with the transactions contemplated by this Agreement, including the Company Merger, each of Parent and Acquisition Sub has relied on the results of its own independent review and analysis. Parent and Acquisition Sub each further acknowledges and agrees that (I) any Forecast, data, financial information, memorandum, presentation or any other materials or information provided or addressed to Parent, Acquisition Sub or any of their Representatives, including any materials or information made available in the electronic data room in connection with the transactions contemplated hereby, via confidential information packet, in connection with presentations by the Company's management or otherwise, are not and shall not be deemed to constitute or be the subject of any representation or warranty unless and only to the extent any such material or information is the subject of an express representation or warranty set forth in Article III and (II) except for the representations and warranties expressly set forth in Article III, (a) neither the Company nor any of its Subsidiaries (including the Subsidiary Adviser Group) makes, or has made, any representation or warranty relating to itself or its business or otherwise in connection with the Company Merger and Parent and Acquisition Sub are not relying on (and Parent and Acquisition Sub shall have no claim against the Company, any of its Subsidiaries (including the Subsidiary Adviser Group), the Portfolio Companies, the Funds or their respective Representatives in respect of, other than in the case of intentional fraud) any such representation or warranty and (b) no Person has been authorized by the Company or any of its Subsidiaries (including the Subsidiary Adviser Group) to make any representation or warranty relating to itself or its business or otherwise in connection with the Mergers.

## ARTICLE V

### COVENANTS AND AGREEMENTS

Section 5.1 Conduct of Business by the Company Pending the Mergers. The Company covenants and agrees that, between the date of this Agreement and the earlier of the Company Merger Effective Time and the date, if any, on which this Agreement is terminated pursuant to Section 7.1, except (a) as may be required by Law, (b) as may be agreed in writing by Parent (which consent shall not be unreasonably withheld, delayed or conditioned), (c) as may be expressly contemplated or permitted pursuant to this Agreement or (d) as set forth on Section 5.1 of the Company Disclosure Letter, (x) the Company shall, and shall cause Subsidiary Adviser and its Consolidated Subsidiaries to, conduct the business of the Company and its Consolidated Subsidiaries (other than Mortgage Manager and its Subsidiaries) or Subsidiary Adviser and its Consolidated Subsidiaries, as applicable, in the ordinary course of business and in a manner consistent with past practice and use reasonable best

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efforts to maintain generally its advantageous business relationships (provided, that the failure by the Company or any of its Consolidated Subsidiaries or Subsidiary Adviser or its Consolidated Subsidiaries to take actions expressly prohibited by subsections 5.1(a) through 5.1(t) below will not be deemed a breach of this clause (x)); and (y) the Company shall not, and shall not permit any of its Consolidated Subsidiaries or Subsidiary Adviser or its Consolidated Subsidiaries to (provided, that notwithstanding anything in this Agreement to the contrary, (A) none of the Company and its Affiliates shall be restricted from taking any action contemplated by the Mortgage Manager Purchase Agreement and the transactions expressly contemplated thereby (so long as the consummation of such transactions does not result in any material liability for Taxes (other than any liability for alternative minimum taxes) being imposed on the Company or its Consolidated Subsidiaries) and (B) with respect to clauses (f), (i), (j) and (k) below, none of the Company or Subsidiary Adviser, or their respective Consolidated Subsidiaries, and no member of the Subsidiary Adviser Group shall be restricted or encumbered from taking any action, or be required or permitted to take any action, if such restriction, encumbrance, requirement or permission would contravene any provision of the Existing Credit Facilities identified in clauses (a) and (b) of the definition thereof or any related loan documents):

(a) amend or otherwise change the Third Amended and Restated Certificate of Incorporation (as amended) or the Second Amended and Restated Bylaws (as amended) of the Company (or such equivalent organizational or governing documents of any of its Consolidated Subsidiaries or Subsidiary Adviser or its Consolidated Subsidiaries);

(b) except for (i) transactions solely among the Company and its wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries or (ii) transactions solely among the Company's wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries, or any of them, split, combine, reclassify, redeem, repurchase or otherwise acquire or amend the terms of any capital stock or other equity interests or rights;

(c) except for transactions among the Company and its wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries or among the Company's wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries, or any of them (provided, that for purposes of determining whether such Consolidated Subsidiary is "wholly owned" for purposes of this this Section 5.1(c), any equity securities thereof owned by any employee of such Consolidated Subsidiary shall be disregarded), or as otherwise contemplated by Section 5.1(f), issue, sell, pledge, dispose, encumber or grant, or authorize the same with respect to, any shares of its or the Company's or its Consolidated Subsidiaries' or Subsidiary Adviser's or its Consolidated Subsidiaries' capital stock, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of the Company's or its Consolidated Subsidiaries' or Subsidiary Adviser's or its Consolidated Subsidiaries' capital stock; provided, however, that (i) the Company may issue shares upon the exercise of any Company Option or payment of any Company Incentive Award outstanding as of the date hereof or as may be granted after the date hereof in accordance with clause (ii) of this proviso; (ii) the Company may issue shares and grant stock options pursuant to the terms of offer letters or employment agreements existing as of the date hereof and as required under Company Benefit Plans existing as of the date hereof, in each case pursuant to Contracts or Company Benefit Plans, as applicable, that have been made available to Parent prior to the date hereof; and (iii) this Section 5.1(c) shall not restrict, in any manner, the granting of "Liens" (as defined in the Existing Credit Facilities identified in clauses (a) and (b) of the definition thereof) created pursuant to the Existing Credit Facilities referenced in clauses (a) and (b) of the definition of "Existing Credit Facilities" set forth in this Agreement;

(d) declare, authorize, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to the Company's or any of its Consolidated Subsidiaries' or Subsidiary Adviser's or any of its Consolidated Subsidiaries' capital stock or other equity interests, other than dividends and distributions paid by any Consolidated Subsidiary of the Company or

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Subsidiary Adviser to the Company or any wholly owned Consolidated Subsidiary of the Company or by any Consolidated Subsidiary of Subsidiary Adviser to Subsidiary Adviser or any wholly owned Consolidated Subsidiary of Subsidiary Adviser; provided, that (i) for purposes of determining whether such Consolidated Subsidiary is "wholly owned" for purposes of this Section 5.1(d), any equity securities thereof owned by any employee of such Consolidated Subsidiary shall be disregarded; and (ii) this Section 5.1(d) shall not apply to Subsidiary Adviser or its Subsidiaries to the extent it would create or cause to exist any restriction or encumbrance on the ability of Subsidiary Adviser or its Subsidiaries to make any dividend payments or other distributions in respect of its capital stock;

(e) except (i) as required pursuant to any Contracts or Company Benefit Plans as in effect as of the date hereof, (ii) in connection with the promotion of Company employees below the level of senior vice president for the period commencing on January 1, 2017 in the ordinary course of business consistent with past practice or (iii) as otherwise required by Law: (A) increase the compensation or benefits payable or to become payable to any current or former employee or director of, or service provider to, the Company, any Consolidated Subsidiary or any member of the Subsidiary Adviser Group (except for increases in base salary for any period commencing on or after January 1, 2017 for employees earning less than \$200,000 in annual base salary in an amount not to exceed 20% of such employee's base salary as of the date hereof and not to represent an increase in aggregate base salary payable of more than \$1,000,000 on an annualized basis for all employees of the Company, its Consolidated Subsidiaries and members of the Subsidiary Adviser Group above the aggregate base salary on an annualized basis payable by the Company, its Consolidated Subsidiaries and members of the Subsidiary Adviser Group on the date hereof); (B) grant any severance, termination, retention or change in control pay to, or enter into any severance, termination, retention or change in control agreement with, any current or former employee or director of, or service provider to, the Company, any Consolidated Subsidiary of the Company or any member of the Subsidiary Adviser Group for an amount greater than \$100,000 individually so long as all such amounts do not result in an increase of the aggregate amounts that would be paid or payable pursuant to the Contracts and Company Benefit Plans, taken as a whole, in effect as of the date of this Agreement (provided, that nothing in this Section 5.1(e) shall prohibit the Company from extending the term or period of applicability of any existing severance, termination, retention or change in control agreement with any current or former employee or director of, or service provider to, the Company, any Consolidated Subsidiary of the Company or any member of the Subsidiary Adviser Group that is set forth on Section 5.1(e) of the Company Disclosure Letter if by its terms such agreement will terminate or not be applicable prior to the Closing Date); (C) except as otherwise provided in this Section 5.1(e), adopt, enter into or become bound by any new Company Benefit Plan or materially amend, modify or terminate any Company Benefit Plan (provided, that nothing in this Section 5.1(e) shall prohibit the Company from extending the term or period of applicability of any Company Benefit Plan that is set forth on Section 5.1(e) of the Company Disclosure Letter if by its terms such Company Benefit Plan will terminate or no longer be applicable prior to the Closing Date); (D) accelerate the time of payment or vesting of any compensation or benefits for any current or former employee or director of, or other service provider to, the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group (provided, that (1) the Company shall be permitted to accelerate the vesting or payment of all or any portion of the Company Options, Company Incentive Awards, any other severance payments or benefits or other payments or benefits under any Company Benefit Plan or Contract prior to the Closing (but not earlier than immediately prior to the Closing except (a) with respect to any person who has not been identified to be receiving an offer from Parent External Adviser or its Affiliates in accordance with and within the timeframe set forth in Section 5.10(a)(ii) or who does not accept such an offer from Parent External Adviser or its Affiliates or (b) as otherwise consented to in writing by Parent) if such amounts would be expected to become payable or vested upon termination of employment or the Company Merger Effective Time, and to terminate Company Benefit Plans to give effect to the foregoing; (2) such acceleration would not result in tax or penalties becoming due under

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Section 409A of the Code; and (3) to the extent any payment or benefit would be required to be delayed in order to comply with Section 409A of the Code, the Company shall be permitted to fund any such benefit or payment through the creation of a rabbi trust); or (E) except as otherwise expressly provided in this Agreement, pay or provide any material compensation or benefit not required by the terms of any Company Benefit Plan as in effect on the date of, or as may be extended or renewed pursuant to, this Agreement (other than the payment of cash compensation in the ordinary course of business consistent with past practice) to any current or former employee or director of, or service provider to, the Company, any Consolidated Subsidiary or any member of the Subsidiary Adviser Group;

(f) grant, confer or award options, convertible securities, restricted stock, restricted stock units or other rights to acquire any of the Company's or its Consolidated Subsidiaries' or Subsidiary Adviser's or its Consolidated Subsidiaries' capital stock or other equity interests;

(g) acquire or dispose (including by merger, consolidation or acquisition of stock or assets) or lease or license, or otherwise sell, transfer or encumber (except in respect of any merger, consolidation or business combination among, or any sale, assignment, transfer or other disposition of assets to, the Company and its wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries, or among the Company's wholly owned Consolidated Subsidiaries, Subsidiary Adviser and its wholly owned Consolidated Subsidiaries, or any of them) any (i) Portfolio Company investment or (ii) corporation, partnership, limited liability company, other business organization or any division or all or any material portion of the assets, business or properties of any other Person, or material amount of assets thereof, or agree to do any of the foregoing, except, in each case in clauses (i) and (ii), with respect to: (A) dispositions with collective sales prices, as applicable, not exceeding \$25,000,000 individually or \$100,000,000 in the aggregate (provided, that any such disposition is not (1) with respect to any asset set forth on Section 5.1(g)(A) of the Company Disclosure Letter, except pursuant to clause (F) of this Section 5.1(g), and (2) being made in exchange for consideration less than the fair market value (as set forth in the Company's statement of investments included in its most recent quarterly or annual reports filed with the SEC) of the asset being disposed); (B) a Pending Sale Agreement on the terms set forth therein; (C) the sale of a Portfolio Company investment set forth on Section 5.1(g) of the Company Disclosure Letter, solely if such sale is on terms and conditions materially consistent in all respects with the terms and conditions set forth with respect to such Portfolio Company investment on Section 5.1(g) of the Company Disclosure Letter; (D) compliance with unfunded commitment obligations existing as of the date hereof with respect to any Portfolio Company investments; (E) acquisitions in the form of follow-on investments in Portfolio Company investments existing as of the date hereof and not exceeding \$25,000,000 individually or \$100,000,000 in the aggregate (measured in each case as a net increase in outstanding commitments to such Portfolio Companies) (provided, that the applicable Portfolio Company investment in which such follow-on investment is being made had a fair value as of March 31, 2016 as reported by the Company in its statement of investments for such date equal to at least ninety-five percent (95%) of its cost); or (F) in any case where the Company or the Portfolio Company investment is subject to a compulsory drag-along, call option, prepayment option or redemption, or similar compulsory contractual obligation, to sell, have redeemed or paid off, or otherwise dispose of, any Portfolio Company investment pursuant to the contractual terms pertaining to such Portfolio Company investment; provided, that: (1) in each case in clauses (A) through (E), only if the transactions described in clauses (A) through (E) individually or collectively do not result in any material Tax liability (other than any liability for alternative minimum taxes) being imposed on the Company or its Consolidated Subsidiaries; (2) the Company shall provide Parent notification of any disposition made pursuant to clauses (A) through (C) and (F) promptly following the consummation thereof; and (3) the Company shall provide Parent notification of any acquisition made pursuant to clause (E) promptly following the consummation thereof;

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(h) amend, terminate, modify or waive any provision of any Pending Sale Agreement or the Mortgage Manager Purchase Agreement to the extent that any such amendment, termination, modification or waiver would be materially adverse to the Company, any of its Consolidated Subsidiaries or Subsidiary Adviser or its Consolidated Subsidiaries; provided that any amendment, termination, modification or waiver that decreases (or would reasonably be expected to decrease) the amount of, or changes the form of, any consideration to be received by the Company, its Consolidated Subsidiaries or a member of the Subsidiary Adviser Group, as applicable, in respect of such Pending Sale Agreement or the Mortgage Manager Purchase Agreement, or that increases (or would reasonably be expected to increase) the liability (contingently or otherwise) to be borne by the Company, any of its Consolidated Subsidiaries or a member of the Subsidiary Adviser Group, as applicable, pursuant to such Pending Sale Agreement or the Mortgage Manager Purchase Agreement, shall in each case be deemed to be materially adverse for purposes of this Section 5.1(h):

(i) (i) pay, discharge or satisfy any Indebtedness that has a prepayment cost, "make whole" amount, prepayment penalty or similar obligation (other than (A) the payment, discharge or satisfaction, required pursuant to the terms of Existing Credit Facilities or the 2013 Indenture as in effect as of the date of this Agreement and (B) Indebtedness incurred by the Company or its wholly owned Consolidated Subsidiaries and owed to the Company or its wholly owned Consolidated Subsidiaries), (ii) cancel any material Indebtedness (individually or in the aggregate) or waive or amend any claims or rights of substantial value (other than (A) in connection with ordinary course restructurings of investments in Portfolio Companies in an aggregate amount not to exceed \$5,000,000 in present fair market value and (B) Indebtedness incurred by the Company or its wholly owned Consolidated Subsidiaries and owed to the Company or its wholly owned Consolidated Subsidiaries) or (iii) waive material benefits of, or agree to modify in any material manner, any confidentiality, standstill or similar agreement to which it or any of its Consolidated Subsidiaries or Subsidiary Adviser is a party (other than (A) with respect to Portfolio Company investments and (B) in the ordinary course of business consistent with past practice);

(j) (i) incur any Indebtedness or guarantee any such Indebtedness of any Person (except for (A) Indebtedness or guarantees for drawdowns with respect to Existing Credit Facilities in the ordinary course of business consistent with past practice, (B) Indebtedness owed to the Company or its wholly owned Consolidated Subsidiaries, (C) Indebtedness in the form of letters of credit not to exceed \$5,000,000 individually or \$10,000,000 in the aggregate or (D) as otherwise set forth on Section 5.1(j)(i)(D) of the Company Disclosure Letter) so long as such Indebtedness does not provide for any penalty upon prepayment or (ii) except as permitted by Section 5.1(g), make any loans, advances or capital contributions to, or investments in, any other Person (other than (A) to or in the Company, the Subsidiary Adviser Group or any direct or indirect wholly owned Consolidated Subsidiary of the Company or the Subsidiary Adviser Group (provided, that for purposes of determining whether such Consolidated Subsidiary is "wholly owned" for purposes of this clause (A), any equity securities thereof owned by any employee of such Consolidated Subsidiary shall be disregarded), (B) pursuant to previously disclosed commitments existing as of the date of this Agreement that are identified on Section 5.1(j)(ii)(B) of the Company Disclosure Letter or are otherwise set forth on Section 5.1(j)(ii)(B) of the Company Disclosure Letter and (C) with respect to Indebtedness incurred by the Company or its wholly owned Consolidated Subsidiaries);

(k) make any pledge of any of its material assets or permit any of its material assets to become subject to any Liens except Permitted Liens;

(l) terminate, enter into, agree to any material amendment or modification of, renew or waive any material rights under any Company Material Contract or any Contract for Company Leased Real Property in Bethesda, Maryland or New York, New York, in each case in any manner materially adverse to the Company, its Consolidated Subsidiaries or the Subsidiary Adviser Group, as applicable;

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(m) make any material change to its methods of accounting, except (i) as required by GAAP (or any interpretation thereof), Regulation S-X of the Exchange Act or a Governmental Authority or quasi-Governmental Authority (including the Financial Accounting Standards Board or any similar organization), (ii) to permit the audit of the Company's financial statements in compliance with GAAP or (iii) as required by a change in Applicable Law;

(n) make or agree to make any capital expenditure exceeding \$1,500,000 in the aggregate;

(o) commence any material Proceedings except with respect to routine matters in the ordinary course of business and consistent with past practice, or settle any Proceedings other than settlements that result solely in monetary obligations involving payment by the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group of (i) the amounts specifically reserved in accordance with GAAP with respect to such Proceeding or claim on the Company's consolidated financial statements for the year ending December 31, 2015, (ii) amounts to be paid from escrow accounts for purposes of working capital adjustments and indemnification matters related to former Portfolio Companies, in each case pursuant to Contracts that have been made available to Parent prior to the date hereof, (iii) amounts to be paid from insurance proceeds for the purpose of paying such settlements or (iv) an amount not greater than \$1,000,000 in the aggregate;

(p) make or change any material Tax election, change any material method of Tax accounting, file any material amended Tax Return, settle or compromise any audit or Proceeding relating to a material amount of Taxes, agree to an extension or waiver of the statute of limitations with respect to a material amount of Taxes, enter into any "closing agreement" within the meaning of Section 7121 of the Code (or any similar provision of state, local or non-U.S. Law) with respect to any material Tax or surrender any right to claim a material Tax refund;

(q) enter into a new line of business outside of the Company's investment objective as described in the Company SEC Documents (provided, that this prohibition does not apply in any way to any Portfolio Company);

(r) adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of the Company, any of its Consolidated Subsidiaries or any member of the Subsidiary Adviser Group; or

(s) enter into any agreement to do, or adopt any resolutions in support of, any of the foregoing.

Section 5.2 Conduct of Business by Parent Pending the Mergers. Parent covenants and agrees that, between the date of this Agreement and the earlier of the Company Merger Effective Time and the date, if any, on which this Agreement is terminated pursuant to Section 7.1, except (a) as may be required by Law, (b) as may be agreed in writing by the Company (which consent shall not be unreasonably withheld, delayed or conditioned), (c) as may be expressly contemplated or permitted pursuant to this Agreement, (d) as is required (as reasonably determined by the Parent Board and taking into account the provisions of Section 852(b)(7) of the Code) to (i) preserve the status of Parent as a regulated investment company as defined in Section 851 of the Code for U.S. federal income Tax purposes or (ii) avoid the payment of income or excise Tax or interest under Sections 851, 852 and 4982 of the Code, or (e) as set forth in Section 5.2 of the Parent Disclosure Letter, (x) Parent shall, and shall cause its Subsidiaries to, conduct the business of Parent and its Subsidiaries in the ordinary course of business and in a manner consistent with past practice and use reasonable best efforts to maintain generally its advantageous business relationships (provided, that the failure by Parent or any of its Subsidiaries to take actions expressly prohibited by subsections 5.2(a) through 5.2(o) below will not be deemed a breach of this clause (x)); and (y) Parent shall not, and shall not permit any of its Subsidiaries to (provided, that notwithstanding anything in this Agreement to the contrary, none of Parent, its Subsidiaries or IHAM shall be restricted or encumbered from taking any action, or be required or permitted to take any action, if such restriction, encumbrance, requirement or permission

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would contravene any provision of Parent's, its Subsidiaries' or IHAM's existing credit facilities or any related loan documents):

(a) amend or otherwise change the organizational documents of Parent (or such equivalent organizational or governing documents of any of its Subsidiaries);

(b) except for (i) transactions solely among Parent and its wholly owned Subsidiaries, (ii) transactions solely among Parent's wholly owned Subsidiaries or (iii) transactions under Parent's existing stock repurchase plan, split, combine, reclassify, redeem, repurchase or otherwise acquire or amend the terms of any capital stock or other equity interests or rights;

(c) except for (i) transactions among Parent and its wholly owned Subsidiaries or among Parent's wholly owned Subsidiaries or (ii) in an aggregate amount of shares of Parent Common Stock not to exceed \$450,000,000, issue, sell, pledge, dispose, encumber or grant, or authorize the same with respect to, any shares of its or its Subsidiaries' capital stock;

(d) except with respect to (i) quarterly dividends by Parent equal to the greater of (A) the amount equal to the net operating income earned during the applicable quarter and (B) an amount consistent with its prior quarter dividend level, or (ii) distributions by Parent that are required (as reasonably determined by the Parent Board and taking into account the provisions of Section 852(b)(7) of the Code) (A) for Parent to maintain its status as a regulated investment company as defined in Section 851 of the Code for U.S. federal income Tax purposes or (B) to avoid the payment of income or excise Tax or interest under Sections 851, 852 and 4982 of the Code, declare, authorize, make or pay any dividend or other distribution in excess of \$0.38 per share of Parent Common Stock, payable in cash, stock, property or otherwise, with respect to Parent's or any of its Subsidiaries' capital stock or other equity interests, other than dividends paid by any Subsidiary of Parent to Parent or any Subsidiary of Parent;

(e) (i) dispose (including by merger, consolidation or acquisition of stock or assets) or lease or license, or otherwise sell, transfer, encumber or discontinue IHAM or (ii) if any disposal, sale, transfer or encumbrance would reasonably be expected to cause the Parent Exemptive Order to be rescinded or amended or otherwise affected, dispose (including by merger, consolidation or acquisition of stock or assets) or lease or license, or otherwise sell, transfer, encumber or discontinue any division or all or any portion of the assets, business or properties of IHAM, or agree to do any of the foregoing;

(f) enter into a new line of business outside of Parent's investment objective as described in the Parent SEC Documents (provided, that this prohibition does not apply in any way to any Portfolio Company);

(g) make any material change to its methods of accounting, except (i) as required by GAAP (or any interpretation thereof), Regulation S-X of the Exchange Act or a Governmental Authority or quasi-Governmental Authority (including the Financial Accounting Standards Board or any similar organization), (ii) to permit the audit of Parent's financial statements in compliance with GAAP or (iii) as required by a change in Applicable Law;

(h) make or agree to make any capital expenditure exceeding \$5,000,000 in the aggregate;

(i) make or change any material Tax election other than in the ordinary course of business (it being understood and agreed, for the avoidance of doubt, that nothing in this Agreement shall preclude Parent from designating dividends paid by it as "capital gain dividends" within the meaning of Section 852 of the Code) or change any material method of Tax accounting other than in the ordinary course of business;

(j) adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Parent or any of its Subsidiaries;

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(k) amend, terminate, modify or waive any material rights under the Parent External Advisory Agreement or the Parent Administration Agreement; or

(l) enter into any agreement to do, or adopt any resolutions in support of, any of the foregoing.

### Section 5.3 Preparation of the Form N-14 and the Joint Proxy Statement; Stockholder Meetings.

(a) Parent and the Company shall jointly prepare, and Parent and the Company, as applicable, shall use their reasonable best efforts to cause to be filed with the SEC within forty-five (45) days after the execution of this Agreement, the Joint Proxy Statement in preliminary form. Parent shall prepare (with the Company's reasonable cooperation), and Parent shall use its reasonable best efforts to cause to be filed with the SEC within forty-five (45) days after the execution of this Agreement, the Form N-14, in which the Joint Proxy Statement will be included as a prospectus, in connection with the registration under the Securities Act of the Parent Common Stock to be issued in the Company Merger. Each of Parent and the Company shall use its reasonable best efforts to (i) cause the Form N-14 and the Joint Proxy Statement to comply with the applicable rules and regulations promulgated by the SEC, (ii) have the Form N-14 declared effective under the Securities Act as promptly as practicable after such filing (including by responding to comments from the SEC), and, prior to the effective date of the Form N-14, take all action reasonably required to be taken under any applicable state securities Laws in connection with the Parent Stock Issuance and (iii) keep the Form N-14 effective through the Closing Date in order to permit the consummation of the Mergers. Each of Parent and the Company shall furnish all information as may be reasonably requested by the other in connection with any such action and the preparation, filing and distribution of the Form N-14 and the Joint Proxy Statement. As promptly as practicable after the Form N-14 shall have become effective, each of Parent and the Company shall use its reasonable best efforts to cause the Joint Proxy Statement to be mailed to its respective stockholders. No filing of, or amendment or supplement to, the Form N-14 will be made by Parent, and no filing of, or amendment or supplement to, the Joint Proxy Statement will be made by Parent or the Company, in each case without providing the other party with a reasonable opportunity to review and comment thereon. If, at any time prior to the Company Merger Effective Time, any information relating to Parent of the Company or any of their respective Affiliates, directors or officers, should be discovered by Parent or the Company which should be set forth in an amendment or supplement to either the Form N-14 or the Joint Proxy Statement, so that either such document would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, the party that discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be prepared and, following a reasonable opportunity for the other party (and its counsel) to review and comment on such amendment or supplement, promptly filed with the SEC and, to the extent required by Applicable Law, disseminated to the stockholders of Parent and the Company. Subject to Applicable Law, each party shall notify the other promptly of the time when the Form N-14 has become effective, of the issuance of any stop order or suspension of the qualification of the Parent Common Stock issuable in connection with the Company Merger for offering or sale in any jurisdiction, or of the receipt of any comments from the SEC or the staff of the SEC and of any request by the SEC or the staff of the SEC for amendments or supplements to the Joint Proxy Statement or the Form N-14 or for additional information and shall supply each other with copies of all correspondence between either party or any of its Representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Joint Proxy Statement, the Form N-14 or the Company Merger.

(b) Subject to the earlier termination of this Agreement in accordance with Article VII, the Company shall, as soon as practicable following the effectiveness of the Form N-14, duly call, give notice of, convene (on a date selected by the Company in consultation with Parent, which date is intended to be the date of the Parent Stockholders' Meeting) and hold a meeting of its stockholders (the "**Company Stockholders' Meeting**") for the purpose of seeking the Company Stockholder

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Approval, and shall submit such proposal to such holders at the Company Stockholders' Meeting and shall not submit any other proposal to such holders in connection with the Company Stockholders' Meeting without the prior written consent of Parent. The Company in consultation with Parent shall set a record date for Persons entitled to notice of, and to vote at, the Company Stockholders' Meeting and shall not change such record date without the prior written consent of Parent and shall not adjourn or otherwise postpone or delay such Company Stockholders' Meeting without the prior written consent of Parent. If the Company Board has not made a Company Adverse Recommendation Change, the Company shall, through the Company Board, make the Company Recommendation, and shall include such Company Recommendation in the Joint Proxy Statement, and use its reasonable best efforts to (x) solicit from its stockholders proxies in favor of the adoption of this Agreement and (y) take all other action necessary or advisable to secure the Company Stockholder Approval. Except as expressly permitted in Section 5.6(e), neither the Company Board nor any committee thereof shall (i) withhold, withdraw or modify or qualify, or propose publicly to withhold, withdraw or modify or qualify the Company Recommendation, (ii) fail to reaffirm the Company Recommendation or fail to publicly state that the Mergers and this Agreement are in the best interests of the Company's stockholders, within fifteen (15) Business Days after Parent requests in writing that such action be taken, (iii) fail to publicly announce, within fifteen (15) Business Days after a tender offer or exchange relating to the securities of the Company shall have been commenced, a statement disclosing that the Company Board recommends rejection of such tender offer or exchange offer, (iv) take or resolve to take any other action or make any other statement in connection with the Company Stockholders' Meeting inconsistent with the Company Recommendation or (v) approve, determine to be advisable, or recommend, or propose publicly to approve, determine to be advisable, or recommend, any Competing Proposal ((i) through (v) being referred to as a "**Company Adverse Recommendation Change**"). Notwithstanding any Company Adverse Recommendation Change, unless this Agreement is terminated in accordance with its terms, the obligations of the parties hereunder shall continue in full force and effect and such obligations shall not be affected by the commencement, public proposal, public disclosure or communication to the Company of any Competing Proposal (whether or not a Superior Proposal).

(c) Subject to the earlier termination of this Agreement in accordance with Article VII, Parent shall, as soon as practicable following the effectiveness of the Form N-14, duly call, give notice of, convene (on a date selected by Parent in consultation with the Company, which date is intended to be the date of the Company Stockholders' Meeting) and hold a meeting of its stockholders (the "**Parent Stockholders' Meeting**") for the purpose of seeking the Parent Stockholder Approval, and shall submit such proposal to such holders at the Parent Stockholders' Meeting and shall not submit any other proposal to such holders in connection with the Parent Stockholders' Meeting without the prior written consent of the Company. Parent in consultation with the Company shall set a record date for Persons entitled to notice of, and to vote at, the Parent Stockholders' Meeting and shall not change such record date without the prior written consent of the Company and shall not adjourn or otherwise postpone or delay such Parent Stockholders' Meeting without the prior written consent of the Company. If the Parent Board has not made a Parent Adverse Recommendation Change, Parent shall, through the Parent Board, make the Parent Recommendation, and shall include such Parent Recommendation in the Joint Proxy Statement, and use its reasonable best efforts to (x) solicit from its stockholders proxies in favor of the Parent Stock Issuance and (y) take all other action necessary or advisable to secure the Parent Stockholder Approval. Except as expressly permitted in Section 5.6(e), neither the Parent Board nor any committee thereof shall (i) withhold, withdraw or modify or qualify, or propose publicly to withhold, withdraw or modify or qualify the Parent Recommendation, (ii) fail to reaffirm the Parent Recommendation or fail to publicly state that the Mergers and this Agreement are in the best interest of Parent's stockholders, within fifteen (15) Business Days after the Company requests in writing that such action be taken, (iii) fail to publicly announce, within fifteen (15) Business Days after a tender offer or exchange relating to the securities of Parent shall have been commenced, a statement

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disclosing that the Parent Board recommends rejection of such tender offer or exchange offer, (iv) take or resolve to take any other action or make any other statement in connection with the Parent Stockholders' Meeting inconsistent with the Parent Recommendation or (v) approve, determine to be advisable, or recommend, or propose publicly to approve, determine to be advisable, or recommend, any Competing Proposal ((i) through (v) being referred to as a "**Parent Adverse Recommendation Change**"). Notwithstanding any Parent Adverse Recommendation Change, unless this Agreement is terminated in accordance with its terms, the obligations of the parties hereunder shall continue in full force and effect and such obligations shall not be affected by the commencement, public proposal, public disclosure or communication to Parent of any Competing Proposal (whether or not a Superior Proposal).

(d) The Company and Parent will use their respective reasonable best efforts to hold the Company Stockholders' Meeting and the Parent Stockholders' Meeting on the same date and as soon as practicable after the date of this Agreement.

### Section 5.4 Appropriate Action; Consents; Filings.

(a) Subject to the terms and conditions of this Agreement (including the limitations set forth in Section 5.6), the parties hereto will use their respective reasonable best efforts to consummate and make effective the transactions contemplated hereby and to cause the conditions to the Mergers set forth in Article VI to be satisfied, including using reasonable best efforts to accomplish the following: (i) the obtaining of all necessary actions or non-actions, consents and approvals from Governmental Authorities or other Persons necessary in connection with the consummation of the transactions contemplated by this Agreement, including the Mergers, and the making of all necessary registrations and filings (including filings with Governmental Authorities, if any) and the taking of all reasonable steps as may be necessary to obtain an approval from, or to avoid a Proceeding by, any Governmental Authority or other Persons necessary in connection with the consummation of the transactions contemplated by this Agreement, including the Mergers, (ii) the defending of any lawsuits or other legal Proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including the Mergers, performed or consummated by such party in accordance with the terms of this Agreement, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Authority vacated or reversed and (iii) the execution and delivery of any additional instruments reasonably necessary to consummate the Mergers and any other transactions to be performed or consummated by such party in accordance with the terms of this Agreement and to carry out fully the purposes of this Agreement. Each of the parties hereto shall promptly (and in no event later than ten (10) Business Days following the date that this Agreement is executed) make and not withdraw (without the other's consent) its respective filings under the HSR Act, and thereafter make any other applications and filings as reasonably determined by the Company and Parent under other applicable Antitrust Laws with respect to the transactions contemplated hereby as promptly as practicable, but in no event later than as required by Law. Parent shall pay all filing fees and other charges for the filings required under any Antitrust Law by the Company and Parent.

(b) Parent and Acquisition Sub agree to take, and to cause their Affiliates to take, promptly any and all steps necessary to avoid or eliminate each and every impediment and obtain all Consents under any Antitrust Laws that may be required by any foreign or United States federal, state or local Governmental Authority, in each case with competent jurisdiction, so as to enable the parties to consummate the transactions contemplated by this Agreement as promptly as practicable, including committing to or effecting, by consent decree, hold separate orders, trust or otherwise, the sale or disposition of such assets or businesses as are required to be divested in order to avoid the entry of, or to effect the dissolution of or vacate or lift, any Order that would otherwise have the effect of preventing or materially delaying the consummation of the transactions contemplated by this Agreement; provided, however, that Parent and Acquisition Sub shall not be required to take any

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actions that would or would be reasonably expected to result in either a Parent Material Adverse Effect or Company Material Adverse Effect.

(c) In connection with and without limiting the efforts referenced in this Section 5.4, each of the parties hereto will furnish to the other such necessary information and reasonable assistance as the other may reasonably request in connection with the preparation of any required governmental filings or submissions and will cooperate in responding to any investigation or other inquiry from a Governmental Authority or in connection with any Proceeding initiated by a private party, including immediately informing the other party of such inquiry, consulting in advance before making any presentations or submissions to a Governmental Authority, or in connection with any Proceeding initiated by a private party, to any other Person, and supplying each other with copies of all material correspondence, filings or communications between either party and any Governmental Authority, or in connection with any Proceeding initiated by a private party, between either party and any other Person with respect to this Agreement. In addition, each of the parties hereto will give reasonable notice to and consult with the other in advance of any meeting or conference with any Governmental Authority, or in connection with any Proceeding by a private party, with any other Person, and to the extent permitted by the Governmental Authority or other Person, give the other the opportunity to attend and participate in such meeting or conference.

(d) Regulated Fund. The Company shall cause each member of the Subsidiary Adviser Group to use its commercially reasonable efforts to obtain, as promptly as practicable following the date of this Agreement, the approval of the Regulated Fund Board and the shareholders of the Regulated Fund, in accordance with the requirements of the Investment Company Act applicable thereto, of a new Advisory Agreement for the Regulated Fund with IHAM to be effective as of the Closing with such agreement containing terms, taken as a whole, that are substantially similar to the terms of the existing Advisory Agreement between the Regulated Fund and the applicable Adviser, with the exception of its effective and termination dates. Without limiting the foregoing, subject to the requirements of Applicable Law and the fiduciary duties of the Subsidiary Adviser Group and the Regulated Fund Board:

(i) The Company shall cause each member of the Subsidiary Adviser Group to use its commercially reasonable efforts, (A) to request, as promptly as practical following the date of this Agreement, the Regulated Fund Board to approve (and to recommend that the shareholders of the Regulated Fund approve) a new Advisory Agreement as described in the first sentence of this subsection (d); (B) to request, as promptly as practical following receipt of the approval and recommendation described in clause (A) above, the Regulated Fund Board to call a meeting of the shareholders of the Regulated Fund to be held as promptly as reasonably practical for the purpose of voting upon a proposal to approve (in the requisite manner) such new Advisory Agreement; (C) to prepare and to file (or to cause to be prepared and filed) with the SEC and all other applicable Governmental Authorities, as promptly as practical following receipt of the approval and recommendation described in clause (A) above, all proxy solicitation materials required to be distributed to the shareholders of the Regulated Fund with respect to the actions recommended for shareholder approval by the Regulated Fund Board and to mail (or to cause to be mailed) such proxy solicitation materials as promptly as practical after clearance thereof by the SEC (if applicable); and (D) to request the Regulated Fund Board to submit, as promptly as practical following the mailing of the proxy materials, to the shareholders of the Regulated Fund for a vote at a shareholders meeting the proposal described in clause (B) above.

(ii) The parties hereto agree that the Regulated Fund shall be deemed to have consented for all purposes under this Agreement to the transactions contemplated hereby and the continued management of the Regulated Fund by the applicable Adviser following the Closing if a new Advisory Agreement has been approved by the Regulated Fund Board and the shareholders of the Regulated Fund in the manner contemplated by clause (i) of this subsection (d), unless at any time

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prior to the Closing the Regulated Fund Board notifies the Company in writing that the Regulated Fund has terminated its Advisory Agreement prior to or as of a date following the Closing (and such notice is not withdrawn).

(iii) The Company agrees that the information provided by it or the Subsidiary Adviser Group (or on their behalf) in writing specifically for inclusion in the proxy materials to be furnished to the shareholders of the Regulated Fund (other than information that is or will be provided by or on behalf of Parent or its Affiliates or any other Third Party specifically for inclusion in such proxy materials) will not contain, as of the date of such proxy materials, any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Parent agrees that the information provided by it or its Affiliates (or on their behalf) in writing specifically for inclusion in the proxy materials to be furnished to the shareholders of the Regulated Fund will not contain, as of the date of such proxy materials, any untrue statement of a material fact, or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Each of the Company and Parent shall have the right to review in advance and to approve (such approval not to be unreasonably withheld) all the information relating to it and any of its Affiliates proposed to appear in any registration statement or proxy statement or any amendment or supplement thereto submitted to the SEC or such other applicable Governmental Authority in connection with the approvals contemplated by this subsection (d).

(iv) In the event that the approval by the shareholders of the Regulated Fund of the applicable new Advisory Agreement described in this subsection (d) is not obtained prior to the Closing, the Subsidiary Adviser Group may request the Regulated Fund Board to approve, in conformity with Rule 15a-4 under the Investment Company Act, an interim Advisory Agreement with IHAM, to be effective immediately following the Closing, for the Regulated Fund with IHAM containing substantially similar terms as the existing Advisory Agreement with the Regulated Fund (except for changes thereto to the extent necessary to comply with Rule 15a-4 under the Investment Company Act). In the event that the provisions of Rule 15a-4 under the Investment Company Act are utilized, the Company and Parent shall use commercially reasonable efforts to obtain the required Regulated Fund shareholder approval as promptly as practicable following the Closing Date (and in any event prior to the expiration of such interim Advisory Agreement).

(e) Non-Regulated Funds. With respect to each Non-Regulated Fund (other than the CDO Fund and the European Funds), the Company shall cause each member of the Subsidiary Adviser Group to use its commercially reasonable efforts to obtain, as promptly as reasonably practicable following the date hereof, the consent of such Non-Regulated Fund to the "assignment" (as defined in the Investment Advisers Act or, if applicable, other Applicable Law) of its Advisory Agreement to IHAM resulting from the consummation of the transactions contemplated hereby if and to the extent required by the terms of such Advisory Agreement and/or Applicable Law, and in the manner required by the terms of such Advisory Agreement and/or Applicable Law, which commercially reasonable efforts the parties agree shall be deemed to have been satisfied upon:

(i) in the case of the Non-Regulated Fund listed in Section 5.4(e)(i) of the Company Disclosure Letter, (A) the sending of written notice to the limited partners, members, shareholders or other investors of such Non-Regulated Fund describing the proposed transactions hereunder and requesting each such limited partner, member, shareholder or other investor to consent in writing to such assignment or continuation and (B) with respect to any limited partners, members, shareholders or other investors of such Non-Regulated Fund that do not either provide consent in writing to such assignment or continuation or object in writing to such assignment or continuation within thirty (30) days from the sending of such first notice pursuant to clause (A), the sending of second written notice to such limited partners, members, shareholders or other investors describing

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the proposed transactions hereunder, requesting each such limited partner, member, shareholder or other investor to consent in writing to such assignment or continuation and explaining that each such limited partner, member, shareholder or other investor that does not object to the assignment of the applicable Advisory Agreement within forty-five (45) days following delivery of such second notice will be deemed to have consented to such assignment or continuation; and

(ii) in the case of each of such Non-Regulated Funds other than the Non-Regulated Fund specified in subsection (i) of this Section 5.4(e), the sending of a written request to the advisory board or board of directors (as applicable) of such Non-Regulated Fund to consent in writing to such assignment or continuation.

(f) Fund Consents. The Company shall take reasonable steps to keep Parent reasonably informed of the status of obtaining the Fund consents to be requested pursuant to subsections (d) and (e) of this Section 5.4 and, upon Parent's request, make available to Parent copies of (i) the written requests and notices contemplated by subsections (e)(i) and (e)(ii) of this Section 5.4 and (ii) all executed such Fund consents. The Company shall not knowingly dissuade or impede any vote or other action necessary to obtain any such Fund consents in anticipation of the Closing. In connection with obtaining the Fund consents to be requested pursuant to subsections (d) and (e) of this Section 5.4, Parent shall have the reasonable opportunity to review drafts of (A) in the case of the Regulated Fund, the proxy solicitation materials contemplated by subsection (d) of this Section 5.4 or (B) in the case of any Non-Regulated Fund, the written requests and notices contemplated by subsections (e)(i) and (ii) of this Section 5.4, in each case in advance of dissemination by the applicable member of the Subsidiary Adviser Group or Fund, and shall have its reasonable comments reviewed in good faith prior to such dissemination. Parent shall reasonably cooperate with the Company and the Subsidiary Adviser Group in connection with obtaining the Fund consents to be requested by subsections (d) and (e) of this Section 5.4.

(g) Debt Financing.

(i) From the date of this Agreement until the Closing, the Company shall, and shall cause its Representatives to, at the Parent's expense, use reasonable efforts to provide customary cooperation reasonably requested by Parent in connection with obtaining the Debt Financing, including the following (it being understood and agreed that in no event shall any party be required to take any action in respect of the following to the extent that doing so would be commercially unreasonable):

(1) assisting with the preparation of appropriate and customary materials for rating agency presentations, offering documents, bank information memoranda (including the delivery of customary representation letters) and similar documents reasonably required by Parent in connection with the Debt Financing;

(2) assisting with the preparation of any customary pledge and security documents, other definitive financing documents consistent with the Debt Commitment Letter as in effect on the date of this Agreement, closing certificates or other similar documents as may be reasonably requested by Parent to be effective only at the Closing;

(3) facilitating the pledging of collateral;

(4) subject to receipt by Parent of customary confidentiality undertakings from Financing Sources, furnishing to the Financing Sources identified by Parent, as promptly as practicable, any "know your customer" information requested by the Financing Sources or such financial and other pertinent information available to the Company regarding the Company as may be reasonably requested by Parent to the extent required to consummate the Debt Financing in accordance with the terms of the Debt Commitment Letter as in effect on the date hereof;

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(5) requesting its independent accountants to cooperate with and assist in preparing customary and appropriate information packages and offering materials (including customary comfort letters) to the extent required in connection with the marketing of the Debt Financing as set forth in the Debt Commitment Letter as in effect on the date of this Agreement;

(6) making available appropriate officers and employees, on reasonable advance notice, to participate in a reasonable number of meetings with prospective lenders and investors and road shows at mutually agreeable dates and times;

(7) permitting appropriate officers, who will continue in such positions or in similar positions after the Closing, to execute documents in accordance with this Section 5.4(g); and

(8) taking all necessary corporate or entity actions, which shall be conditioned on the occurrence of the Closing, reasonably requested by Parent to permit any of the actions contemplated by this Section 5.4(g) required in connection with the consummation of the Debt Financing and to permit the proceeds thereof to be made available to Parent at the Closing.

(ii) Nothing in this Section 5.4(g) requires the Company, its Subsidiaries and their respective Affiliates to:

(1) provide any assistance to the extent it would interfere with the ongoing business or operations of the Company, its Subsidiaries and their respective Affiliates;

(2) encumber any of the assets of the Company, its Subsidiaries and their respective Affiliates prior to the Closing;

(3) require the Company, its Subsidiaries and their respective Affiliates to pay any commitment or other fee, expenses or other costs or make any other payment in connection with the Debt Financing prior to the Closing Date;

(4) take any action that would result in a breach of any Contract in effect as of the date hereof, result in a violation of Law or result in a violation of organizational documents of the Company, its Subsidiaries and their respective Affiliates or impose any liability on the Company, its Subsidiaries and their respective Affiliates;

(5) authorize, execute or deliver any definitive documentation or certificates in connection with the Debt Financing that would be effective prior to the Closing Date or that are not conditioned upon Closing;

(6) be responsible for the preparation of any pro forma financial information; or

(7) provide any legal opinion.

Neither the Company nor its Subsidiaries nor their respective Affiliates, nor any of their respective directors or officers, are required to take any action in the capacity as a member of the board of directors of the Company, its Subsidiaries and their respective Affiliates to authorize or approve the Debt Financing.

(iii) Parent will, promptly upon request by the Company, reimburse the Company for all out-of-pocket costs and expenses incurred by the Company, its Subsidiaries and their respective Affiliates, and their respective officers, employees, representatives and advisors, in connection with their respective obligations pursuant to this Section 5.4(g). Parent acknowledges and agrees that none of the Company, its Subsidiaries and their respective Affiliates shall, prior to the Closing, incur any liability to any Person under any Debt Financing and that Parent will indemnify and hold harmless the Company, its Subsidiaries and their respective Affiliates, and their respective directors, officers, employees, representatives and advisors, from and against any and all losses,

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damages, liabilities, claims, costs, expenses, judgments, penalties and fines suffered or incurred by any of them arising in whole or in part in connection with such cooperation, the Debt Financing and any information utilized in connection therewith, other than incurred as a result of such parties' gross negligence, willful misconduct or intentional fraud. The obligations of Parent in this Section 5.4(g) shall survive the termination of this Agreement.

(h) The parties shall consult with each other with respect to obtaining all permits and Consents necessary to consummate the transactions contemplated by this Agreement, including the Mergers; provided, that prior to Closing, without the prior written consent of the Company, none of Parent or its Affiliates or their respective employees, directors, officers or agents shall, directly or indirectly, contact or communicate with any Fund, any investor in a Fund, any Affiliate of a Fund (including any member of the Regulated Fund Board), any consultant or representative to a Fund, or any Portfolio Company (or any officers, directors, employees, lenders or co-investors of any Portfolio Company), regarding the transactions contemplated by this Agreement.

(i) Notwithstanding anything to the contrary herein, (i) nothing in this Agreement shall require either Parent and its Consolidated Subsidiaries or the Company and its Consolidated Subsidiaries to make payments or provide other consideration for the repayment, restructuring or amendment of terms of Indebtedness in connection with the Mergers in order to obtain any financing, other than customary consent fees required in connection with the change of control, and (ii) Section 5.4(g) and this Section 5.4(i) shall exclusively govern the obligations of each party to take (or omit to take) any action in respect of any such financing.

Section 5.5 Access to Information; Confidentiality.

(a) Upon reasonable notice, the Company shall (and shall cause each of its Consolidated Subsidiaries to) afford reasonable access to Parent's and Parent External Adviser's Representatives, in a manner not disruptive to the operations of the business of the Company and its Subsidiaries (including any member of the Subsidiary Adviser Group), during normal business hours and upon reasonable notice throughout the period prior to the Company Merger Effective Time (or until the earlier termination of this Agreement), to the personnel, advisors, properties, books and records of the Company and its Consolidated Subsidiaries and, during such period, shall (and shall cause each of its Consolidated Subsidiaries to) furnish promptly to such Representatives all information concerning the business, properties and personnel of the Company and its Consolidated Subsidiaries, and to provide copies thereof, as may reasonably be requested; provided, however, that nothing herein shall require the Company or any of its Consolidated Subsidiaries to disclose any information to Parent, Parent External Adviser or Acquisition Sub if such disclosure would, in the reasonable judgment of the Company, (i) violate Applicable Law or the provisions of any agreement to which the Company or any of its Subsidiaries (including any member of the Subsidiary Adviser Group) is a party or (ii) jeopardize any attorney-client or other legal privilege; provided, further, that nothing herein shall authorize Parent, Parent External Adviser or their respective Representatives to undertake any environmental testing involving sampling of soil, groundwater, or similar invasive techniques at any of the Company's (or its Subsidiaries' (including any member of the Subsidiary Adviser Group's)) properties. No investigation or access permitted pursuant to this Section 5.5(a) shall affect or be deemed to modify any representation or warranty made by the Company hereunder. The Company Confidentiality Agreement shall apply with respect to information furnished by the Company, its Consolidated Subsidiaries and the Company's officers, employees and other Representatives hereunder.

(b) Upon reasonable notice, Parent shall (and shall cause each of its Consolidated Subsidiaries and Acquisition Sub to) afford to Representatives of the Company reasonable access, in a manner not disruptive to the operations of the business of Parent and its Subsidiaries, during normal business hours and upon reasonable notice throughout the period prior to the Company Merger Effective Time (or until the earlier termination of this Agreement), to the personnel, advisors, properties, books and

records of Parent and its Consolidated Subsidiaries and, during such period, shall (and shall cause each of its Consolidated Subsidiaries to) furnish promptly to such Representatives all information concerning the business, properties and personnel of Parent and its Consolidated Subsidiaries, and to provide copies thereof, as may reasonably be requested; provided, however, that nothing herein shall require Parent or any of its Consolidated Subsidiaries to disclose any information to the Company if such disclosure would, in the reasonable judgment of Parent, (i) violate Applicable Law or the provisions of any agreement to which Parent or any of its Subsidiaries is a party or (ii) jeopardize any attorney-client or other legal privilege; provided, further, that nothing herein shall authorize the Company or its Representatives to undertake any environmental testing involving sampling of soil, groundwater, or similar invasive techniques at any of Parent's (or its Subsidiaries') properties. No investigation or access permitted pursuant to this Section 5.5(b) shall affect or be deemed to modify any representation or warranty made by Parent or Acquisition Sub hereunder. The Parent Confidentiality Agreement shall apply with respect to information furnished by Parent, its Consolidated Subsidiaries, Acquisition Sub and Parent's officers, employees and other Representatives hereunder.

Section 5.6 No Solicitation.

(a) Subject to Section 5.6(d), each of the Company and Parent shall, and shall cause its controlled Representatives, its Consolidated Subsidiaries and, in the case of the Company, the Subsidiary Adviser Group, and shall instruct and use its commercially reasonable efforts to cause its non-controlled Representatives, to, immediately cease and cause to be terminated any existing solicitation of, or discussions or negotiations with, any Third Party relating to any Competing Proposal or any inquiry, discussion, offer or request that could reasonably be expected to lead to a Competing Proposal.

(b) Until the Company Merger Effective Time (or, if earlier, the termination of this Agreement), each of the Company and Parent shall, as promptly as reasonably practicable, and in any event within two (2) Business Days of receipt by it or any of its Representatives of any Competing Proposal or any inquiry that could reasonably be expected to lead to a Competing Proposal, deliver to the other party a written notice setting forth: (A) the identity of the Third Party making such Competing Proposal or inquiry (to the extent not prohibited by any applicable confidentiality agreement existing prior to the date of this Agreement) and (B) if applicable, the material terms and conditions of any such Competing Proposal. The Company and Parent shall keep the other party reasonably informed of any material amendment or modification of any such Competing Proposal on a prompt basis, and in any event within two (2) Business Days thereafter.

(c) Except as otherwise provided in this Agreement (including Section 5.6(d)), until the Company Merger Effective Time or, if earlier, the termination of this Agreement in accordance with its terms, each of the Company and Parent shall not, and each shall cause its controlled Representatives, Consolidated Subsidiaries and, in the case of the Company, the Subsidiary Adviser Group, and shall instruct and use its commercially reasonable efforts to cause its non-controlled Representatives, not to, directly or indirectly, (i) initiate, solicit, induce or knowingly encourage the making of any proposal or offer with respect to a Competing Proposal or (ii) engage in negotiations or substantive discussions with (it being understood that each of the Company and Parent may inform Persons of the provisions contained in this Section 5.6), or furnish any material nonpublic information to, or enter into any agreement, arrangement or understanding with any Third Party relating to a Competing Proposal or any inquiry or proposal that would reasonably be expected to lead to a Competing Proposal; provided, that notwithstanding the foregoing, each of the Company and Parent shall be permitted to grant a waiver of or terminate any "standstill" or similar obligation of any Third Party with respect to the Company, any of its Consolidated Subsidiaries or Subsidiary Adviser or Parent or any of its Consolidated Subsidiaries, as applicable, to allow such Third Party to submit a Competing Proposal.

(d) Notwithstanding anything to the contrary in this Agreement, at any time prior to the date that the Company Stockholder Approval is obtained (in the case of the Company) or the Parent

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Stockholder Approval is obtained (in the case of Parent), in the event that the Company (or its Representatives on the Company's behalf) or Parent (or its Representatives on Parent's behalf), as applicable, receives a Competing Proposal from any Third Party, (i) the Company and its Representatives or Parent and its Representatives, as applicable, may contact such Third Party to clarify any ambiguous terms and conditions thereof (without the Company Board or Parent Board, as applicable, being required to make the determination in clause (ii) of this Section 5.6(d)) and (ii) the Company and the Company Board and its Representatives or Parent and the Parent Board and its Representatives, as applicable, may engage in negotiations or substantive discussions with, or furnish any information and other access to, any Third Party making such Competing Proposal and its Representatives and Affiliates if the Company Board or the Parent Board, as applicable, determines in good faith (after consultation with its independent financial advisors and outside legal counsel) that such Competing Proposal (A) either constitutes a Superior Proposal or would reasonably be expected to lead to a Superior Proposal and (B) that failure to consider such Competing Proposal would reasonably be expected to be inconsistent with the fiduciary duties of the directors of the Company or Parent, as applicable, under Applicable Law; provided, that (x) such Competing Proposal did not result from any material breach of any of the provisions set forth in this Section 5.6, (y) prior to furnishing any material non-public information concerning the Company and its Consolidated Subsidiaries or Parent and its Consolidated Subsidiaries, as applicable, the Company or Parent, as applicable, receives from such Person, to the extent such Person is not already subject to a confidentiality agreement with the Company or Parent, as applicable, a confidentiality agreement containing confidentiality terms that are not less favorable in the aggregate to the Company or Parent, as the case may be, than those contained in the Confidentiality Agreements (unless the Company or Parent, as the case may be, offers to amend the Confidentiality Agreements to reflect such more favorable terms) (it being understood and agreed that such confidentiality agreement need not restrict the making of Competing Proposals (and related communications) to the Company or the Company Board or to Parent or the Parent Board, as the case may be) (an "**Acceptable Confidentiality Agreement**") and (z) the Company or Parent, as the case may be, shall (subject to the terms of any confidentiality agreement existing prior to the date hereof) promptly provide or make available to the other party any material written non-public information concerning it or its Consolidated Subsidiaries that it provides to any Third Party given such access that was not previously made available to Parent or its Representatives or the Company or its Representatives, as the case may be.

(e) Except as otherwise provided in this Agreement, (i) the Company Board shall not effect a Company Adverse Recommendation Change and the Parent Board shall not effect a Parent Adverse Recommendation Change (each an "**Adverse Recommendation Change**"), (ii) the Company Board shall not approve or recommend, or allow the Company or any of its Consolidated Subsidiaries to execute or enter into, any letter of intent, memorandum of understanding or definitive merger or similar agreement with respect to any Competing Proposal (other than an Acceptable Confidentiality Agreement) and (iii) the Parent Board shall not approve or recommend, or allow Parent or any of its Subsidiaries to execute or enter into, any letter of intent, memorandum of understanding or definitive merger or similar agreement with respect to any Competing Proposal (other than an Acceptable Confidentiality Agreement). Notwithstanding anything in this Agreement to the contrary, at any time prior to the receipt of the Company Stockholder Approval (in the case of the Company) or the Parent Stockholder Approval (in the case of Parent), the Company Board or the Parent Board, as applicable, may (x) make an Adverse Recommendation Change if the board of directors effecting the Adverse Recommendation Change determines in good faith (after consultation with its independent financial advisor and outside legal counsel) that a Competing Proposal is a Superior Proposal and that the failure to take such action would reasonably be expected to be inconsistent with the fiduciary duties of the Company Board or the Parent Board, as applicable, under Applicable Law or (y), if the Company or Parent, as the case may be, has received a Competing Proposal that its board of directors has determined in good faith (after consultation with its independent financial advisor and outside legal

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counsel) constitutes a Superior Proposal, authorize, adopt or approve such Superior Proposal and cause or permit the Company or Parent, as applicable, to enter into a definitive agreement with respect to such Superior Proposal concurrently with the termination of this Agreement in accordance with Section 7.1(c)(iv) or Section 7.1(d)(iv), as applicable, in each case, only after providing the Notice of Adverse Recommendation or Notice of Superior Proposal, as applicable, and entering into good faith negotiations as required by Section 5.6(f).

(f) Notwithstanding anything to the contrary in this Agreement, no Adverse Recommendation Change may be made and no termination of this Agreement pursuant to Section 5.6(e) may be effected, in each case until after the fourth (4th) Business Day following receipt of written notice from the party intending to effect any Adverse Recommendation Change to the other party advising the other party that its board of directors intends to make an Adverse Recommendation Change (a "**Notice of Adverse Recommendation**") or terminate this Agreement pursuant to Section 5.6(e) (a "**Notice of Superior Proposal**") and specifying the reasons therefor, including, if the basis of the proposed action is a Superior Proposal, the material terms and conditions of any such Superior Proposal. At the option of the party not seeking to terminate this Agreement pursuant to Section 5.6(e), the parties shall negotiate in good faith during such period to amend this Agreement in such a manner that the offer that was determined to constitute a Superior Proposal no longer constitutes a Superior Proposal. In determining whether to make an Adverse Recommendation Change or in determining whether a Competing Proposal constitutes a Superior Proposal, the board of directors effecting an Adverse Recommendation Change shall take into account any revisions to the terms of this Agreement proposed in writing by the other party in response to a Notice of Adverse Recommendation, a Notice of Superior Proposal or otherwise. Any material amendment to such Superior Proposal shall require a new Notice of Superior Proposal and the applicable party shall be required to comply again with the requirements of this Section 5.6(f).

(g) Nothing in this Agreement shall restrict the Company or Parent from taking or disclosing a position contemplated by Rules 14d-9 or 14e-2(a) under the Exchange Act, or otherwise making disclosure to comply with Applicable Law (it being agreed that a "stop, look and listen" communication by the Company Board or Parent Board to its stockholders pursuant to Rule 14d-9(f) under the Exchange Act or a factually accurate public statement by the Company or Parent that describes the Company's or Parent's receipt, as applicable, of a Competing Proposal and the operation of this Agreement with respect thereto shall not be deemed to be an Adverse Recommendation Change).

(h) For purposes of this Agreement:

(i) "**Competing Proposal**" shall mean any inquiry, proposal or offer made by any Person or group of Persons (other than the Company, in the case of a proposal affecting Parent and its Consolidated Subsidiaries, or Parent or Acquisition Sub, in the case of a proposal affecting the Company and its Consolidated Subsidiaries, or in each case, any Affiliate thereof) to purchase or otherwise acquire, directly or indirectly, in one transaction or a series of transactions (including any merger, consolidation, tender offer, exchange offer, stock acquisition, asset acquisition, binding share exchange, business combination, recapitalization, liquidation, dissolution, joint venture or similar transaction), (i) beneficial ownership (as defined under Section 13(d) of the Exchange Act) of twenty percent (20%) or more of any class of equity securities of the Company or Parent or (ii) any one or more assets or businesses of the Company, its Consolidated Subsidiaries and the Subsidiary Adviser Group or Parent and its Consolidated Subsidiaries that constitute twenty percent (20%) or more of the revenues or assets of the Company, its Consolidated Subsidiaries and the Subsidiary Adviser Group, taken as a whole, or Parent and its Consolidated Subsidiaries, taken as a whole, other than, in the case of the Company, the Mergers and the transactions contemplated by this Agreement.

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(ii) "**Superior Proposal**" shall mean a bona fide written Competing Proposal (with all percentages in the definition of Competing Proposal increased to sixty-six and two-thirds percent (66 2/3%) made by a Third Party on terms that the Company Board or the Parent Board, as applicable, determines in good faith, after consultation with its independent financial advisors and outside legal advisors, and considering the likelihood and anticipated timing of consummation, are more favorable to the Company's stockholders or to Parent's stockholders, as applicable, from a financial point of view than the transactions contemplated by this Agreement (including any revisions to the terms of this Agreement committed to by Parent to the Company in writing in response to such Competing Proposal made to the Company under the provisions of Section 5.6(f) or by the Company to Parent in writing in response to such Competing Proposal made to Parent under the provisions of Section 5.6(f)).

### Section 5.7 Directors' and Officers' Indemnification and Insurance.

(a) Parent and Acquisition Sub agree that all rights to exculpation and indemnification for acts or omissions occurring at or prior to the Company Merger Effective Time, whether asserted or claimed prior to, at or after the Company Merger Effective Time (including any matters arising in connection with the transactions contemplated hereby), now existing in favor of the current or former directors, officers, managers or employees ("**D&O Indemnified Parties**"), as the case may be, of the Company or its Subsidiaries (including any member of the Subsidiary Adviser Group) as provided in their respective organizational documents as in effect on the date of this Agreement or in any Contract shall survive the Mergers and shall continue in full force and effect. Parent shall indemnify, defend and hold harmless, and advance expenses to D&O Indemnified Parties with respect to all acts or omissions by them in their capacities as such at any time prior to the Company Merger Effective Time (including any matters arising in connection with this Agreement or the transactions contemplated hereby), to the fullest extent that the Company or its Subsidiaries (including any member of the Subsidiary Adviser Group) would be permitted by Applicable Law and to the fullest extent required by the organizational documents of the Company or its Subsidiaries (including any member of the Subsidiary Adviser Group) as in effect on the date of this Agreement; provided, however, that all rights to indemnification in respect of any action pending or asserted or any claim made within such period shall continue until the disposition of such action or resolution of such claim. Parent shall cause its organizational documents to contain provisions with respect to indemnification, advancement of expenses and limitation of director, officer and employee liability that are no less favorable to the D&O Indemnified Parties than those set forth in the Company's and its Subsidiaries' (including the members of the Subsidiary Adviser Group's) organizational documents as of the date of this Agreement, which provisions thereafter shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of the D&O Indemnified Parties.

(b) Without limiting the provisions of Section 5.7(a), to the fullest extent that the Company and Parent would be permitted by Applicable Law to do so, Parent shall: (i) indemnify and hold harmless each D&O Indemnified Party against and from any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, Proceeding or investigation, whether civil, criminal, administrative or investigative, to the extent such claim, Proceeding or investigation arises out of or pertains to: (A) any alleged action or omission in such D&O Indemnified Party's capacity as a director, officer or employee of the Company or any of its Subsidiaries (including any member of the Subsidiary Adviser Group) prior to the Company Merger Effective Time or (B) this Agreement or the transactions contemplated hereby and (ii) pay in advance of the final disposition of any such claim, Proceeding or investigation the expenses (including attorneys' fees) of any D&O Indemnified Party upon receipt of an undertaking by or on behalf of such D&O Indemnified Party to repay such amount if it shall ultimately be determined that such D&O Indemnified Party is not entitled to be indemnified by Applicable Law. Any determination required to be made with respect to whether the conduct of any D&O Indemnified Party complies or

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complied with any applicable standard shall be made by independent legal counsel selected by the D&O Indemnified Party, which counsel shall be reasonably acceptable to Parent, and the fees of such counsel shall be paid by Parent. Notwithstanding anything to the contrary contained in this [Section 5.7\(b\)](#) or elsewhere in this Agreement, Parent shall not settle or compromise or consent to the entry of any judgment or otherwise seek termination with respect to any claim, Proceeding or investigation, unless either (x) such settlement, compromise, consent or termination includes an unconditional release of all of the D&O Indemnified Parties covered by the claim, Proceeding or investigation from all liability arising out of such claim, Proceeding or investigation or (y) the D&O Indemnified Parties covered by the claim, Proceeding or investigation consent to such settlement, compromise, consent or termination.

(c) Unless the Company shall have purchased a "tail" policy prior to the Company Merger Effective Time as provided below, for at least six (6) years after the Company Merger Effective Time, Parent shall, and shall cause its Subsidiaries to, maintain in full force and effect, on terms and conditions no less advantageous to the D&O Indemnified Parties, or any other Person entitled to the benefit of this [Section 5.7](#), as applicable, than the existing directors' and officers' liability insurance and fiduciary insurance maintained by the Company as of the date of this Agreement, covering claims arising from facts, events, acts or omissions that occurred at or prior to the Company Merger Effective Time, including the transactions contemplated hereby (provided, that Parent shall not be required to pay an annual premium for such insurance in excess of two-hundred fifty percent (250%) of the aggregate annual premiums currently paid by the Company on an annualized basis, but in such case shall purchase as much of such coverage as possible for such amount). Parent shall not, and shall not permit its Subsidiaries to, take any action that would prejudice the rights of, or otherwise impede recovery by, the beneficiaries of any such insurance, whether in respect of claims arising before or after the Company Merger Effective Time. In lieu of such insurance, prior to the Company Merger Effective Time, the Company may purchase a six (6) year "tail" prepaid policy on such terms and conditions as reasonably determined by the Company, or, prior to or at the Closing, Parent may purchase a "tail" prepaid policy covering the six (6) year period following the Closing on such terms and conditions that satisfy the first sentence of this [Section 5.7\(c\)](#), in each case in which event Parent shall cease to have any obligations under the first sentence of this [Section 5.7\(c\)](#).

(d) The D&O Indemnified Parties to whom this [Section 5.7](#) applies shall be third-party beneficiaries of this [Section 5.7](#). The provisions of this [Section 5.7](#) are intended to be for the benefit of each D&O Indemnified Party and his or her successors, heirs or representatives. Parent shall pay all reasonable expenses, including reasonable attorneys' fees, that may be incurred by any D&O Indemnified Party in enforcing its indemnity and other rights under this [Section 5.7](#). Notwithstanding any other provision of this Agreement, this [Section 5.7](#) shall survive the consummation of the Mergers indefinitely and shall be binding on all successors and assigns of Parent, and shall be enforceable by the D&O Indemnified Parties and their successors, heirs or representatives.

**Section 5.8 [Notification of Certain Matters](#).** Subject to Applicable Law, the Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (a) any notice or other communication received by such party from any Governmental Authority in connection with this Agreement, the Mergers or the transactions contemplated hereby, or from any Person alleging that the consent of such Person is or may be required in connection with the Mergers or the transactions contemplated hereby and (b) any claims, investigations or Proceedings commenced or, to such party's Knowledge, threatened against, relating to or involving or otherwise affecting such party or any of its Subsidiaries that relate to this Agreement, the Mergers or the transactions contemplated hereby.

**Section 5.9 [Public Announcements](#).** Except as otherwise contemplated by [Section 5.6](#) (and, for the avoidance of doubt, nothing herein shall limit the rights of the Company or the Company Board under [Section 5.6](#) or Parent or the Parent Board under [Section 5.6](#)), prior to any Adverse Recommendation Change, the Company, Parent and Acquisition Sub shall consult with each other

before issuing any press release or public announcement with respect to this Agreement or the transactions contemplated hereby, and none of the parties or their Affiliates shall issue any such press release or public announcement prior to obtaining the other parties' consent (which consent shall not be unreasonably withheld or delayed), except that no such consent shall be necessary to the extent disclosure may be required by Law, Order or applicable stock exchange rule or any listing agreement of any party hereto so long as the disclosing party gives notice to and consults with the other party prior to making such disclosure to the extent practicable. The Company may, after consultation with Parent and consideration of any views and comments of Parent, communicate to its employees, customers, suppliers and consultants so long as such communications are consistent with a communications plan previously agreed to by Parent and the Company in which case such communications may be made consistent with such plan.

Section 5.10 Employee Benefits: Labor.

(a) (i) Effective immediately prior to, and contingent upon the occurrence of, the Adviser Merger Effective Time or Company Merger Effective Time, as applicable, or, solely with respect to an employee who does not receive an offer of employment from Parent External Adviser, IHAM or their respective Affiliates pursuant to Section 5.10(a)(i) or who receives such an offer but does not accept such offer within the time period prescribed by Section 5.10(a)(ii), such earlier time as determined by the Company in its sole discretion at any time sixty (60) days following the execution of this Agreement, the Company shall cause the employment of each employee of the Company, Subsidiary Adviser and their respective Consolidated Subsidiaries to terminate and, upon such termination (subject to any delay required in order to comply with Section 409A of the Code), the Company or Subsidiary Adviser shall provide to any such terminated employee all severance, retention and other payments or benefits as may become payable as a result of such termination or the occurrence of the Adviser Merger Effective Time or Company Merger Effective Time, as applicable, unless such employee has waived in writing such payments or benefits; and (ii) on or prior to sixty (60) days following the execution of this Agreement, Parent External Adviser, IHAM or their respective Affiliates may, but shall be under no obligation to, make (or cause any of its Affiliates to make) an offer of employment, effective as of the Adviser Merger Effective Time or Company Merger Effective Time, as applicable, or thereafter, to any employee of the Company, Subsidiary Adviser or any of their respective Consolidated Subsidiaries; provided, however, that any such offer of employment shall be contingent upon the Adviser Merger Effective Time or Company Merger Effective Time, as applicable, actually occurring and shall expire if the employee does not accept such offer within thirty (30) days following the date such offer is made. From and after the Closing, Parent shall, and shall cause the Company Merger Surviving Corporation to, and IHAM shall, and shall cause the Adviser Merger Surviving Entity to, honor obligations set forth in the preceding provisions of this Section 5.10(a) and all obligations as may be required by Applicable Law. Parent and the Company hereby agree that the occurrence of the Company Merger Effective Time shall constitute a "Change in Control" for purposes of all Company Agreements and all Company Benefit Plans in which such term, or a similar such term, is relevant.

(b) Promptly following the execution of this Agreement, the Company shall make employees of the Company, Subsidiary Adviser and their respective Consolidated Subsidiaries reasonably available to Parent External Adviser and IHAM, as applicable, during regular business hours and shall provide Parent External Adviser and IHAM, as applicable, with such personnel information as may be reasonably requested by Parent External Adviser and IHAM, as applicable, for purposes of identifying the employees to whom Parent External Adviser and IHAM, as applicable, desire to make an offer of employment.

(c) If requested in writing by Parent to the Company at least five (5) Business Days prior to the Company Merger Effective Time, the Company shall take (or cause to be taken) all actions necessary or appropriate to terminate, effective no later than the Company Merger Effective Time, any Company Benefit Plan (other than the American Capital, Ltd. Retention Plan and any employment or severance

agreements). If the Company or any of its Subsidiaries is required to terminate any Company Benefit Plan, then the Company or its Subsidiaries, as applicable, shall take such actions in furtherance of terminating such Company Benefit Plan as Parent may reasonably request. As of immediately prior to, but contingent on the occurrence of, the Company Merger Effective Time, the Company shall vest payments and benefits under such terminated Company Benefit Plans.

(d) Parent acknowledges that the Company or an applicable Subsidiary thereof (i) shall be entitled to pay, immediately prior to the Company Merger Effective Time, a pro rata portion of the annual cash performance-based bonuses, calculated at target-level performance, to each bonus-eligible employee of the Company, Subsidiary Adviser and their respective Consolidated Subsidiaries in respect of the elapsed portion of the Company's 2016 fiscal year regardless of the year in which the Company Merger Effective Time occurs to the extent not then fully paid and (ii) shall be entitled to pay to such employees immediately prior to the Company Merger Effective Time (if applicable) a pro rata portion of their annual cash performance-based bonus, calculated based on target-level performance, in respect of the elapsed portion of the Company's 2017 fiscal year if the Company Merger Effective Time occurs in such fiscal year.

(e) The Company shall be responsible for fulfilling all requirements under the Worker Adjustment and Retraining Notification Act or similar state or local laws or ordinances (collectively, "WARN"), including but not limited to issuing all notices required under WARN (the "WARN Notices") and/or to make any payments required to be made to any employee of the Company or the Consolidated Subsidiaries under WARN; provided, that Parent shall have an opportunity to review and approve such WARN Notices no later than three (3) Business Days before such WARN Notices will be issued to an employee of the Company, Subsidiary Adviser or their respective Consolidated Subsidiaries, such approval by Parent to not be unreasonably withheld.

(f) The parties hereto acknowledge and agree that all provisions contained in this Section 5.10 with respect to employees of the Company, Subsidiary Adviser and their respective Consolidated Subsidiaries are included for the sole benefit of the respective parties hereto and shall not create any right (i) in any other Person, including employees, former employees, any participant or any beneficiary thereof, in any Company Benefit Plan, or (ii) to continued employment with the Company, Subsidiary Adviser, Parent, Parent External Adviser, IHAM or their respective Consolidated Subsidiaries or Affiliates. Notwithstanding anything in this Section 5.10 to the contrary, nothing in this Agreement, whether express or implied, shall be treated as an amendment or other modification of any Company Benefit Plan or any other employee benefit plans of the Company, Subsidiary Adviser, Parent, Parent External Adviser, IHAM or any of their respective Consolidated Subsidiaries or Affiliates or shall prohibit Parent, Parent External Adviser, IHAM or any of their Consolidated Subsidiaries or Affiliates from amending or terminating any employee benefit plan.

Section 5.11 Treatment of Outstanding Notes. Prior to the Company Merger Effective Time, the Company shall take all actions required in connection with the transactions contemplated by this Agreement pursuant to the terms of that certain indenture, dated as of September 20, 2013, between the Company and U.S. Bank National Association, as amended or supplemented to the date of this Agreement (the "**2013 Indenture**"), at such time or times as such actions are required to be taken, including the giving of any notices that may be required in connection with any repurchases or conversions of the notes issued pursuant to the 2013 Indenture occurring as a result of the transactions contemplated by this Agreement constituting a "Change of Control" (as such term is defined in the 2013 Indenture) and delivery of any supplemental indentures, legal opinions, officer's certificates or other documents or instruments required in connection with the consummation of the Mergers.

Section 5.12 Acquisition Sub. Parent will take all actions necessary to (a) cause Acquisition Sub to perform its obligations under this Agreement and to consummate the Company Merger on the terms and conditions set forth in this Agreement and (b) ensure that Acquisition Sub prior to the Company

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Merger Effective Time, shall not conduct any business, or incur or guarantee any Indebtedness or make any investments, other than as specifically contemplated by this Agreement.

### Section 5.13 No Control of the Other Party's Business.

(a) Except as set forth in this Agreement, nothing contained in this Agreement is intended to give Parent, directly or indirectly, the right to control or direct the operations of the Company or its Subsidiaries (including the Subsidiary Adviser Group) prior to the Company Merger Effective Time. Prior to the Company Merger Effective Time, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' (including any member of the Subsidiary Adviser Group's) operations.

(b) Except as set forth in this Agreement, nothing contained in this Agreement is intended to give the Company, directly or indirectly, the right to control or direct the operations of Parent or its Subsidiaries prior to the Company Merger Effective Time. Prior to the Company Merger Effective Time, Parent shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' operations.

Section 5.14 Rule 16b-3 Matters. Subject to the following sentence, prior to the Company Merger Effective Time, Parent and the Company shall take all such steps as may be required (to the extent permitted under Applicable Law and no-action letters issued by the SEC) to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) or acquisitions of Parent Common Stock (including derivative securities with respect to Parent Common Stock) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company or will become subject to such reporting requirements with respect to Parent, to be exempt under Rule 16b-3 promulgated under the Exchange Act, to the extent permitted by Applicable Law.

### Section 5.15 Section 15(f).

(a) Parent acknowledges that the Company is entering into this Agreement in reliance upon the benefits and protections provided by Section 15(f) of the Investment Company Act. Parent shall not take, and shall cause its Affiliates not to take, any action that would have the effect, directly or indirectly, of causing the requirements of any of the provisions of Section 15(f) of the Investment Company Act not to be met in respect of the transactions contemplated by this Agreement with respect to the Regulated Fund, and shall not fail to take, and, after the Closing, shall cause its Affiliates not to fail to take, any action if the failure to take such action would have the effect, directly or indirectly, of causing the requirements of any of the provisions of Section 15(f) of the Investment Company Act not to be met in respect of the transactions contemplated by this Agreement with respect to the Regulated Fund. In that regard, Parent shall conduct its business and shall cause each of its Affiliates to conduct its business, to the extent within its reasonable control, so as to assure that:

(i) for a period of not less than three (3) years after the Closing, at least seventy-five percent (75%) of the members of the boards of directors or trustees of the Regulated Fund are not (A) "interested persons" (within the meaning of Section 2(a)(19) of the Investment Company Act) of the investment adviser of the Regulated Fund after the Closing or (B) "interested persons" (within the meaning of Section 2(a)(19) of the Investment Company Act) of the investment adviser of the Regulated Fund immediately prior to the Closing; and

(ii) for a period of not less than two (2) years after the Closing, there shall not be imposed on the Regulated Fund an "unfair burden" (as set forth and described in Section 15(f) of the Investment Company Act) as a result of the transactions contemplated by this Agreement or any express or implied terms, conditions or understandings applicable thereto.

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(b) For a period of three (3) years from the Closing, Parent shall not engage, and shall cause its Affiliates not to engage, in any transaction that would constitute an "assignment" (as defined in the Investment Company Act) to a Third Party of any Advisory Agreement between (i) either (A) Parent or any of its Affiliates or (B) any member of the Subsidiary Adviser Group and (ii) the Regulated Fund without first obtaining a covenant in all material respects the same as that contained in this Section 5.15; provided, that the foregoing shall not apply in the event that Section 15(f) of the Investment Company Act no longer applies to the transactions contemplated by this Agreement. Notwithstanding anything to the contrary contained herein, the covenants of the parties hereto contained in this Section 5.15 are intended only for the benefit of such parties and not for the benefit of any other Person.

(c) The Company shall cause the members of the Subsidiary Adviser Group to conduct their business, to the extent within their reasonable control, so as to assure that, at Closing, at least seventy-five percent (75%) of the members of the boards of directors or trustees of the Regulated Fund are not "interested persons" (within the meaning of Section 2(a)(19) of the Investment Company Act) of the investment adviser of the Regulated Fund.

Section 5.16 Repayment of Indebtedness. At least three (3) Business Days prior to the Closing Date, the Company shall deliver to Parent a draft copy of a customary payoff letter (subject to delivery of funds as arranged by Parent) from the "Administrative Agent" (as defined in the respective Existing Credit Facilities) relating to the repayment of each Existing Credit Facility and the release of related Liens (each, a "**Payoff Letter**"), and, on or prior to the Closing Date, the Company shall deliver to Parent an executed copy of each Payoff Letter to be effective upon the Closing. The Company shall, and shall cause its Consolidated Subsidiaries to, deliver all the documents required for the termination of commitments under each of the Existing Credit Facilities, subject to the occurrence of the Closing and the repayment in full of all obligations then outstanding thereunder, and shall deliver to Parent, no later than three (3) Business Days prior to the Closing Date, any materials and documentation about the Company and its Consolidated Subsidiaries and Subsidiary Adviser Group required under applicable "know your customer" and anti-money laundering rules, Laws and regulations (including, for the avoidance of doubt, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act")) that are reasonably requested by Parent at least ten (10) Business Days prior to Closing.

### Section 5.17 Certain Tax Matters.

(a) For United States federal income Tax purposes, each of the Company and Parent intend for the Company Merger to be treated as a taxable acquisition of the Company Common Stock (the "**Intended Tax Treatment**").

(b) Each of the Company, Parent and Acquisition Sub shall use its reasonable best efforts (and shall cause their respective Subsidiaries to use their reasonable best efforts) to cause the receipt of the Merger Consideration by the Company's stockholders to qualify for the Intended Tax Treatment, including by not taking any action that such party knows is reasonably likely to prevent or impede such treatment. Each of the Company, Parent and Acquisition Sub shall report the Mergers and the other transactions contemplated by this Agreement in a manner consistent with the Intended Tax Treatment unless a contrary position is required by a final determination within the meaning of Section 1313 of the Code.

Section 5.18 Stock Exchange Listing. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock to be issued in connection with the Company Merger to be approved for listing on NASDAQ, subject to official notice of issuance, at or prior to the Company Merger Effective Time.

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Section 5.19 Parent's Financing Activities.

(a) Parent shall, and shall cause its Subsidiaries to, use its reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and obtain the Debt Financing on the terms and subject only to the conditions (including the market flex provisions) set forth in the Debt Commitment Letter, including using reasonable best efforts to (i) maintain in effect and comply with the Debt Commitment Letter, (ii) negotiate and enter into definitive agreements with respect to the Debt Financing on the terms (including any market flex provisions) and subject only to the conditions contained in the Debt Commitment Letter, so that such agreements are in effect as promptly as practicable but in any event no later than the Closing Date, (iii) ensure the accuracy of all representations and warranties of Parent, Acquisition Sub and their respective Subsidiaries set forth in the Debt Commitment Letter and definitive agreements with respect to the Debt Financing, (iv) comply with the covenants and agreements of Parent, Acquisition Sub and their respective Subsidiaries set forth in the Debt Commitment Letter and the definitive agreements with respect to the Debt Financing, (v) satisfy or obtain a waiver of, and cause Acquisition Sub and its other Subsidiaries to satisfy or obtain a waiver of, on a timely basis all terms and conditions set forth in the Debt Commitment Letter and the definitive agreements relating to the Debt Financing applicable to Parent, Acquisition Sub and their respective Subsidiaries, (vi) upon satisfaction or waiver of such conditions and the other conditions set forth in Section 6.1 and Section 6.2 (other than those conditions that by their nature cannot be satisfied until the Closing) consummate the Debt Financing at or prior to the Closing (and in any event prior to the Termination Date or Extension Date, as applicable), (vii) pay, or cause to be paid, any and all commitment fees or other fees required by the Debt Commitment Letter to be paid on or before the Closing and (viii) enforce its rights under the Debt Commitment Letter and the definitive agreements relating to the Debt Financing; provided, however, for the avoidance of doubt, "reasonable best efforts" for purposes of this Section 5.19 shall not require Parent or any of its Subsidiaries to commence a Proceeding against any Financing Source to enforce the terms of the Debt Commitment Letter. Parent will provide to the Company copies of all documents relating to the Debt Financing and keep the Company informed of material developments in respect of the financing process relating thereto on a current basis.

(b) Prior to the Closing, Parent will not agree to, or permit, any amendment, modification, joinder, assignment, termination or waiver of the Debt Commitment Letter or the definitive agreements with respect to the Debt Financing without the prior written consent of the Company if such amendment, modification, joinder, termination or waiver (i) reduces the aggregate amount of the Debt Commitment Letter, (ii) imposes additional or new conditions precedent to the availability of the Debt Financing or amends, modifies or expands any of the conditions to the funding of the Debt Financing in a manner that would reasonably be expected to delay or prevent the funding of the Debt Financing on the Closing Date, (iii) adversely impacts the ability of Parent to enforce its rights against the other parties to the Debt Commitment Letter or the definitive agreements with respect thereto, (iv) make it less likely that the Debt Financing would be funded or (v) otherwise contravene the limitations set forth in this Section 5.19(b). Parent shall promptly deliver to the Company copies of any amendment, modification, joinder, assignment, supplement or waiver to or under any Debt Commitment Letter or the definitive agreements relating to the Debt Financing entered into in accordance with this Section 5.19(b).

(c) Parent will give the Company prompt written notice (and, in any event, within twenty-four (24) hours) after the occurrence of any of the following: (i) of any termination of (A) the Debt Commitment Letter, (B) any definitive agreement relating to the Debt Financing or (C) any definitive agreement relating to a portion of the Debt Financing, (ii) any actual or threatened material breach, default, termination or repudiation of any provision of the Debt Commitment Letter or the definitive agreement by any party thereto or any event or circumstance that makes a condition precedent to the Debt Financing unable or unlikely to be satisfied, in each case, of which Parent becomes aware or any

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termination of the Debt Commitment Letter, (iii) the receipt of any notice or other communication from any Person committing to fund the Debt Financing under the Debt Commitment Letter or any other party to the Debt Commitment Letter or definitive agreements (other than Parent or any of its Subsidiaries and their respective Representatives) with respect to the Debt Financing (including any arrangers, administrative agents or trustees that are part of the Debt Financing) (the "**Financing Sources**") with respect to any (A) actual or potential breach, default, termination or repudiation by any party to the Debt Commitment Letter or the definitive agreements of any provisions of the Debt Commitment Letter or the definitive agreement, respectively, or (B) material dispute or disagreement between or among any parties to the Debt Commitment Letter or definitive agreements with respect to the obligation to fund the Debt Financing or the amount of the Debt Financing to be funded at the Closing, and (iv) if at any time for any reason Parent believes in good faith that it will not be able to obtain all or any portion of the Debt Financing on the terms and conditions, in the manner or from the sources contemplated by the Debt Commitment Letter. Parent will not, nor permit any of its Affiliates to, without the prior written consent of the Company, take any action or enter into any transaction that could reasonably be expected to impair, delay or prevent consummation of all or any portion of the Debt Financing. As soon as reasonably practicable, but in any event within twenty-four (24) hours following the time the Company delivers to Parent a written request, Parent will provide any information reasonably requested by the Company relating to any circumstance referred to in clause (i), (ii), (iii) or (iv) of the immediately preceding sentence.

(d) If, notwithstanding the obligations of Parent under this Section 5.19, any Debt Financing or the Debt Commitment Letter (or any definitive agreement relating thereto) expire or are terminated prior to the Closing, in whole or in part, for any reason, Parent will (i) promptly notify (and, in any event, within forty-eight (48) hours) the Company of such expiration or termination and the reasons therefor and (ii) promptly obtain alternative financing (the "**Alternative Financing**") to replace the financing contemplated by such expired or terminated commitments or agreements (on terms and conditions that are not materially less favorable to Parent or Acquisition Sub, taken as a whole, than the terms and conditions as set forth in the Debt Commitment Letter in effect on the date hereof, taking into account any "market flex" provisions thereof). The Alternative Financing shall be in an amount sufficient to pay all amounts not otherwise covered by cash on Parent's balance sheet that are required or necessary to consummate the transactions contemplated by this Agreement and pay all related fees, costs and expenses (collectively, the "**Required Financing Amount**"). The Alternative Financing shall not, without the prior written consent of the Company, include any conditions precedent that are more onerous than or in addition to the conditions precedent set forth in the Debt Commitment Letter. Parent will deliver to the Company true and complete copies of all agreements including, without limitation, fee letters (provided, that the fee amounts, pricing caps and economic terms (other than covenants) set forth therein, none of which could adversely affect the conditionality, enforceability, availability, termination or aggregate principal amount of the Alternative Financing, may be redacted) pursuant to which any Alternative Financing source has committed to provide Parent with any portion of the Required Financing Amount substantially concurrently with the execution thereof.

(e) If the Debt Commitment Letter is amended, replaced, supplemented or otherwise modified, including as a result of obtaining Alternative Financing in accordance with Section 5.19(d), or if Parent substitutes other debt for all or a portion of the Debt Financing, Parent will comply with its covenants in this Section 5.19 with respect to the Debt Commitment Letter and all definitive agreements executed in connection therewith as so amended, replaced, supplemented or otherwise modified and with respect to such other financing to the same extent that Parent would have been obligated to comply with respect to the Debt Financing.

(f) Parent acknowledges and agrees that neither the obtaining of the Debt Financing or any Alternative Financing, nor the completion of any issuance of securities contemplated by the Debt Financing or any Alternative Financing, is a condition to the Closing and reaffirms its obligation to

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consummate the transactions contemplated by this Agreement and any ancillary agreements related to this Agreement irrespective and independently of the availability of the Debt Financing or any Alternative Financing, or the completion of any such issuance, subject to the applicable conditions set forth in [Section 6.1](#) and [Section 6.2](#) and subject to the terms and conditions of [Article VII](#). Notwithstanding anything in this Agreement, Parent shall not be deemed to be in breach of this [Section 5.19](#) or any applicable conditions set forth in [Section 6.1](#) and [Section 6.3](#) to the extent Parent reaffirms to the Company that it is ready and able to consummate the Mergers irrespective of the availability of the Debt Financing or any Alternative Financing.

Section 5.20 [Alternate Mortgage Manager Transaction](#). In the event that the Mortgage Manager Purchase Agreement is terminated prior to the consummation of the transactions contemplated by this Agreement, then the Company and Parent shall use reasonable best efforts to negotiate a transaction (without any legal obligation to consummate a transaction), whether by dividend, sale or otherwise, including obtaining any necessary governmental or third party consents and making any necessary filings, such that (a) Mortgage Manager is not a direct or indirect Subsidiary of the Company on the Closing Date or (b) Parent shall acquire the Mortgage Manager, in which case, in either clauses (a) and (b), the Company and Parent shall use reasonable best efforts to obtain the consents required to effectuate such a transaction from the boards of directors of the REITs and shall use reasonable best efforts to amend, as appropriate, the investment management agreements between Mortgage Manager and each respective REIT (any such transaction contemplated by this [Section 5.20](#), an "**Alternate Mortgage Manager Transaction**").

Section 5.21 [Restructuring](#). Parent and the Company shall use reasonable best efforts to cause the Restructuring to occur prior to the Closing.

Section 5.22 [Hard 8 Restructuring](#). Parent and the Company shall use reasonable best efforts, as soon as practicable following the date hereof, to effect the Hard 8 Restructuring.

Section 5.23 [Mortgage Manager TSA Insurance](#). The Company will use its reasonable best efforts to obtain a \$25,000,000 insurance policy (the "**Mortgage Manager TSA Insurance**") to cover, other than willful misconduct and customary exclusions, any potential liability of the Company under the transition services agreement (the "**Mortgage Manager TSA**") to be entered into in connection with the Mortgage Manager Purchase Agreement. The Mortgage Manager TSA Insurance shall be purchased to cover acts of the Company under the Mortgage Manager TSA through June 30, 2017. The cost per share of Company Common Stock of the premium of the Mortgage Manager TSA Insurance, calculated on a fully diluted basis using the treasury stock method, shall be referred to as the "**Mortgage Manager TSA Insurance Amount**."

## ARTICLE VI

### CONDITIONS TO THE MERGERS

Section 6.1 [Conditions to the Obligations of Each Party](#). The respective obligations of each party to consummate the Mergers and the transactions contemplated by this Agreement are subject to the satisfaction or (to the extent permitted by Law) waiver by the Company and Parent at or prior to the Adviser Merger Effective Time of the following conditions:

- (a) Parent shall have obtained the Parent Stockholder Approval and the Company shall have obtained the Company Stockholder Approval;
- (b) the Parent Stock Issuance and the issuance of shares of Parent Common Stock upon the conversion of any instruments exchangeable therefor or convertible thereto shall have been approved for listing on NASDAQ, subject to official notice of issuance;

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(c) the Form N-14 shall have become effective under the Securities Act and shall not be the subject of any stop order or Proceedings seeking a stop order;

(d) (i) any applicable waiting period (and any extension thereof) under Antitrust Law relating to the consummation of the Mergers shall have expired or early termination thereof shall have been granted and (ii) any authorization or consent from a Governmental Authority required to be obtained with respect to the Mergers under any Antitrust Law shall have been obtained and shall remain in full force and effect;

(e) no Governmental Authority of competent jurisdiction shall have issued or entered any Order that is then in effect and has the effect of restraining, enjoining or otherwise prohibiting the consummation of the Mergers;

(f) any authorization or consent from a Governmental Authority required to be obtained with respect to the Mergers as set forth on Section 6.1(f) of the Company Disclosure Letter shall have been obtained and shall remain in full force and effect;

(g) the consummation of the transactions contemplated by the Mortgage Manager Purchase Agreement shall have occurred (or shall occur concurrently or substantially concurrently with the Closing) and the Company shall have received aggregate cash proceeds of \$562,000,000 without giving effect to and prior to (i) any adjustments or payments contemplated by the Mortgage Manager Purchase Agreement or (ii) any debt repayments required or caused by the Merger, this Agreement or the Mortgage Manager Purchase Agreement or the transactions contemplated hereby or thereby; and

(h) Consenting AUM shall be equal to or greater than seventy-five percent (75%) of Aggregate AUM.

Section 6.2 Conditions to Obligations of Parent, Acquisition Sub and IHAM to Effect the Mergers. The obligations of Parent, Acquisition Sub and IHAM to effect the Mergers and the transactions contemplated by this Agreement are subject to the satisfaction or (to the extent permitted by Law) waiver by Parent at or prior to the Adviser Merger Effective Time of the following additional conditions:

(a) each of the representations and warranties of the Company or Subsidiary Adviser, as applicable, (i) contained in Section 3.2(a) shall be true and correct in all respects (other than de minimis inaccuracies) when made and as of the Closing Date as though made on and as of the Closing Date, (ii) contained in Sections 3.2(b), 3.2(c), 3.2(d), 3.3(a), 3.23, 3.24 and 3.25 (together with Section 3.2(a), the "**Company Fundamental Representations**") shall be true and correct in all material respects, without giving effect to any materiality or "Company Material Adverse Effect" qualifications therein, when made and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties are expressly made as of a specific date, in which case such representations and warranties shall be so true and correct as of such specific date only) and (iii) contained in this Agreement (other than the Company Fundamental Representations), without giving effect to any materiality or "Company Material Adverse Effect" qualifications therein, shall be true and correct when made and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties are expressly made as of a specific date, in which case such representations and warranties shall be so true and correct as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a Company Material Adverse Effect;

(b) the Company shall have performed or complied in all material respects with its obligations required under this Agreement to be performed or complied with on or prior to the Closing Date;

(c) Parent shall have received a certificate signed by an executive officer of the Company certifying as to the matters set forth in Section 6.2(a), Section 6.2(b) and Section 6.2(e); and

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(d) since the date of this Agreement, there shall not have occurred and be continuing any Company Material Adverse Effect.

Section 6.3 Conditions to Obligation of the Company and Subsidiary Adviser to Effect the Mergers. The obligation of the Company and Subsidiary Adviser to effect the Mergers and the transactions contemplated by this Agreement is further subject to the satisfaction or (to the extent permitted by Law) waiver by the Company at or prior to the Adviser Merger Effective Time of the following additional conditions:

(a) each of the representations and warranties of Parent, Acquisition Sub and IHAM, as applicable, (i) contained in Section 4.2(a) shall be true and correct in all respects (other than de minimis inaccuracies) when made and as of the Closing Date as though made on and as of the Closing Date, (ii) contained in Sections 4.2(b), 4.2(c), 4.2(d), 4.3(a), 4.20, 4.22 and 4.23 (together with Section 4.2(a), the "**Parent Fundamental Representations**") shall be true and correct in all material respects without giving effect to any materiality or "Parent Material Adverse Effect" qualifications therein, when made and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties are expressly made as of a specific date, in which case such representations and warranties shall be so true and correct as of such specific date only) and (iii) contained in this Agreement (other than the Parent Fundamental Representations), without giving effect to any materiality or "Parent Material Adverse Effect" qualifications therein, shall be true and correct when made and as of the Closing Date as though made on and as of the Closing Date (except to the extent such representations and warranties are expressly made as of a specific date, in which case such representations and warranties shall be so true and correct as of such specific date only), except for such failures to be true and correct as would not, individually or in the aggregate, have a Parent Material Adverse Effect;

(b) Parent or Acquisition Sub shall have performed or complied in all material respects with its obligations required under this Agreement to be performed or complied with on or prior to the Closing Date;

(c) the Company shall have received a certificate signed by an executive officer of Parent certifying as to the matters set forth in Section 6.3(a), Section 6.3(b) and Section 6.3(f); and

(d) since the date of this Agreement, there shall not have occurred and be continuing any Parent Material Adverse Effect.

Section 6.4 Frustration of Closing Conditions. Neither Parent nor Acquisition Sub may rely on the failure of any condition set forth in Section 6.1 or Section 6.2 to be satisfied if such failure was primarily caused by the failure of Parent or Acquisition Sub to perform any of its material obligations under this Agreement. The Company may not rely on the failure of any condition set forth in Section 6.1 or Section 6.3 to be satisfied if such failure was primarily caused by its failure to perform any of its material obligations under this Agreement.

## ARTICLE VII

### TERMINATION, AMENDMENT AND WAIVER

Section 7.1 Termination. Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated at any time prior to the Adviser Merger Effective Time, whether before or after the Company Stockholder Approval or Parent Stockholder Approval is obtained (except as otherwise expressly noted), as follows:

(a) by mutual written consent of each of Parent and the Company; or

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(b) by either Parent or the Company, if:

(i) the Mergers shall not have been consummated on or before 5:00 p.m. (New York time) on May 23, 2017 (the "**Termination Date**"); provided, that if the Mergers have not been consummated on or before the Termination Date, but on such date all of the conditions set forth in Article VI shall have been satisfied or waived other than the condition set forth in Section 6.1(g) to consummate the transactions contemplated by the Mortgage Manager Purchase Agreement or an Alternative Mortgage Manager Transaction and those conditions that by their nature are to be satisfied by action taken at the Closing, then neither the Company nor Parent is permitted to terminate this Agreement pursuant to this Section 7.1(b)(i) until August 23, 2017 (the "**Extension Date**"); provided, further, that the right to terminate this Agreement pursuant to this Section 7.1(b)(i) shall not be available to any party if the failure of such party to perform or comply with any of its obligations under this Agreement has been the principal cause of or resulted in the failure of the Closing to have occurred on or before the Termination Date or Extension Date, as applicable;

(ii) prior to the Adviser Merger Effective Time, any Governmental Authority of competent jurisdiction shall have issued or entered any Order or taken any other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such Order or other action shall have become final and non-appealable; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(ii) shall not be available to a party if the issuance of such Order or taking of such action was proximately caused by the failure of such party, and in the case of Parent, including the failure of Acquisition Sub, to perform or comply with any of its obligations under this Agreement;

(iii) the Company Stockholder Approval shall not have been obtained upon a vote taken thereon at the Company Stockholders' Meeting duly convened therefor or at any adjournment or postponement thereof; or

(iv) the Parent Stockholder Approval shall not have been obtained; provided, that such termination right may not be exercised until the day immediately preceding the Termination Date; or

(c) by the Company if:

(i) Parent, Parent External Adviser, Acquisition Sub or IHAM shall have breached or failed to perform any of their respective representations, warranties, covenants or other agreements set forth in this Agreement, which breach or failure to perform (A) would result in the failure of a condition set forth in Section 6.3 and (B) is not capable of being cured by Parent, Parent External Adviser, Acquisition Sub or IHAM, as applicable, by the Termination Date or Extension Date, as applicable, or, if capable of being cured, shall not have been cured by Parent or Acquisition Sub on or before the earlier of (x) the Termination Date or Extension Date, as applicable, and (y) the date that is thirty (30) calendar days following the Company's delivery of written notice to Parent of such breach or failure to perform; provided, that the Company shall not have the right to terminate this Agreement pursuant to this Section 7.1(c)(i) if the Company is then in material breach of any of its material obligations under this Agreement so as to result in the failure of a condition set forth in Section 6.2;

(ii) at any time prior to the receipt of the Parent Stockholder Approval, the Parent Board shall have made a Parent Adverse Recommendation Change or Parent shall have failed to include in the Joint Proxy Statement the Parent Recommendation;

(iii) Parent enters into a definitive agreement with respect to a Superior Proposal; or

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(iv) at any time prior to receipt of the Company Stockholder Approval, in order for the Company to enter into a definitive agreement with respect to a Superior Proposal to the extent permitted by, and subject to the applicable terms and conditions of, Section 5.6; provided, that (A) such proposal did not arise from a material breach of any of the provisions set forth in Section 5.6 and (B) prior to or simultaneously with such termination the Company pays Parent the Company Termination Fee.

(d) by Parent if:

(i) the Company or Subsidiary Adviser shall have breached or failed to perform any of its representations, warranties, covenants or other agreements set forth in this Agreement, which breach or failure to perform (A) would result in the failure of a condition set forth in Section 6.2 and (B) is not capable of being cured by the Company or Subsidiary Adviser by the Termination Date or Extension Date, as applicable, or, if capable of being cured, shall not have been cured by the Company on or before the earlier of (x) the Termination Date or Extension Date, as applicable, and (y) the date that is thirty (30) calendar days following Parent's delivery of written notice to the Company of such breach or failure to perform; provided, that Parent shall not have the right to terminate this Agreement pursuant to this Section 7.1(d)(i) if Parent or an Acquisition Sub is then in material breach of any of its material obligations under this Agreement so as to result in the failure of a condition set forth in Section 6.3;

(ii) at any time prior to the receipt of the Company Stockholder Approval, the Company Board shall have made a Company Adverse Recommendation Change or the Company shall have failed to include in the Joint Proxy Statement the Company Recommendation;

(iii) the Company enters into a definitive agreement with respect to a Superior Proposal; or

(iv) at any time prior to receipt of the Parent Stockholder Approval, in order for Parent to enter into a definitive agreement with respect to a Superior Proposal to the extent permitted by, and subject to the applicable terms and conditions of, Section 5.6; provided, that (A) such proposal did not arise from a material breach of any of the provisions set forth in Section 5.6 and (B) prior to or simultaneously with such termination Parent pays the Company the Parent Termination Fee.

Section 7.2 Effect of Termination. In the event that this Agreement is terminated and the Mergers abandoned pursuant to Section 7.1, written notice thereof shall be given by the terminating party to the other party, specifying the provisions hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void and of no effect without liability on the part of any party hereto, and all rights and obligations of any party hereto shall cease; provided, however, that, except as otherwise provided in Section 7.3 or in any other provision of this Agreement, no such termination shall relieve any party hereto of any liability or damages resulting from any intentional or willful breach of this Agreement prior to such termination or fraud, in which case, except as provided in Section 7.3, the aggrieved party shall be entitled to all remedies available at law or in equity; and provided, further, that the Confidentiality Agreements, this Section 7.2, Section 7.3, Section 7.6 and Article VIII shall survive any termination of this Agreement pursuant to Section 7.1.

Section 7.3 Termination Fees.

(a) If, but only if, this Agreement is terminated by:

(i) Parent pursuant to Section 7.1(b)(i) or Section 7.1(d)(i) or either Parent or the Company pursuant to Section 7.1(b)(iii), and in any such case (x) prior to such termination (or of the Company Stockholders' Meeting in the case of termination pursuant to Section 7.1(b)(iii)), a Competing Proposal that has been made after the date of this Agreement shall have been publicly disclosed and not withdrawn prior to such date and (y) within twelve (12) months after such termination, the Company enters into a definitive agreement with respect to a Competing Proposal

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with a Third Party, which transaction is thereafter consummated (regardless of when such transaction is consummated) (provided, however, that for purposes of this Section 7.3(a)(i), the references to "twenty percent (20%)" in the definition of Competing Proposal shall be deemed to be references to "sixty-six and two-thirds percent (66 2/3%)");

- (ii) the Company pursuant to Section 7.1(c)(iv); or
- (iii) Parent pursuant to Section 7.1(d)(ii) or Section 7.1(d)(iii);

then, in any such case, the Company shall pay, or cause to be paid, to Parent the Company Termination Fee.

Any payments required to be made under this Section 7.3(a) shall be made by wire transfer of same day funds to the account or accounts designated by Parent, (x) in the case of clause (i) above, on the same day as the consummation of the transaction contemplated therein, (y) in the case of clause (ii) above, immediately prior to or substantially concurrently with such termination and (z) in the case of clause (iii) above, promptly, but in no event later than three (3) Business Days after the date of such termination.

(b) If, but only if, this Agreement is terminated by:

(i) the Company pursuant to Section 7.1(b)(i) or Section 7.1(c)(i) or either Parent or the Company pursuant to Section 7.1(b)(iv), and in any such case (x) prior to such termination (or of the Parent Stockholders' Meeting in the case of termination pursuant to Section 7.1(b)(iv)), a Competing Proposal that has been made after the date of this Agreement shall have been publicly disclosed and not withdrawn prior to such date and (y) within twelve (12) months after such termination, Parent enters into a definitive agreement with respect to a Competing Proposal with a Third Party, which transaction is thereafter consummated (regardless of when such transaction is consummated) (provided, however, that for purposes of this Section 7.3(b)(i), the references to "twenty percent (20%)" in the definition of Competing Proposal shall be deemed to be references to "sixty-six and two-thirds percent (66 2/3%)");

- (ii) Parent pursuant to Section 7.1(d)(iv); or
- (iii) the Company pursuant to Section 7.1(c)(ii) or Section 7.1(c)(iii);

then, in any such case, Parent shall pay, or cause to be paid, to the Company the Parent Termination Fee.

Any payments required to be made under this Section 7.3(b) shall be made by wire transfer of same day funds to the account or accounts designated by the Company, (x) in the case of clause (i) above, on the same day as the consummation of the transaction contemplated therein, (y) in the case of clause (ii) above, immediately prior to or substantially concurrently with such termination and (z) in the case of clause (iii) above, promptly, but in no event later than three (3) Business Days after the date of such termination.

(c) Notwithstanding anything to the contrary set forth in this Agreement, the parties agree that in no event shall the Company be required to pay the Company Termination Fee on more than one occasion or Parent be required to pay the Parent Termination Fee on more than once occasion.

(d) Notwithstanding anything to the contrary set forth in this Agreement, Parent's right to receive payment from the Company of the Company Termination Fee pursuant to Section 7.3(a) and/or the right to receive payment of the Parent Expenses pursuant to Section 7.3(f), shall, in circumstances in which the Company Termination Fee or Parent Expenses (as applicable) are owed, constitute the sole and exclusive monetary remedy (other than Parent's right, after having received the Parent Expenses, to receive the Company Termination Fee less the Parent Expenses in the circumstances expressly contemplated in Section 7.3(a)) of Parent and Acquisition Sub against the Company and its

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Subsidiaries (including the members of the Subsidiary Adviser Group) and any of their respective former, current or future general or limited partners, stockholders, members, managers, directors, officers, employees, agents, Representatives or assignees (collectively, the "**Company Related Parties**") for all losses and damages suffered as a result of the failure of the transactions contemplated by this Agreement to be consummated or for a breach or failure to perform hereunder or otherwise, and upon payment of such amounts, none of the Company Related Parties shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby (except that the Company shall also be obligated with respect to Section 7.3(e) and Section 7.6). Notwithstanding anything to the contrary set forth in this Agreement, the Company's right to receive payment from Parent of the Parent Termination Fee pursuant to Section 7.3(b) and/or the right to receive payment of the Company Expenses pursuant to Section 7.3(g), shall, in circumstances in which the Parent Termination Fee or Company Expenses (as applicable) are owed, constitute the sole and exclusive monetary remedy (other than the Company's right, after having received the Company Expenses, to receive the Parent Termination Fee less the Company Expenses in the circumstances expressly contemplated in Section 7.3(b)) of the Company against Parent and its Subsidiaries and any of their respective former, current or future general or limited partners, stockholders, members, managers, directors, officers, employees, agents, Representatives or assignees (collectively, the "**Parent Related Parties**") and any Financing Source for all losses and damages suffered as a result of the failure of the transactions contemplated by this Agreement to be consummated or for a breach or failure to perform hereunder or otherwise, and upon payment of such amounts, no Parent Related Party or Financing Source shall have any further liability or obligation relating to or arising out of this Agreement or the transactions contemplated hereby (except that Parent shall also be obligated with respect to Section 7.3(e) and Section 7.6).

(e) Each of the parties hereto acknowledges that (i) the agreements contained in this Section 7.3 are an integral part of the transactions contemplated by this Agreement, (ii) each of the Company Termination Fee, Parent Termination Fee, Company Expenses and Parent Expenses is not a penalty, but is liquidated damages, in a reasonable amount that will compensate the Company or Parent, as applicable, in the circumstances in which such fee or expenses are payable for the efforts and resources expended and opportunities foregone while negotiating this Agreement and in reliance on this Agreement and on the expectation of the consummation of the transactions contemplated hereby, which amount would otherwise be impossible to calculate with precision and (iii) without these agreements, the parties would not enter into this Agreement; accordingly, if the Company or Parent, as applicable, fails to timely pay any amount due pursuant to this Section 7.3 and, in order to obtain such payment, Parent or the Company, as applicable, commences a suit that results in a judgment against the other for the payment of any amount set forth in this Section 7.3, the Company or Parent, as applicable, shall pay the other its costs and expenses in connection with such suit (including reasonable attorneys' fees), together with interest on such amount at an annual rate equal to the prime rate as published in The Wall Street Journal in effect on the date such payment was required to be made through the date such payment was actually received, or such lesser rate as is the maximum permitted by Applicable Law.

(f) In the event this Agreement is terminated pursuant to Section 7.1(b)(iii), then the Company shall pay Parent (by wire transfer of immediately available funds) the reasonable and documented out-of-pocket fees and expenses of counsel, accountants, investment bankers, experts and consultants incurred by Parent and Acquisition Sub in connection with this Agreement and the transactions contemplated by this Agreement in an amount not to exceed \$15,000,000 (the "**Parent Expenses**"); provided, that any payment of the Parent Expenses shall not affect Parent's right to receive any Company Termination Fee otherwise due under Section 7.3(a), but shall reduce, on a dollar for dollar basis, any Company Termination Fee that becomes due and payable under Section 7.3(a).

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(g) In the event this Agreement is terminated pursuant to Section 7.1(b)(iv), then Parent shall pay the Company (by wire transfer of immediately available funds) the reasonable and documented out-of-pocket fees and expenses of counsel, accountants, investment bankers, experts and consultants incurred by the Company in connection with this Agreement and the transactions contemplated by this Agreement in an amount not to exceed \$15,000,000 (the "**Company Expenses**"); provided, that any payment of the Company Expenses shall not affect the Company's right to receive any Parent Termination Fee otherwise due under Section 7.3(b), but shall reduce, on a dollar for dollar basis, any Parent Termination Fee that becomes due and payable under Section 7.3(b).

(h) Notwithstanding anything to the contrary set forth in this Agreement, in the event that the Company is obligated to pay, or cause to be paid, to Parent the Company Termination Fee under Section 7.3(a), the Company shall pay an amount equal to the lesser of (i) the Company Termination Fee and (ii) the sum of (A) the maximum amount that can be paid to Parent without causing Parent to fail to meet the requirements of Section 851(b)(2) of the Code determined as if the payment of such amount did not constitute income described in Section 851(b)(2) of the Code ("**Qualifying Income**"), as determined by Parent's independent certified public accountants, plus (B) in the event Parent receives either (1) a letter from Parent's counsel indicating that Parent has received a ruling from the IRS holding that the receipt by Parent of the Company Termination Fee would either constitute Qualifying Income or would be excluded from gross income for purposes of Section 851 of the Code or (2) an opinion from Parent's outside counsel to the effect that the receipt by Parent of the Company Termination Fee would either constitute Qualifying Income or would be excluded from gross income for purposes of Section 851 of the Code, an amount equal to the Company Termination Fee less the amount payable under clause (A) above. The Company agrees to amend this Section 7.3 at the reasonable request of Parent in order to (x) maximize the portion of the Company Termination Fee that may be distributed to Parent hereunder without causing Parent to fail to meet the requirements of Section 851(b)(2) of the Code, (y) improve Parent's chances of securing a favorable ruling described in this Section 7.3(h) or (z) assist Parent in obtaining a favorable legal opinion from its outside counsel as described in this Section 7.3(h).

(i) Notwithstanding anything to the contrary contained herein, the Company (solely on behalf of itself) (i) waives any rights or claims and (ii) agrees not to commence any Proceeding, in each case against any Financing Source in connection with this Agreement, the Debt Commitment Letter, the Debt Financing or in respect of any other document or any of the transactions contemplated hereby or thereby or any theory of law or equity (whether in tort, contract or otherwise) or in respect of any oral or written representations made or alleged to be made in connection herewith or therewith and agrees to cause any such Proceeding caused by the Company (solely on behalf of itself) to be dismissed and otherwise terminated. In furtherance and not in limitation of the foregoing waiver, it is acknowledged and agreed that no Financing Source shall have any liability for any claims or damages to the Company, its Subsidiaries or any Company Related Party in connection with this Agreement, the Debt Commitment Letter, the Debt Financing or the transactions contemplated hereby or thereby; provided, that nothing herein to the contrary shall prohibit (A) Parent from enforcing its rights directly against the Financing Sources under the Debt Commitment Letter or the Debt Financing or causing the Financing Sources to fund (including by seeking specific performance thereunder) pursuant to the Debt Commitment Letter or the Debt Financing (and Parent agrees to do so consistent with its covenants and obligations in this Agreement), provided, however, that for the avoidance of doubt, nothing in this Section 7.3(i) shall require Parent or any of its Subsidiaries to commence a Proceeding against any Financing Source to enforce the terms of the Debt Commitment Letter, and (B) the Company and Subsidiary Adviser from seeking specific performance pursuant to Section 8.9 to cause Parent to consummate the Mergers and the other transactions contemplated hereby.

(j) Notwithstanding anything to the contrary contained herein, each Financing Source (solely on behalf of itself) (i) waives any rights or claims, other than any rights or claims related to Section 7.4, Section 8.5, Section 8.7, Section 8.8, Section 8.10 and Section 8.12, and (ii) agrees not to commence

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any Proceeding, in each case against the Company, due to any breach or alleged breach of this Agreement or the Debt Commitment Letter. Notwithstanding the foregoing, no Financing Source waives any defenses in connection with any Proceeding commenced by any Person other than such Financing Source. In furtherance and not in limitation of the foregoing waiver, but without altering the terms of the Debt Financing or affecting the rights or remedies of the Financing Sources thereunder, it is acknowledged and agreed that neither the Company nor any of its Subsidiaries prior to the Company Merger Effective Time shall have any liability for any claims or damages waived in this Agreement to such Financing Source in connection with this Agreement or the Debt Commitment Letter.

Section 7.4 Amendment. This Agreement may be amended by mutual agreement of the parties hereto in writing at any time before or after receipt of the Company Stockholder Approval or Parent Stockholder Approval; provided, however, that (a) after the Company Stockholder Approval or Parent Stockholder Approval has been obtained, there shall not be any amendment that by Applicable Law or in accordance with the rules of any stock exchange requires further approval by the stockholders of the Company or Parent, as applicable, without such further approval of such stockholders nor any amendment or change not permitted under Applicable Law and (b) without the prior written consent of the Financing Sources, no amendment shall be made to this Agreement that would adversely affect the rights of the Financing Sources as set forth in Section 8.5, Section 8.7, Section 8.8, Section 8.10 and Section 8.12.

Section 7.5 Extension; Waiver. At any time prior to the Adviser Merger Effective Time, subject to Applicable Law, any party hereto may (a) extend the time for the performance of any obligation or other act of any other party hereto, (b) waive any inaccuracy in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto and (c) waive compliance with any agreement or condition contained herein. Any such extension or waiver shall only be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby. Notwithstanding the foregoing, no failure or delay by the Company, Parent or Acquisition Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 7.6 Expenses; Transfer Taxes. Except as expressly set forth herein (including Section 7.3), all expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses, whether or not the Mergers are consummated, provided, that Parent shall pay all costs and expenses in connection with the filings of the notification and report forms under the HSR Act in connection with the transactions contemplated by this Agreement. Other than Taxes imposed upon holders of Company Common Stock, Company Options or Company Incentive Awards, Parent shall pay all (i) transfer, stamp and documentary Taxes or fees and (ii) sales, use, gains, real property transfer and other similar Taxes or fees arising out of or in connection with this Agreement.

## ARTICLE VIII

### GENERAL PROVISIONS

Section 8.1 Non-Survival of Representations, Warranties and Agreements. The representations and warranties and covenants and agreements (to the extent such covenant or agreement contemplates or requires performance prior to the Closing) in this Agreement and any certificate delivered pursuant hereto by any Person shall terminate at the Company Merger Effective Time or, except as provided in Section 7.2, upon the termination of this Agreement pursuant to Section 7.1, as the case may be, except that this Section 8.1 shall not limit any covenant or agreement of the parties which by its terms contemplates performance after the Company Merger Effective Time or after termination of this Agreement, including those contained in Section 5.7 and Section 5.10.

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Section 8.2 Notices. All notices, consents and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by hand delivery, by prepaid overnight courier (providing written proof of delivery) or by confirmed facsimile transmission or electronic mail, addressed as follows:

if to Parent, Acquisition Sub, IHAM or IHAM GP:

c/o Ares Capital Corporation  
245 Park Avenue, 44th Floor  
New York, NY 10167  
Phone: (212) 710-2100  
Fax: (212) 750-1777  
Email: deveer@aresmgmt.com; bloomstein@aresmgmt.com  
Attention: Kipp deVeer, Joshua Bloomstein

with a copy (which shall not constitute notice) to:

Latham & Watkins LLP  
885 Third Avenue  
New York, NY 10022  
Phone: (212) 906-1200  
Fax: (212) 751-4864  
Email: James.Gorton@lw.com; Adel.Aslanifar@lw.com;  
Paul.Kukish@lw.com  
Attention: Jim Gorton, Adel Aslani-Far, Paul Kukish

if to the Company or Subsidiary Adviser:

c/o American Capital, Ltd.  
Two Bethesda Metro Center, 14th Floor  
Bethesda, MD 20814  
Phone: (301) 951-6122  
Fax: (301) 654-6714  
Email: sam.flax@americancapital.com  
Attention: Samuel A. Flax, Executive Vice President and General Counsel

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP  
4 Times Square  
New York, NY 10036  
Phone: (212) 735-3000  
Fax: (212) 735-2000  
Email: David.Goldschmidt@skadden.com  
Attention: David J. Goldschmidt, Esq.

and:

Skadden, Arps, Slate, Meagher & Flom LLP  
4 Times Square  
New York, NY 10036  
Phone: (212) 735-3000  
Fax: (212) 735-2000  
Email: Richard.Grossman@skadden.com  
Attention: Richard J. Grossman, Esq.

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and:

Skadden, Arps, Slate, Meagher & Flom LLP  
155 N. Wacker Drive  
Chicago, IL 60606  
Phone: (312) 407-0700  
Fax: (312) 407-0411  
Email: Shilpi.Gupta@skadden.com  
Attention: Shilpi Gupta, Esq.

if to Parent External Adviser:

Ares Capital Management LLC  
2000 Avenue of the Stars, 12th Floor  
Los Angeles, CA 90067  
Phone: (310) 201-4100  
Fax: (310) 201-4170  
Email: weiner@aresmgmt.com  
Attention: Mike Weiner

with a copy (which shall not constitute notice) to:

Proskauer Rose LLP  
2049 Century Park East  
Los Angeles, CA 90067  
Phone: (310) 284-4550  
Fax: (310) 557-2193  
Email: mworonoff@proskauer.com  
Attention: Michael A. Woronoff

or to such other address, electronic mail address or facsimile number for a party as shall be specified in a notice given in accordance with this Section 8.2; provided, that any notice received by facsimile transmission or electronic mail or otherwise at the addressee's location on any Business Day after 5:00 P.M. (addressee's local time) or on any day that is not a Business Day shall be deemed to have been received at 9:00 A.M. (addressee's local time) on the next Business Day; provided, further, that notice of any change to the address or any of the other details specified in or pursuant to this Section 8.2 shall not be deemed to have been received until, and shall be deemed to have been received upon, the later of the date specified in such notice or the date that is five (5) Business Days after such notice would otherwise be deemed to have been received pursuant to this Section 8.2.

### Section 8.3 Interpretation: Certain Definitions.

(a) The parties have participated collectively in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted collectively by the parties, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

(b) Disclosure of any fact, circumstance or information in any Section of the Company Disclosure Letter or Parent Disclosure Letter shall be deemed to be disclosure of such fact, circumstance or information with respect to any other Section of the Company Disclosure Letter or Parent Disclosure Letter, respectively, if it is reasonably apparent that such disclosure relates to any such other Section. The inclusion of any item in the Company Disclosure Letter or Parent Disclosure Letter shall not be deemed to be an admission or evidence of materiality of such item.

(c) The words "hereof," "herein," "hereby," "hereunder" and "herewith" and words of similar import shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

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References to articles, sections, paragraphs, exhibits, annexes and schedules are to the articles, sections and paragraphs of, and exhibits, annexes and schedules to, this Agreement, unless otherwise specified, and the table of contents and headings in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the phrase "without limitation." Words describing the singular number shall be deemed to include the plural and vice versa, words denoting any gender shall be deemed to include all genders, words denoting natural persons shall be deemed to include business entities and vice versa and references to a Person are also to its permitted successors and assigns. The phrases "the date of this Agreement" and "the date hereof" and terms or phrases of similar import shall be deemed to refer to May 23, 2016, unless the context requires otherwise. References to any statute shall be deemed to refer to such statute as amended from time to time and to any rules or regulations promulgated thereunder (provided, that for purposes of any representations and warranties contained in this Agreement that are made as of a specific date or dates, references to any statute shall be deemed to refer to such statute, as amended, and to any rules or regulations promulgated thereunder, in each case, as of such date). Terms defined in the text of this Agreement have such meaning throughout this Agreement, unless otherwise indicated in this Agreement, and all terms defined in this Agreement shall have the meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein. Any Law defined or referred to herein or in any agreement or instrument that is referred to herein means such Law as from time to time amended, modified or supplemented, including (in the case of statutes) by succession of comparable successor Laws (provided, that for purposes of any representations and warranties contained in this Agreement that are made as of a specific date or dates, references to any statute shall be deemed to refer to such statute, as amended, and to any rules or regulations promulgated thereunder, in each case, as of such date). All references to "dollars" or "\$" refer to currency of the United States.

Section 8.4 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the Mergers be consummated as originally contemplated to the fullest extent possible.

Section 8.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of Law or otherwise) without the prior written consent of the other parties; provided, that Parent may assign this Agreement, effective at and after the Closing, to the Financing Sources and any parties providing the Debt Financing pursuant to the terms thereof for purposes of creating a security interest herein or otherwise assign as collateral in respect of such Debt Financing. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective permitted successors and assigns. Any attempted assignment in violation of this Section 8.5 shall be null and void.

Section 8.6 Entire Agreement. This Agreement (including the exhibits, annexes and appendices hereto) constitutes, together with the Company Support Agreements, Elliott Support Agreement, Parent Support Agreements, Confidentiality Agreements, Company Disclosure Letter and Parent Disclosure Letter, the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

Section 8.7 No Third-Party Beneficiaries. This Agreement is not intended to and shall not confer upon any Person other than the parties hereto any rights or remedies hereunder; provided,

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however, that it is specifically intended that the D&O Indemnified Parties (with respect to Section 5.7 and this Section 8.7 from and after the Company Merger Effective Time), Parent External Adviser (with respect to Article II, Section 3.29, Section 4.30, Section 4.31, Section 5.4(g), Section 5.5(a), Section 5.9, Section 5.10(a), Section 5.10(b), Section 5.10(f) and this Section 8.7) and the Financing Sources (with respect to Section 7.4, Section 8.5, this Section 8.7, Section 8.8, Section 8.10 and Section 8.12), regardless of whether the Debt Financing contemplated by the Debt Commitment Letter is consummated, are intended third-party beneficiaries hereof.

Section 8.8 Governing Law. This Agreement and all Proceedings (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of Parent, Acquisition Sub or the Company in the negotiation, administration, performance and enforcement thereof, shall be governed by, and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of laws provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware. Notwithstanding the foregoing, each of the parties agrees that any interpretation of any commitment letters, including the Debt Commitment Letter, or fee letters related to the Debt Financing and all matters relating thereto, shall be governed and construed in accordance with the domestic laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

Section 8.9 Specific Performance. The parties agree that irreparable damage for which monetary damages, even if available, would not be an adequate remedy, would occur in the event that any party hereto does not perform the provisions of this Agreement (including failing to take such actions as are required of it hereunder to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. Accordingly, the parties acknowledge and agree that, prior to any termination of this Agreement pursuant to Article VII and subject to Section 7.3(d), the parties shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof, in addition to any other remedy to which they are entitled at law or in equity. Each of the parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. Any party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction.

Section 8.10 Consent to Jurisdiction.

(a) Each of the parties hereto hereby (a) expressly and irrevocably submits to the exclusive personal jurisdiction of the Delaware Court of Chancery or any federal court sitting in the State of Delaware in the event any dispute arises out of this Agreement or the transactions contemplated hereby, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court, (c) agrees that it will not bring any action relating to this Agreement or the transactions contemplated hereby in any court other than the Delaware Court of Chancery or any federal court sitting in the State of Delaware and (d) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any Proceeding arising out of or relating to this Agreement. Each of Parent, Parent External Adviser, Acquisition Sub and the Company agrees that a final and nonappealable judgment in any Proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(b) Each party irrevocably consents to the service of process outside the territorial jurisdiction of the courts referred to in Section 8.10(a) in any such Proceeding by mailing copies thereof by registered

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or certified United States mail, postage prepaid, return receipt requested, to its address as specified in or pursuant to Section 8.2. However, the foregoing shall not limit the right of a party to effect service of process on the other party by any other legally available method.

(c) Notwithstanding anything to the contrary in this Agreement, each of the parties hereto agrees that it will not bring or support any action, cause of action, claim, cross-claim or third-party claim of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against the Financing Sources and their respective current, former or future directors, officers, general or limited partners, stockholders, members, managers, controlling persons, Affiliates, employees or Representatives in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including any dispute arising out of or relating in any way to the Debt Financing or the performance thereof, in any forum other than the Supreme Court of the State of New York, County of New York, or, if under applicable law exclusive jurisdiction is vested in the federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof).

Section 8.11 Counterparts. This Agreement may be executed in multiple counterparts, all of which shall together be considered one and the same agreement. Delivery of an executed signature page to this Agreement by electronic transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

Section 8.12 WAIVER OF JURY TRIAL. **EACH OF PARENT, PARENT EXTERNAL ADVISER, ACQUISITION SUB AND THE COMPANY HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE ACTIONS OF PARENT, ACQUISITION SUB OR THE COMPANY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT THEREOF, IN EACH CASE INCLUDING ANY LEGAL PROCEEDING AGAINST ANY FINANCING SOURCE ARISING OUT OF OR RELATED TO THE TRANSACTIONS CONTEMPLATED HEREBY OR THE DEBT FINANCING.**

*[Remainder of page intentionally left blank; signature page follows.]*

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ARES CAPITAL CORPORATION

By: R. Kipp deVeer

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Name: R. Kipp deVeer  
Title: Chief Executive Officer

ORION ACQUISITION SUB, INC.

By: Joshua M. Bloomstein

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Name: Joshua M. Bloomstein  
Title: Authorized Signatory

AMERICAN CAPITAL, LTD.

By: Samuel A. Flax

---

Name: Samuel A. Flax  
Title: Executive Vice President and General Counsel

AMERICAN CAPITAL ASSET MANAGEMENT, LLC

By: Samuel A. Flax

---

Name: Samuel A. Flax  
Title: Executive Vice President and Secretary

IVY HILL ASSET MANAGEMENT, L.P.

By: Mitchell Goldstein

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Name: Mitchell Goldstein  
Title: Authorized Signatory

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IVY HILL ASSET MANAGEMENT GP, LLC, in its capacity as general partner of Ivy Hill Asset Management, L.P.

By: Mitchell Goldstein

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Name: Mitchell Goldstein  
Title: Authorized Signatory

ARES CAPITAL MANAGEMENT LLC, solely for purposes of Section 2.2(a)(ii)(B), Section 2.3(a)(iii), Section 4.29, Section 4.30, Section 7.4 and Article VIII, in its capacity as Parent's investment adviser

By: Michael D. Weiner

---

Name: Michael D. Weiner  
Title: EVP, General Counsel

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**APPENDIX A**

**DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings:

"**2013 Indenture**" shall have the meaning set forth in Section 5.11.

"**Acceptable Confidentiality Agreement**" shall have the meaning set forth in Section 5.6(d).

"**Acquisition Sub**" shall have the meaning set forth in the Preamble.

"**Adverse Recommendation Change**" shall have the meaning set forth in Section 5.6(e).

"**Adviser**" shall have the meaning set forth in Section 3.12(b).

"**Adviser Merger Certificate of Merger**" shall have the meaning set forth in Section 1.3(a)(i).

"**Adviser Merger Effective Time**" shall have the meaning set forth in Section 1.3(a)(i).

"**Adviser Merger**" shall have the meaning set forth in the Recitals.

"**Adviser Merger Surviving Entity**" shall have the meaning set forth in Section 1.1.

"**Advisory Agreement**" shall mean any Contract entered into by a member of the Subsidiary Adviser Group with a Fund for the purpose of acting as an investment adviser, investment manager or investment sub-adviser. (For the avoidance of doubt, an Advisory Agreement in respect of a CLO/CDO Issuer shall, for all purposes of this Agreement, be defined as and deemed both an "Advisory Agreement" and a "Collateral Management Agreement").

"**Affiliate**" shall mean, with respect to any Person, any individual, partnership, corporation, entity or other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, the first Person specified; provided, that: (a) no Portfolio Company or Controlled Affiliate of a Portfolio Company (other than Subsidiary Adviser and its Consolidated Subsidiaries (other than the Specified Energy and Infrastructure Companies)) shall be an Affiliate of the Company or any Controlled Affiliate thereof (including Subsidiary Adviser and its Consolidated Subsidiaries), (b) no Fund or Controlled Affiliate of a Fund shall be an Affiliate of the Company or any Controlled Affiliate thereof (including Subsidiary Adviser and its Consolidated Subsidiaries), (c) no Portfolio Company or Controlled Affiliate of a Portfolio Company shall be an Affiliate of Parent or any Controlled Affiliate thereof and (d) following consummation of the Mortgage Manager Purchase Agreement, none of Mortgage Manager and its Subsidiaries shall be an Affiliate of the Company or any Affiliate thereof.

"**Aggregate AUM**" shall mean the aggregate AUM in respect of all Funds (other than the CDO Fund) as of the Base Date (which aggregate amount is set forth in Section 3.19(c) of the Company Disclosure Schedule).

"**Agreement**" shall have the meaning set forth in the Preamble.

"**Alternate Mortgage Manager Transaction**" shall have the meaning set forth in Section 5.20.

"**Alternative Financing**" shall have the meaning set forth in Section 5.19(d).

"**Antitrust Laws**" shall have the meaning set forth in Section 3.4.

"**Applicable Law**" shall mean any domestic or foreign federal, state or local statute, law (whether statutory or common law), ordinance, rule, administrative interpretation, regulation, order, writ, judgment or directive (including those of any self-regulatory organization) applicable to and legally binding on the Company, any Fund, Parent, Acquisition Sub, the Company or any of their respective Affiliates, directors, employees or agents, as the case may be.

"**Articles of Merger**" shall have the meaning set forth in Section 1.3(a).

"**AUM**" shall have the meaning set forth in Section 3.19(c).

"**Base Date**" shall mean March 31, 2016.

"**BDC**" shall have the meaning set forth in Section 3.1.

"**Blue Sky Laws**" shall mean state securities or "blue sky" laws.

"**Book-Entry Shares**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Business Day**" shall mean any day other than a Saturday, Sunday or a day on which all banking institutions in New York, New York are authorized or obligated by Law or executive order to close.

"**Cash Consideration**" shall have the meaning set forth in Section 2.2(a)(ii).

"**CDO Fund**" shall mean ACAS CRE CDO 2007-1, Ltd., a Cayman Islands exempted company with limited liability.

"**Certificates**" shall have the meaning set forth in Section 2.2(a)(ii).

"**CLO Indenture**" shall mean each indenture of each CLO/CDO Issuer.

"**CLO/CDO Issuer**" shall have the meaning set forth in Section 3.13(h).

"**Closing**" shall have the meaning set forth in Section 1.2.

"**Closing Date**" shall have the meaning set forth in Section 1.2.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended.

"**Collateral Management Agreement**" shall mean each collateral management agreement or similar Advisory Agreement in respect of a CLO/CDO Issuer whereby a member of the Subsidiary Adviser Group has agreed to manage assets or provide advice with respect to the management of assets, including synthetic assets (e.g., any notional "basket" of instruments), of such CLO/CDO Issuer.

"**Company**" shall have the meaning set forth in the Preamble.

"**Company Adverse Recommendation Change**" shall have the meaning set forth in Section 5.3(b).

"**Company Agreements**" shall mean all employment, change in control, severance and other compensation plans, agreements and arrangements existing immediately prior to the execution of this Agreement that are between the Company or any of its Consolidated Subsidiaries and any director, officer or employee thereof or maintained by the Company or any of its Consolidated Subsidiaries.

"**Company Benefit Plan**" shall have the meaning set forth in Section 3.16(a).

"**Company Board**" shall have the meaning set forth in the Recitals.

"**Company Common Stock**" shall have the meaning set forth in Section 2.2(a)(i).

"**Company Confidentiality Agreement**" shall mean the confidentiality agreement, dated February 5, 2016, as amended on March 16, 2016, between Parent and the Company.

"**Company Disclosure Letter**" shall mean the disclosure letter delivered by the Company to Parent simultaneously with the execution of this Agreement.

"**Company Expenses**" shall have the meaning set forth in Section 7.3(g).

"**Company Fundamental Representations**" shall have the meaning set forth in Section 6.2(a).

"**Company Incentive Award**" shall mean an incentive award under the Performance Incentive Plans.

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"**Company Leased Real Property**" shall have the meaning set forth in Section 3.20(b).

"**Company Material Adverse Effect**" shall mean any fact, circumstance, event, change, occurrence or effect that would have or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on, or is or would reasonably be expected to be or to become materially adverse to, (1) the business, condition (financial or otherwise), properties, liabilities, assets or results of operations of the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a whole, or (2) the ability of the Company to timely perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement; provided, however, that none of the following (or the results thereof) shall constitute or be taken into account in determining whether a Company Material Adverse Effect shall have occurred or exists or would reasonably be expected to occur or exist, with respect to clause (1) above: (i) changes in general economic, financial market, business or geopolitical conditions; (ii) general changes or developments in any of the industries or markets in which the Company, any of its Subsidiaries (including the Subsidiary Adviser Group), any Fund or any of the Portfolio Companies operate (or applicable portions or segments of such industries or markets); (iii) changes in any Applicable Laws or applicable accounting regulations or principles or interpretations thereof; (iv) any change in the price or trading volume of the Company's, any of the Funds' or any of the Portfolio Companies' securities or other financial instruments, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such change that are not otherwise excluded from the definition of "Company Material Adverse Effect" may be taken into account in determining whether there has been a Company Material Adverse Effect); (v) any failure by the Company, any of the Funds or any of the Portfolio Companies to meet published analyst estimates or expectations of the Company's, such Fund's or such Portfolio Company's revenue, earnings or other financial performance or results of operations for any period, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Company Material Adverse Effect" may be taken into account in determining whether there has been a Company Material Adverse Effect); (vi) any failure by the Company, any of its Subsidiaries (including the Subsidiary Adviser Group), any of the Funds or any Portfolio Company to meet its internal or published projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Company Material Adverse Effect" may be taken into account in determining whether there has been a Company Material Adverse Effect); (vii) any outbreak or escalation of hostilities or war or any act of terrorism, or any acts of God or natural disasters; (viii) the initiation of litigation by any Person with respect to this Agreement or the Mortgage Manager Purchase Agreement or the transactions contemplated hereby or thereby; (ix) any action taken by (A) the Company, any of its Subsidiaries (including the Subsidiary Adviser Group), any Fund or any Portfolio Company, in each case that is expressly required to be taken pursuant to this Agreement, or (B) the Company or any of its Affiliates, Mortgage Manager or any of its Subsidiaries, or any REIT, in each case that is expressly required to be taken pursuant to the Mortgage Manager Purchase Agreement; (x) any actions taken (or omitted to be taken) at the request of Parent to the extent taken in accordance with such request (other than pursuant to Section 5.1); (xi) the termination of the investment advisory relationship with any Fund (including the termination of any Advisory Agreements); and (xii) the termination of the employment of any person employed by the Company and any of its Subsidiaries (including the Subsidiary Adviser Group) resulting from the announcement or pendency of this Agreement); provided, that the facts, circumstances, events, changes, occurrences or effects set forth in clauses (i) through (iii) and (vii) above shall be taken into account in determining whether a Company Material Adverse Effect has occurred to the extent (but only to such extent) such facts, circumstances, events, changes, occurrences or effects have a disproportionate impact on the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group, taken as a

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whole, relative to the other participants in the industries in which the Company, its Consolidated Subsidiaries and the members of the Subsidiary Adviser Group operate.

"**Company Material Contract**" shall have the meaning set forth in Section 3.19(a).

"**Company Merger**" shall have the meaning set forth in the Recitals.

"**Company Merger Certificate of Merger**" shall have the meaning set forth in Section 1.4(a)(i).

"**Company Merger Effective Time**" shall have the meaning set forth in Section 1.4(a)(i).

"**Company Merger Surviving Corporation**" shall have the meaning set forth in Section 1.1.

"**Company Option**" shall mean each outstanding option to purchase shares of Company Common Stock under any of the Company Benefit Plans.

"**Company Permits**" shall have the meaning set forth in Section 3.5(a).

"**Company Recommendation**" shall mean the recommendation of the Company Board that the stockholders of the Company adopt this Agreement and approve the transactions contemplated hereby, including the Company Merger.

"**Company Related Parties**" shall have the meaning set forth in Section 7.3(d).

"**Company SEC Documents**" shall have the meaning set forth in Section 3.6(a).

"**Company Stockholder Approval**" shall have the meaning set forth in Section 3.23.

"**Company Stockholders' Meeting**" shall have the meaning set forth in Section 5.3(b).

"**Company Support Agreements**" shall have the meaning set forth in the Recitals.

"**Company Termination Fee**" shall mean \$140,000,000.

"**Competing Proposal**" shall have the meaning set forth in Section 5.6(h)(i).

"**Confidentiality Agreements**" shall mean, together, the Company Confidentiality Agreement and the Parent Confidentiality Agreement.

"**Consent**" shall have the meaning set forth in Section 3.4.

"**Consenting AUM**" shall mean the aggregate AUM as of the Base Date for all Consenting Funds (for the avoidance of doubt, such aggregate amount to be calculated based on the AUM as of the Base Date for each applicable Fund set forth opposite the name of such Fund in Section 3.19(c) of the Company Disclosure Letter).

"**Consenting Fund**" shall mean (a) the Regulated Fund, if the Regulated Fund is deemed to have consented as contemplated by in Section 5.4(d)(ii) or the Regulated Fund Board has approved an interim Advisory Agreement as contemplated by Section 5.4(d)(iv); (b) each Non-Regulated Fund (other than the CDO Fund and the European Funds) in respect of which (i) the consent of such Non-Regulated Fund to the "assignment" (as defined in the Investment Advisers Act or, if applicable, other Applicable Law) of its Advisory Agreement resulting from the consummation of the transactions contemplated hereby (if and to the extent required by the terms of such Advisory Agreement and/or Applicable Law, and in the manner required by the terms of such Advisory Agreement and/or Applicable Law) has been obtained no later than the second (2nd) Business Day prior to Closing or (ii) the Adviser that provides investment advisory services to such Non-Regulated Fund pursuant to an Advisory Agreement has been transferred or sold to a Third Party (with the prior written consent of Parent) prior to the Closing; and (c) each European Fund. For the avoidance of doubt, the consents described in this definition of "Consenting Fund" do not and are not intended to include any consent,

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approval or waiver that may be necessary or required as a result of any action taken pursuant to the Restructuring.

**"Consolidated Subsidiary"** shall mean, with respect to any Person, any other Person, whether incorporated or unincorporated, that is consolidated or required to be consolidated with such Person for financial reporting purposes under GAAP; provided, that (a) no Portfolio Company or Consolidated Subsidiary of a Portfolio Company (including Subsidiary Adviser and its Consolidated Subsidiaries) shall be a Consolidated Subsidiary of the Company or any Consolidated Subsidiary thereof, (b) no Fund or Consolidated Subsidiary of a Fund shall be a Consolidated Subsidiary of (i) the Company or any Consolidated Subsidiary thereof or (ii) Subsidiary Adviser or a Consolidated Subsidiary thereof, (c) no Portfolio Company or Consolidated Subsidiary of a Portfolio Company shall be a Consolidated Subsidiary of Parent or any Consolidated Subsidiary thereof, (d) no Portfolio Company or Consolidated Subsidiary of a Portfolio Company (other than Subsidiary Adviser and its Consolidated Subsidiaries (other than the Specified Energy and Infrastructure Companies)) shall be a Consolidated Subsidiary of Subsidiary Adviser or any Consolidated Subsidiary thereof, and (e) following consummation of the Mortgage Manager Purchase Agreement, none of Mortgage Manager and its Subsidiaries shall be a Consolidated Subsidiary of (i) the Company or any Consolidated Subsidiary thereof or (ii) Subsidiary Adviser or any Consolidated Subsidiary thereof.

**"Contract"** shall mean any written contract, subcontract, lease, sublease, conditional sales contract, purchase order, sales order, task order, delivery order, license, indenture, note, bond, loan, instrument, understanding, permit, concession, franchise, commitment, partnership, limited liability company or other agreement.

**"Control"** shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or partnership or other interests, by contract or otherwise. For purposes of this definition, a general partner or managing member of a Person shall always be considered to Control such Person. The terms "Controlling" and "Controlled" shall have correlative meanings.

**"Credit Suisse"** shall have the meaning set forth in Section 3.24.

**"D&O Indemnified Parties"** shall have the meaning set forth in Section 5.7(a).

**"Debt Commitment Letter"** shall have the meaning set forth in Section 4.21(a).

**"Debt Financing"** shall have the meaning set forth in Section 4.21(a).

**"Delaware Secretary of State"** shall mean the Secretary of State of the State of Delaware.

**"DGCL"** shall have the meaning set forth in the Recitals.

**"Dissenting Shares"** shall have the meaning set forth in Section 2.5.

**"Elliott Support Agreement"** shall have the meaning set forth in the Recitals.

**"Environmental Laws"** shall mean all applicable and legally enforceable Laws relating to pollution or protection of the environment, including Laws relating to Releases of Hazardous Materials and the manufacture, processing, distribution, use, treatment, storage, Release, transport or handling of Hazardous Materials, including the Federal Water Pollution Control Act (33 U.S.C. §1251 et seq.), the Resource Conservation and Recovery Act of 1976 (42 U.S.C. §6901 et seq.), the Safe Drinking Water Act (42 U.S.C. §3000(f) et seq.), the Toxic Substances Control Act (15 U.S.C. §2601 et seq.), the Clean Air Act (42 U.S.C. §7401 et seq.), the Oil Pollution Act of 1990 (33 U.S.C. §2701 et seq.), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. §9601 et seq.), the Endangered Species Act of 1973 (16 U.S.C. §1531 et seq.), and other similar state and local statutes, in effect as of the date hereof.

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## Edgar Filing: ELITE PHARMACEUTICALS INC /NV/ - Form 4

"**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"**European Funds**" shall mean the Non-Regulated Funds listed under "European Funds" in Section 3.13(a) of the Company Disclosure Letter.

"**Exchange Act**" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Exchange Agent**" shall have the meaning set forth in Section 2.3(a).

"**Exchange Fund**" shall have the meaning set forth in Section 2.3(a).

"**Exchange Ratio**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Existing Credit Facilities**" shall mean (a) the Senior Secured Term Loan Credit Agreement, dated as of August 22, 2012, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended); (b) the Senior Secured Revolving Credit Agreement, dated as of August 22, 2012, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended); and (c) the Second Amended and Restated Credit Agreement, dated as of December 11, 2015, among ACAS Funding I, LLC, the lenders party thereto and Bank of America, N.A., as administrative agent (as amended).

"**Extension Date**" shall have the meaning set forth in Section 7.1(b)(i).

"**FCPA**" shall mean the U.S. Foreign Corrupt Practices Act of 1977, as amended.

"**Fee Letter**" shall have the meaning set forth in Section 4.21(a).

"**Financing Sources**" shall have the meaning set forth in Section 5.19(c).

"**Forecasts**" shall have the meaning set forth in Section 4.30.

"**Form N-14**" shall have the meaning set forth in Section 3.7.

"**Funds**" shall mean the Non-Regulated Funds and the Regulated Fund.

"**GAAP**" shall mean the United States generally accepted accounting principles.

"**Goldman Sachs**" shall have the meaning set forth in Section 3.24.

"**Governmental Authority**" shall mean any United States (federal, state or local) or foreign government, or any governmental, regulatory, judicial or administrative authority, agency or commission.

"**Hard 8 Restructuring**" shall mean the restructuring of the Company's investment in Hard 8 Games, LLC, in a manner reasonably acceptable to Parent, in order to exchange the Company's equity investment therein for a convertible debt instrument and no other corporate governance rights (except limited board or other governing body observer rights).

"**Hazardous Materials**" shall mean all substances defined as "Hazardous Substances," "Oils," "Pollutants" or "Contaminants" in the National Oil and Hazardous Substances Pollution Contingency Plan, 40 C.F.R. § 300.5, or defined as such by, or regulated as such under, any Environmental Law.

"**HSR Act**" shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder.

"**IHAM**" shall have the meaning set forth in the Recitals.

"**IHAM GP**" shall have the meaning set forth in the Recitals.

"**Incentive Award Payment**" shall have the meaning set forth in Section 2.4(b).



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"**Indebtedness**" shall mean (a) any indebtedness or other obligation for borrowed money, whether current, short term or long term and whether secured or unsecured, (b) any indebtedness evidenced by a note, bond, debenture or other Security or similar instrument, (c) any liabilities or obligations with respect to interest rate swaps, collars, caps and similar hedging obligations, (d) any capitalized lease obligations, (e) any direct or contingent obligations under letters of credit, bankers' acceptances, bank guarantees, surety bonds and similar instruments, each to the extent drawn upon and unpaid, (f) any obligation to pay the deferred purchase price of property or services (other than trade accounts payable in the ordinary course of business) and (g) guarantees in respect of clauses (a) through (f).

"**Intellectual Property Rights**" shall have the meaning set forth in Section 3.17(b).

"**Intended Tax Treatment**" shall have the meaning set forth in Section 5.17(a).

"**Internal Controls**" shall have the meaning set forth in Section 3.8.

"**Investment Advisers Act**" shall mean the Investment Advisers Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Investment Company Act**" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**IRS**" shall mean the United States Internal Revenue Service.

"**Joint Proxy Statement**" shall have the meaning set forth in Section 3.7.

"**Knowledge**" shall mean the actual knowledge of each of the following officers and employees of the Company, Parent or Parent External Adviser, as applicable, after reasonable inquiry by each such person of each such person's direct reports: (i) for the Company: Malon Wilkus, John R. Erickson, Samuel A. Flax and Brian Graff; (ii) for Parent: Michael Arougheti, Kipp deVeer, Penni Roll, Joshua Bloomstein, Scott Lem and Mitch Goldstein; and (iii) for Parent External Adviser: Michael D. Weiner, Joshua Bloomstein and Naseem Sagati.

"**Law**" shall mean any and all domestic (federal, state or local) or foreign laws, rules, regulations, orders, judgments or decrees promulgated by any Governmental Authority.

"**Lien**" shall mean liens, claims, mortgages, encumbrances, pledges, contracts, security interests, easements or charges of any kind.

"**LP Act**" shall have the meaning set forth in the Recitals.

"**Make-up Dividend Amount**" shall mean an amount per share in cash, without interest, equal to the sum of (a) to the extent the Company Merger Effective Time occurs after the Make-up Dividend Amount Record Date with respect to the dividend payable for the fourth quarter of 2016, the product of (i) 0.375 multiplied by (ii) the Exchange Ratio multiplied by (iii) the per share dividend amount declared by Parent with respect to the fourth quarter of 2016, plus (b) to the extent the Company Merger Effective Time occurs after the Make-up Dividend Amount Record Date with respect to the dividend payable for the first quarter of 2017, the product of (i) 0.75 multiplied by (ii) the Exchange Ratio multiplied by (iii) the per share dividend amount declared by Parent with respect to the dividend payable with respect to the first quarter of 2017, plus (c) to the extent the Company Merger Effective Time occurs after any Make-up Dividend Amount Record Date with respect to any dividend payable for any calendar quarter beginning with the second quarter of 2017, for each such quarter, the product of (i) the Exchange Ratio multiplied by (ii) the per share dividend amount declared by Parent with respect to such quarter.

"**Make-up Dividend Amount Record Date**" shall mean the earlier of (a) the quarterly dividend record date of Parent for the applicable quarter and (b) such earlier ex-dividend date pursuant to

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## Edgar Filing: ELITE PHARMACEUTICALS INC /NV/ - Form 4

which a holder of Parent Common Stock is entitled to fully participate in the applicable quarterly dividend of Parent declared for the holders of Parent Common Stock as of such record date.

"**Merger Consideration**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Mergers**" shall have the meaning set forth in the Recitals.

"**MGCL**" shall have the meaning set forth in the Recitals.

"**Mortgage Manager**" shall have the meaning set forth in the Recitals.

"**Mortgage Manager Buyer**" shall have the meaning set forth in the Recitals.

"**Mortgage Manager Cash Consideration**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Mortgage Manager Purchase Agreement**" shall have the meaning set forth in the Recitals.

"**Mortgage Manager TSA**" shall have the meaning set forth in Section 5.23.

"**Mortgage Manager TSA Insurance**" shall have the meaning set forth in Section 5.23.

"**Mortgage Manager TSA Insurance Amount**" shall have the meaning set forth in Section 5.23.

"**MTGE REIT**" shall have the meaning set forth in the Recitals.

"**NASDAQ**" means The NASDAQ Stock Market.

"**Nevada Gaming Commission Approval**" shall have the meaning set forth in Section 3.4.

"**Non-Regulated Fund**" shall mean any pooled investment vehicle (including any CLO/CDO Issuer) for which a member of the Subsidiary Adviser Group acts as investment adviser or sub-adviser, or as general partner, managing member or sponsor, other than (a) the Regulated Fund and (b) any carry vehicle (or functionally equivalent) entity.

"**Non-Regulated Fund Financial Statement**" shall have the meaning set forth in Section 3.13(f).

"**Notice of Adverse Recommendation**" shall have the meaning set forth in Section 5.6(f).

"**Notice of Superior Proposal**" shall have the meaning set forth in Section 5.6(f).

"**Option Consideration**" shall mean (a) an amount of cash equal to the positive difference, if any, between the Total Cash Consideration and the Total Cash Exercise Price and (b) a number of shares of Parent Common Stock equal to (i) the positive difference, if any, between the Total Share Consideration and the Total Share Exercise Price divided (ii) by the Parent Measurement Price.

"**Order**" shall mean any decree, order, judgment, injunction, temporary restraining order or other order in any Proceeding by or with any Governmental Authority.

"**Parent**" shall have the meaning set forth in the Preamble.

"**Parent Administration Agreement**" shall mean the Amended and Restated Administration Agreement, dated June 1, 2007, between Parent and Ares Operations LLC.

"**Parent Adverse Recommendation Change**" shall have the meaning set forth in Section 5.3(c).

"**Parent Board**" shall have the meaning set forth in the Recitals.

"**Parent Cash Consideration**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Parent Common Stock**" shall have the meaning set forth in the Recitals.

"**Parent Confidentiality Agreement**" shall mean the confidentiality agreement, dated April 15, 2016, between Parent and the Company.

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"**Parent Disclosure Letter**" shall mean the disclosure letter delivered by Parent to the Company simultaneously with the execution of this Agreement.

"**Parent Exemptive Order**" shall have the meaning set forth in Section 4.4(b).

"**Parent Expenses**" shall have the meaning set forth in Section 7.3(f).

"**Parent External Adviser**" shall have the meaning set forth in the Preamble.

"**Parent External Adviser Cash Consideration**" shall have the meaning set forth in Section 2.2(a)(ii).

"**Parent External Adviser Organizational Documents**" shall mean the certificate of incorporation, bylaws (or equivalent organizational or governing documents), and other organizational or governing documents, agreements or arrangements, each as amended to date, of Parent External Adviser.

"**Parent External Adviser Permits**" shall have the meaning set forth in Section 4.29(d)(i).

"**Parent External Advisory Agreement**" shall mean the Restated Investment Advisory and Management Agreement, dated June 6, 2011, between Parent and Parent External Adviser.

"**Parent Forecasts**" shall have the meaning set forth in Section 3.29.

"**Parent Fundamental Representations**" shall have the meaning set forth in Section 6.3(a).

"**Parent Leased Real Property**" shall have the meaning set forth in Section 4.18(b).

"**Parent Material Adverse Effect**" shall mean any fact, circumstance, event, change, occurrence or effect that would have or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on, or is or would reasonably be expected to be or to become materially adverse to, (1) the business, condition (financial or otherwise), properties, liabilities, assets or results of operations of Parent and its Subsidiaries, taken as a whole, or (2) the ability of Parent to timely perform its obligations under this Agreement or consummate the transactions contemplated by this Agreement; provided, however, that none of the following shall constitute or be taken into account in determining whether a Parent Material Adverse Effect shall have occurred or exists or would reasonably be expected to occur or exist, with respect to clause (1) above: (i) changes in general economic, financial market, business or geopolitical conditions; (ii) general changes or developments in any of the industries or markets in which Parent or its Subsidiaries operate (or applicable portions or segments of such industries or markets); (iii) changes in any Applicable Laws or applicable accounting regulations or principles or interpretations thereof; (iv) any change in the price or trading volume of Parent's securities, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such change that are not otherwise excluded from the definition of "Parent Material Adverse Effect" may be taken into account in determining whether there has been a Parent Material Adverse Effect); (v) any failure by Parent to meet published analyst estimates or expectations of Parent's revenue, earnings or other financial performance or results of operations for any period, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Parent Material Adverse Effect" may be taken into account in determining whether there has been a Parent Material Adverse Effect); (vi) any failure by Parent to meet its internal or published projections, budgets, plans or forecasts of its revenues, earnings or other financial performance or results of operations, in and of itself (provided, that the facts or occurrences giving rise to or contributing to such failure that are not otherwise excluded from the definition of "Parent Material Adverse Effect" may be taken into account in determining whether there has been a Parent Material Adverse Effect); (vii) any outbreak or escalation of hostilities or war or any act of terrorism, or any acts of God or natural disasters; (viii) the initiation of litigation by any Person with respect to this Agreement or the transactions contemplated hereby; (ix) any action taken by Parent or any of its Subsidiaries, in each case which is expressly required to be taken pursuant to this Agreement

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(other than pursuant to Section 5.2); (x) any actions taken at the request of the Company to the extent taken in accordance with such request; and (xi) the termination of the employment of any person employed by Parent or any of its Subsidiaries resulting from the announcement or pendency of this Agreement; provided, that the facts, circumstances, events, changes, occurrences or effects set forth in clauses (i) through (iii) and (vii) above shall be taken into account in determining whether a Parent Material Adverse Effect has occurred to the extent (but only to such extent) such facts, circumstances, events, changes, occurrences or effects have a disproportionate adverse impact on the Company and its Subsidiaries, taken as a whole, relative to the other participants in the industries in which Parent and its Subsidiaries operate.

"**Parent Material Contract**" shall have the meaning set forth in Section 4.17(a).

"**Parent Measurement Price**" shall mean the volume weighted average trading price of Parent Common Stock on NASDAQ for the five (5) consecutive trading days ending on the trading day immediately preceding the Closing Date.

"**Parent Organizational Documents**" shall mean the charter, bylaws (or equivalent organizational or governing documents), and other organizational or governing documents, agreements or arrangements, each as amended to date, of each of Parent and Acquisition Sub.

"**Parent Permits**" shall have the meaning set forth in Section 4.5(a).

"**Parent Recommendation**" shall mean the recommendation of the Parent Board that the stockholders of Parent approve the Parent Stock Issuance.

"**Parent Related Parties**" shall have the meaning set forth in Section 7.3(d).

"**Parent SEC Documents**" shall have the meaning set forth in Section 4.6(a).

"**Parent Stock Issuance**" shall have the meaning set forth in the Recitals.

"**Parent Stockholder Approval**" shall have the meaning set forth in Section 4.20.

"**Parent Stockholders' Meeting**" shall have the meaning set forth in Section 5.3(c).

"**Parent Support Agreements**" shall have the meaning set forth in the Recitals.

"**Parent Termination Fee**" shall mean \$140,000,000.

"**Payoff Letter**" shall have the meaning set forth in Section 5.16.

"**Pending Sale Agreement**" shall mean any definitive agreement, duly executed and delivered as of the date of this Agreement, relating to the disposition, lease or license (whether by merger, sale of stock, sale of assets or otherwise) of (a) any Portfolio Company investment or (b) any corporation, partnership, limited liability company, other business organization or any division or all or any portion of the assets, business or properties of any other Person, or material amount of assets thereof, in each case which has not, as of the date of this Agreement, been consummated in accordance with its terms.

"**Performance Incentive Plans**" shall mean the American Capital, Ltd. Performance Incentive Plan, the American Capital Mortgage Management, LLC Performance Incentive Plan AGNC, the American Capital Mortgage Management, LLC Performance Incentive Plan MTGE and the American Capital Leveraged Finance Management, LLC Performance Incentive Plan ACSF, in each case as may be amended from time to time.

"**Permitted Lien**" shall mean (a) any Lien for Taxes not yet due or that are being contested in good faith by appropriate Proceedings and for which adequate accruals or reserves have been established in accordance with GAAP, (b) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen, repairmen and other Liens imposed by Law, (c) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation,

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unemployment insurance or other types of social security or foreign equivalents, (d) zoning, building codes, and other land use Laws regulating the use or occupancy of leased real property or the activities conducted thereon that are imposed by any Governmental Authority having jurisdiction over such leased real property and that are not violated by the current use and operation of such leased real property or the operation of the business of the Company and its Subsidiaries (including the Subsidiary Adviser Group), (e) with respect to all leased real property, all Liens encumbering the interest of the fee owner or any superior lessor, sublessor or licensor, (f) Liens or other imperfections of title, if any, that would not, individually or in the aggregate, be material to a Person and its Subsidiaries, taken as a whole, including Liens for any supplemental Taxes or assessments not shown by public records, including refinancings thereof, (g) Liens disclosed on existing title reports or existing surveys, (h) Liens securing acquisition financing with respect to the applicable asset, including refinancing thereof, (i) Liens described in Appendix A-1 to the Company Disclosure Letter, (j) in the case of Intellectual Property Rights, licenses of rights entered into in the ordinary course of business, (k) any other Liens that will be released on or prior to the Closing Date and (l) the replacement, extension or renewal of any of the foregoing.

"**Person**" shall mean an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a Governmental Authority.

"**Portfolio Company**" shall mean (a) with respect to the Company, its Consolidated Subsidiaries, the members of the Subsidiary Adviser Group and the Funds, any entity in which the Company or any of its Consolidated Subsidiaries, any member of the Subsidiary Adviser Group or any Fund has made, makes or proposes to make a debt or equity investment that is, would or should be reflected in the Schedule of Investments included in the Company's quarterly or annual reports or, in the case of an investment of a member of the Subsidiary Adviser Group or a Fund, is or would be held for investment purposes, including any Specified Energy and Infrastructure Company, and (b) with respect to Parent, any entity in which Parent or any of its Subsidiaries has made, makes or proposes to make a debt or equity investment that is, would or should be reflected in the Schedule of Investments included in Parent's quarterly or annual reports.

"**Proceedings**" shall mean, legal, administrative, arbitral or other proceedings, suits or actions.

"**Qualifying Income**" shall have the meaning set forth in Section 7.3(h).

"**Regulated Fund**" shall mean American Capital Senior Floating, Ltd, a Maryland corporation.

"**Regulated Fund Board**" shall mean the board of directors of the Regulated Fund.

"**Regulatory Documents**" shall mean, with respect to a Person, all forms, reports, registration statements, schedules and other documents filed, or required to be filed, by such Person pursuant to applicable Securities Laws or the applicable rules and regulations of any United States or foreign governmental or non-governmental self-regulatory organization, agency or authority.

"**REIT**" or "**REITs**" shall have the meaning set forth in the Recitals.

"**Release**" shall mean any actual or threatened release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration of Hazardous Materials, including the movement of Hazardous Materials through or in the air, soil, surface water, groundwater or real property.

"**Representative**" shall mean, with respect to any Person, such Person's Affiliates and its and their respective officers, directors, managers, partners, employees, accountants, counsel, financial advisors, consultants and other advisors or representatives.

"**Required Financing Amount**" shall have the meaning set forth in Section 5.19(d).

"**Restructuring**" shall mean the restructuring described on Schedule A attached hereto.

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"**Sarbanes-Oxley Act**" means the Sarbanes-Oxley Act of 2002, as amended.

"**SDAT**" shall have the meaning set forth in [Section 1.3\(a\)](#).

"**SEC**" shall mean the United States Securities and Exchange Commission.

"**Securities Act**" shall mean the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"**Securities Laws**" shall mean the Securities Act, the Exchange Act, the Investment Company Act, the Investment Advisers Act, Blue Sky Laws, all similar foreign securities laws, and the rules and regulations promulgated thereunder.

"**Security**" shall mean, with respect to any Person, any series of common stock, preferred stock and any other equity securities or capital stock of such Person (including interests convertible into or exchangeable or exercisable for any equity interest in any such series of common stock, preferred stock, and any other equity securities or capital stock of such Person), however described and whether voting or non-voting.

"**Share Consideration Value**" shall mean the product of the Exchange Ratio and the Parent Measurement Price.

"**Specified Energy and Infrastructure Company**" shall mean each of the entities listed on [Appendix A-2 to the Company Disclosure Letter](#) and each of their respective Controlled Affiliates.

"**Subsidiary**" of a Person shall mean any other Person with respect to which the first Person (a) has the right to elect a majority of the board of directors or other Persons performing similar functions or (b) beneficially owns more than fifty percent (50%) of the voting stock (or of any other form of voting or controlling equity interest in the case of a Person that is not a corporation), in each case, directly or indirectly through one or more other Persons; provided, that (i) no Portfolio Company or Subsidiary of a Portfolio Company (other than Subsidiary Adviser and its Consolidated Subsidiaries (other than the Specified Energy and Infrastructure Companies)) shall be a Subsidiary of the Company or any Subsidiary thereof (including Subsidiary Adviser and its Consolidated Subsidiaries), (ii) no Fund or Subsidiary of a Fund shall be a Subsidiary of the Company or any Subsidiary thereof (including Subsidiary Adviser and its Consolidated Subsidiaries), (iii) following consummation of the Mortgage Manager Purchase Agreement, none of Mortgage Manager and its Subsidiaries shall be a Subsidiary of the Company or any Subsidiary thereof (including Subsidiary Adviser and its Consolidated Subsidiaries), (iv) no Portfolio Company or Subsidiary of a Portfolio Company shall be a Subsidiary of Parent or any Subsidiary thereof, and (v) each of Senior Secured Loan Funding, LLC, Senior Direct Lending Program, LLC and IHAM shall not be a Subsidiary of Parent or any Subsidiary thereof.

"**Subsidiary Adviser**" shall have the meaning set forth in the Recitals.

"**Subsidiary Adviser Group**" shall mean Subsidiary Adviser and its Consolidated Subsidiaries; provided, that (a) no Portfolio Company or Subsidiary of a Portfolio Company (other than Subsidiary Adviser and its Consolidated Subsidiaries (other than the Specified Energy and Infrastructure Companies)) shall be a member of the Subsidiary Adviser Group, (b) no Fund or Consolidated Subsidiary of a Fund shall be a member of the Subsidiary Adviser Group and (c) following consummation of the Mortgage Manager Purchase Agreement, none of Mortgage Manager and its Subsidiaries shall be a member of the Subsidiary Adviser Group.

"**Superior Proposal**" shall have the meaning set forth in [Section 5.6\(h\)\(ii\)](#).

"**Tax**" or "**Taxes**" shall mean any and all taxes, fees, levies, duties, tariffs, imposts, and other similar charges (together with any and all interest, penalties and additions to tax) imposed by any Governmental Authority or Taxing Authority, whether disputed or not, including taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use,

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capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth, and taxes or other charges in the nature of excise, withholding, ad valorem, stamp, transfer, value added, or gains taxes.

"**Tax Returns**" shall mean returns, reports and information statements, including any schedule or attachment thereto, with respect to Taxes required to be filed with the IRS or any other Governmental Authority or Taxing Authority.

"**Taxing Authority**" shall mean any Governmental Authority having jurisdiction over the assessment, determination, collection or other imposition of any Tax.

"**Termination Date**" shall have the meaning set forth in Section 7.1(b)(i).

"**Third Party**" shall mean any Person or group other than Parent, Acquisition Sub and their respective Affiliates.

"**Total Cash Consideration**" shall mean the product of (a) the Cash Consideration and (b) the number of shares of Company Common Stock subject to such Company Option immediately prior to the Company Merger Effective Time.

"**Total Cash Exercise Price**" shall mean the aggregate exercise price of all shares of Company Common Stock subject to such Company Option, multiplied by a fraction, (a) the numerator of which is the Cash Consideration and the denominator of which is (b) the sum of (i) the Cash Consideration and the (ii) the Share Consideration Value.

"**Total Share Consideration**" shall mean the product of (a) the Share Consideration Value and (b) the number of shares of Company Common Stock subject to such Company Option immediately prior to the Company Merger Effective Time.

"**Total Share Exercise Price**" shall mean the aggregate exercise price of all shares of Company Common Stock subject to such Company Option reduced by the Total Cash Exercise Price.

"**Treasury Regulations**" shall mean regulations promulgated by the IRS under the Code.

"**Trust**" shall mean the Amended and Restated Trust Agreement by and between American Capital Strategies, Ltd. and Citigroup Institutional Trust Company, dated as of May 10, 2006, as amended.

"**Underwater Option**" shall mean each Company Option with no positive amount of Option Consideration.

"**WARN**" shall have the meaning set forth in Section 5.10(e).

"**WARN Notices**" shall have the meaning set forth in Section 5.10(e).

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**Opinion of Goldman, Sachs & Co.**

**PERSONAL AND CONFIDENTIAL**

May 23, 2016

Board of Directors  
American Capital, Ltd.  
Two Bethesda Metro Center  
14th Floor  
Bethesda, MD 20814

Ladies and Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to the holders (other than Ares Capital Corporation ("Ares"), Ares Capital Management LLC (the "Parent External Adviser"), any holders entering into the Elliott Support Agreement (as defined in the Agreement (as defined below)) and their respective affiliates) of the outstanding shares of common stock, par value \$0.01 per share (the "Shares"), of American Capital, Ltd. (the "Company") of the Consideration (as defined below) to be paid to such holders pursuant to the Agreement and Plan of Merger dated as of May 23, 2016 (the "Agreement") entered into by and among Ares, Orion Acquisition Sub, Inc., a direct wholly owned subsidiary of Ares ("Acquisition Sub"), the Company, American Capital Asset Management, LLC, a wholly owned subsidiary of the Company ("Subsidiary Adviser"), Ivy Hill Asset Management, L.P. ("IHAM"), Ivy Hill Asset Management GP, LLC, in its capacity as general partner of IHAM ("IHAM GP"), and, for limited purposes, the Parent External Adviser.

The Agreement provides for, among other things, the merger of Acquisition Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of Ares (the "Merger"). Pursuant to the Merger, each of the Shares will be converted into the right to receive \$6.41 in cash, without interest, from Ares (the "Parent Cash Consideration"), \$1.20 in cash, without interest, from Parent External Adviser (the "Parent External Adviser Cash Consideration"), \$2.45 in cash, without interest (the "Mortgage Manager Cash Consideration" and, together with the Parent Cash Consideration and the Parent External Adviser Cash Consideration, the "Cash Consideration"), the Make-up Dividend Amount (as defined in the Agreement), if any, and 0.483 of a share, par value \$0.001 per share ("Ares Common Stock"), of Ares (the "Stock Consideration"; together with the Cash Consideration, the "Consideration"). We understand that the Mortgage Manager Cash Consideration is subject to adjustment pursuant to the Agreement, as to which adjustment we express no opinion. We also understand that, concurrently with the closing of the Merger, Subsidiary Adviser will merge with and into IHAM, with IHAM surviving as a wholly owned subsidiary of Ares, as to which merger we express no opinion.

Goldman, Sachs & Co. and its affiliates are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman, Sachs & Co. and its affiliates and employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of the Company, Ares, any of their respective affiliates and third parties, including Elliott Management, a significant shareholder of the Company ("Elliott"), and Parent External Adviser, an affiliate of Ares, and their respective affiliates and, if applicable, portfolio companies, or any currency or commodity that may be involved in the transactions contemplated by the

Annex B-1

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Agreement (the "Transaction") or the Mortgage Manager Purchase Agreement. We have acted as financial advisor to the Company in connection with, and have participated in certain of the negotiations leading to, the Transaction. We have received and expect to receive additional fees for our services in connection with the Transaction, the principal portion of which is contingent upon consummation of the Transaction, and the Company has agreed to reimburse certain of our expenses arising, and indemnify us against certain liabilities that may arise, out of our engagement. We have provided certain financial advisory and/or underwriting services to the Company and/or its affiliates from time to time. We also have provided certain financial advisory and/or underwriting services to Ares and/or its affiliates from time to time for which our Investment Banking Division has received, and may receive, compensation, including having acted as financial advisor to Energy Investors Funds Group, a portfolio company of Ares, in connection with the sale of two hydroelectric power facilities in May 2015. We also have provided certain financial advisory and/or underwriting services to Parent External Adviser and/or its affiliates from time to time for which our Investment Banking Division has received, and may receive compensation, including having acted as bookrunner with respect to the public offering of 11,363,636 shares of Parent External Adviser's common stock in May 2014; as co-manager with respect to the public offering of 422,000,000 shares of Shanghai Ozner Environmental and Science Company Limited, a portfolio company of Parent External Adviser, in June 2014; as joint bookrunner with respect to a public offering of the Parent External Adviser's 4.000% Senior Notes due 2024 (aggregate principal amount \$250 million) in October 2014; as financial advisor to Advanstar Inc., a portfolio company of Parent External Adviser, in connection with its sale to UBM PLC in December 2014; as joint lead arranger with respect to a \$720 million bank loan to American Tire Distributors Inc., a portfolio company of Parent External Adviser, in March 2015; as joint lead arranger with respect to a \$200 million bank loan to CHG Healthcare Services Inc., a portfolio company of Parent External Adviser, in May 2015; and as co-manager with respect to a public offering of the Parent External Adviser's 5.250% Guaranteed Senior Notes due 2025 (aggregate principal amount \$325 million) in August 2015. We may also in the future provide financial advisory and/or underwriting services to the Company, Ares, Elliott, Parent External Adviser and their respective affiliates and, if applicable, portfolio companies, for which our Investment Banking Division may receive compensation. Affiliates of Goldman, Sachs & Co. also may have co-invested with Ares, Parent External Adviser, Elliott and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of Parent External Adviser and Elliott from time to time and may do so in the future.

In connection with this opinion, we have reviewed, among other things, the Agreement; the Purchase and Sale Agreement by and among Subsidiary Adviser, American Capital Mortgage Management, LLC, a Delaware limited liability company (the "Mortgage Manager"), the Company and American Capital Agency Corp., a Delaware corporation (the "Mortgage Manager Buyer"), dated May 23, 2016 (the "Mortgage Manager Purchase Agreement"); annual reports to stockholders and Annual Reports on Form 10-K of the Company and Ares for the five fiscal years ended December 31, 2015; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company and Ares; certain other communications from the Company and Ares to their respective stockholders; certain publicly available research analyst reports for the Company and Ares; and certain internal financial analyses and forecasts for the Company for each of the years from 2016 to 2018, prepared by the management of the Company (the "Company Forecasts"), including an analysis of the value of certain of the Company's assets (including net asset value estimates) prepared by the management of the Company (the "Valuations") and estimates of the tax benefits to the Company from the Company's deferred tax assets (including anticipated usage of net operating loss carryforwards and the timing thereof) prepared by the management of the Company, certain internal financial analyses and forecasts for Ares, prepared by the management of Ares (the "Ares Forecasts") and certain internal pro-forma financial analyses and forecasts for Ares, prepared by the management of Ares (the "Combined Company Forecasts" and, together with the Company Forecasts and the Ares Forecasts, the "Forecasts"), including certain operating synergies projected by the managements of the Company and

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Ares, in each case, as approved for our use by the Board. We have also held discussions with members of the senior managements of the Company and Ares regarding their assessment of the strategic rationale for, and the potential benefits of, the Transaction and the past and current business operations, financial condition and future prospects of the Company and Ares; reviewed the reported price and trading activity for the Shares and Ares Common Stock; compared certain financial and stock market information for the Company and Ares with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain business combinations in the business development company industry; and performed such other studies and analyses, and considered such other factors, as we deemed appropriate.

For purposes of rendering this opinion, we have, with your consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, us, without assuming any responsibility for independent verification thereof. In that regard, we have assumed with your consent, that the Forecasts, including the Valuations, have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company and the Board.

In addition, we have not reviewed individual credit files nor have we made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance sheet assets and liabilities) of the Company or Ares or any of their respective subsidiaries and, except for the Valuations, we have not been furnished with any such evaluation or appraisal.

We have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction and the related transactions will be obtained without any adverse effect on the Company or Ares or on the expected benefits of the Transaction or the transactions contemplated by the Mortgage Manager Purchase Agreement in any way meaningful to our analysis. We have assumed that the Transaction will be consummated on the terms set forth in the Agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to our analysis. We have further assumed that the transactions contemplated by the Mortgage Manager Purchase Agreement will be consummated prior to the closing of the Transaction (or concurrently or substantially concurrently with the closing of the Transaction) on the terms set forth in the Mortgage Manager Purchase Agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to our analysis.

Our opinion does not address the underlying business decision of the Company to engage in the Transaction, or the relative merits of the Transaction as compared to any strategic alternatives that may be available to the Company; nor does it address any legal, regulatory, tax or accounting matters. This opinion addresses only the fairness from a financial point of view to the holders (other than Ares, Parent External Adviser, any holders entering into the Elliott Support Agreement and their respective affiliates) of Shares, as of the date hereof, of the Consideration to be paid to such holders pursuant to the Agreement. We do not express any view on, and our opinion does not address, any other term or aspect of the Agreement or Transaction or any term or aspect of any voting, support or other agreement or instrument contemplated by the Agreement or entered into or amended in connection with the Transaction, including, the Make-up Dividend Amount, any allocation of the Consideration, the form or structure of the Transaction, the Mortgage Manager Purchase Agreement or the transactions contemplated thereby, the fairness of the Transaction to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company and the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or class of such persons, in connection with the Transaction, whether relative to the Consideration to be paid to the holders (other than Ares, Parent External Adviser, any holders entering into the Elliott Support Agreement and their respective affiliates) of Shares pursuant to the Agreement or otherwise. We are not expressing any opinion as to the prices at which shares of Ares Common Stock will trade at any time or as to the impact of the

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Transaction on the solvency or viability of the Company, Ares, Parent External Adviser, Subsidiary Adviser, IHAM, IHAM GP, the Mortgage Manager or the Mortgage Manager Buyer the ability of the Company, Ares, Parent External Adviser, Subsidiary Adviser, IHAM, IHAM GP, the Mortgage Manager or the Mortgage Manager Buyer to pay their respective obligations when they come due. Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof and we assume no responsibility for updating, revising or reaffirming this opinion based on circumstances, developments or events occurring after the date hereof. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Shares should vote with respect to such Transaction or any other matter. This opinion has been approved by a fairness committee of Goldman, Sachs & Co.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Consideration to be paid to holders (other than Ares, Parent External Adviser, any holders entering into the Elliott Support Agreement and their respective affiliates) of Shares pursuant to the Agreement is fair from a financial point of view to such holders.

Very truly yours,

/s/ GOLDMAN, SACHS & CO.

GOLDMAN, SACHS & CO.

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**Opinion of Credit Suisse Securities (USA) LLC**

May 23, 2016

Board of Directors  
American Capital, Ltd.  
Two Bethesda Metro Center  
14th Floor  
Bethesda, MD 20814

Members of the Board:

You have asked us to advise you with respect to the fairness to the holders of common stock, par value \$0.01 per share ("Company Common Stock"), of American Capital, Ltd. (the "Company"), other than Ares Capital Corporation (the "Acquiror"), the Acquiror External Adviser (as defined below), any holders entering into the Elliott Support Agreement (as defined in the Merger Agreement (as defined below)) and their respective affiliates (collectively, the "Excluded Persons"), from a financial point of view, of the Merger Consideration (as defined below) to be received by such stockholders pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement") dated as of May 23, 2016 by and among the Company, the Acquiror, Orion Acquisition Sub, Inc., a direct wholly owned subsidiary of the Acquiror ("Acquisition Sub"), American Capital Asset Management, LLC, a wholly owned subsidiary of the Company ("Subsidiary Adviser"), Ivy Hill Asset Management, L.P. ("IHAM"), Ivy Hill Asset Management GP, LLC, in its capacity as general partner of IHAM, and, for limited purposes, Ares Capital Management LLC (the "Acquiror External Adviser").

The Merger Agreement provides for, among other things, the merger of Acquisition Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of the Acquiror (the "Merger"). Pursuant to the Merger, each outstanding share of Company Common Stock will be converted into the right to receive \$6.41 in cash, without interest, from the Acquiror (the "Parent Cash Consideration"), \$1.20 in cash, without interest, from Acquiror External Adviser (the "Parent External Adviser Cash Consideration"), \$2.45 in cash, without interest (the "Mortgage Manager Cash Consideration" and, together with the Parent Cash Consideration and the Parent External Adviser Cash Consideration, the "Cash Consideration"), the Make-up Dividend Amount (as defined in the Merger Agreement), if any, and 0.483 shares, par value \$0.001 per share ("Acquiror Common Stock"), of the Acquiror (the "Acquiror Share Consideration" and, together with the Cash Consideration, the "Merger Consideration"). We understand that the Mortgage Manager Cash Consideration is subject to adjustment pursuant to the Merger Agreement, as to which adjustment we express no opinion. We also understand that, concurrently with the closing of the Merger, Subsidiary Adviser will merge with and into IHAM, with IHAM surviving as a wholly owned subsidiary of the Acquiror, as to which we express no opinion.

In arriving at our opinion, we have reviewed the Merger Agreement, certain related agreements, including the Purchase and Sale Agreement by and among Subsidiary Adviser, American Capital Mortgage Management, LLC, a Delaware limited liability company, the Company and American Capital Agency Corp., a Delaware corporation, dated May 23, 2016 (the "Mortgage Manager Purchase Agreement"), and certain publicly available business and financial information relating to the Company and the Acquiror. We have also reviewed certain other information relating to the Company and the Acquiror, including (a) financial forecasts relating to the Company for each of the years from 2016 to 2018, prepared by the management of the Company (the "Company Forecasts") and (b) financial forecasts relating to the Acquiror, prepared by the management of the Acquiror (the "Acquiror Forecasts"), in each case as approved for our use by the Company's management and the Board. The Company's management and the Board have directed us to use and rely on the Company Forecasts and

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the Acquiror Forecasts for purposes of our analyses. In addition, we have met with the Company's management and the Acquiror's management to discuss the business and prospects of the Company and the Acquiror, respectively, as well as their assessment of the strategic rationale for, and the potential benefits of, the Merger. We have also considered certain financial and stock market data of the Company and the Acquiror, and we have compared that data with similar data for other publicly held companies in businesses we deemed similar to those of the Company and the Acquiror and we have considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which have been effected. We also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which we deemed relevant.

In connection with our review, we have not independently verified any of the foregoing information, and we have assumed and relied upon such information being complete and accurate in all material respects. With respect to the Company Forecasts, the management of the Company and the Board have advised us, and we have assumed, that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company and the Board as to the future financial performance of the Company, including the timing and valuation of forecasted asset sales and forecasted cost savings. With respect to the Acquiror Forecasts, the managements of the Company and the Acquiror and the Board have advised us, and we have assumed, that such forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of the Company and the Acquiror and the Board as to the future financial performance of the Acquiror. We express no opinion with respect to the Company Forecasts or the Acquiror Forecasts or the assumptions upon which they are based. The Company's management and the Board have directed us to use and rely on the estimates of the management of the Company and the Board as to the tax benefits to the Company from the Company's deferred tax assets, including anticipated usage of net operating loss carryforwards and the timing thereof. We express no opinion with respect to such tax benefits or the assumptions upon which they are based. The Company's management and the Board have directed us to use and rely on the estimate of the management of the Company and the Board as to the aggregate cost of the premium of the Mortgage Manager TSA Insurance (as defined in the Merger Agreement), and we express no opinion with respect to such estimate or the assumptions upon which it is based.

We have not been requested to make, and have not made, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or the Acquiror or any of their respective subsidiaries, nor have we been furnished with any such evaluations or appraisals produced by a third party. In addition, we have not been requested to review, and have not reviewed, individual credit files or loan portfolios of the Company or the Acquiror or any of their respective subsidiaries. We did not estimate, and express no opinion regarding, the value of any asset of the Company or the Acquiror or any of their respective subsidiaries, whether at current market prices or in the future, nor did we estimate, and express no opinion regarding, the liquidation value of any asset of the Company or the Acquiror or any of their respective subsidiaries. With respect to the valuations of the Company's assets (including net asset value estimates) provided by or on behalf of the Company, the management of the Company and the Board have advised us, and we have assumed, that such valuations have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company and the Board. In addition, we have not been requested to make, and have not made an independent evaluation of the solvency or fair value of the Company or the Acquiror.

We have assumed, with your consent, that, in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the Merger and the related transactions, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on the Company, the Acquiror or the contemplated benefits of the Merger or the related transactions and that the Merger will be consummated in accordance with the terms of the Merger Agreement without

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waiver, modification or amendment of any material term, condition or agreement thereof, including that the transactions contemplated by the Mortgage Manager Purchase Agreement will be consummated prior to the closing of the Merger (or concurrently or substantially concurrently with the closing of the Merger). We have further assumed, with your consent, that the transactions contemplated by the Mortgage Manager Purchase Agreement will be consummated on the terms set forth in such agreement, without any waiver, modification or amendment of any material term, condition or agreement thereof. We express no view or opinion as to any terms or other aspects of the transactions contemplated by the Mortgage Manager Purchase Agreement.

Our opinion addresses only the fairness, from a financial point of view, to the holders of Company Common Stock (other than the Excluded Persons) of the Merger Consideration to be received by such stockholders in the Merger and does not address any other aspect or implication of the Merger or any voting, support or other agreement, arrangement or understanding entered into in connection with the Merger or otherwise, including, without limitation, any allocation of the Merger Consideration, the form or structure of the Merger, the transactions contemplated by the Mortgage Manager Purchase Agreement, the fairness of the Merger to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Company and the fairness of the amount or nature of, or any other aspect relating to, any compensation to any officers, directors or employees of any party to the Merger, or class of such persons, relative to the Merger Consideration or otherwise. Our opinion does not address the Make-up Dividend Amount. The issuance of this opinion was approved by our authorized internal committee.

Our opinion is necessarily based upon information made available to us as of the date hereof and financial, economic, market and other conditions as they exist and can be evaluated on the date hereof. We have not undertaken, and are under no obligation, to update, revise, reaffirm or withdraw this opinion, or otherwise comment on or consider events occurring or coming to our attention after the date hereof. We are not expressing any opinion as to what the value of shares of Acquiror Common Stock actually will be when issued to the holders of Company Common Stock pursuant to the Merger or the prices at which shares of Acquiror Common Stock will trade at any time. Our opinion does not address the relative merits of the Merger as compared to alternative transactions or strategies that may be available to the Company, nor does it address the Company's underlying decision to proceed with the Merger. Furthermore, we are not expressing any advice or opinion regarding matters that require legal, regulatory, accounting, insurance, intellectual property, tax, environmental, executive compensation or other similar professional advice. We have assumed that the Company has or will obtain such advice or opinions from the appropriate professional sources.

We have acted as financial advisor to the Company in connection with the Merger and will receive a fee for our services, a portion of which was payable during the course of our engagement and a significant portion of which is contingent upon the consummation of the Merger. We also became entitled to receive a fee upon the rendering of our opinion. In addition, the Company has agreed to indemnify us and certain related parties for certain liabilities and other items arising out of or related to our engagement. We and our affiliates have in the past provided, are currently providing and in the future may provide investment banking and other financial advice and services to the Company and its affiliates, for which we and our affiliates have received, and would expect to receive, compensation, including, among other things, having acted or acting in various roles in connection with securities offerings for the Company, as a lender in connection with the Company's revolving credit facility and as a broker in connection with the sale of debt capital market derivatives to the affiliates of the Company, including (i) acting as a co-lead manager in connection with the initial public offering of American Capital Senior Floating, a publicly listed BDC externally managed by a wholly owned subsidiary of the Company and (ii) administrative agent, arranger and provided interest rate swaps in connection with the revolving credit facility for SMG Worldwide, a portfolio company of American Capital Equity III, a private fund managed by a wholly owned subsidiary of the Company. We and our affiliates have in the past provided, are currently providing and in the future may provide investment

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banking and other financial services to the Acquiror and its affiliates, including, among other things, having acted or acting in various roles in connection with securities offerings for the Acquiror and as a lender in connection with the Acquiror's revolving credit facility. We and our affiliates in the past have provided, currently are providing and in the future may provide services to Acquiror External Adviser and certain of its affiliates unrelated to the proposed Merger and the related transactions, for which services we and our affiliates have received, and expect to receive, compensation, including, among other things, having acted or acting in various roles in connection with securities offerings, as a lender in connection with the Acquiror External Adviser's revolving credit facilities and certain portfolio companies of Acquiror External Adviser, including (i) as a co-manager in connection with the initial public offering of Acquiror External Adviser in 2014, (ii) as a co-manager in connection with the offering of 5.250% Senior Notes due 2025 of Ares Finance Co. II LLC, an indirect subsidiary of Acquiror External Adviser, in 2015, (iii) as a passive bookrunner in connection with the offering of 4.000% Senior Notes due 2024 of Ares Finance Co. LLC, an indirect subsidiary of Acquiror External Adviser, in 2014, (iv) as a bookrunner in connection with the syndicated loan transaction and interest rate hedge for Aspen Dental Management, Inc., a portfolio company of Acquiror External Adviser, in 2015, (v) as an administrative agent and/or arranger in connection with syndicated loan transactions for Insight Global Inc., a portfolio company of Acquiror External Adviser, in 2014, 2015 and 2016, (vi) as a bookrunner in connection with the initial public offering and follow-on equity offering of Smart & Final Stores, Inc., a portfolio company of Acquiror External Adviser, in 2014 and 2015, (vii) as an arranger and bookrunner in connection with the syndicated loan transaction of BlackBrush Oil & Gas, L.P., a portfolio company of Acquiror External Adviser in 2014, (viii) as a bookrunner and lead arranger in connection with the acquisition financing and refinancing related to the Acquiror External Adviser's acquisition of Neiman Marcus Group LTD, Inc. and (ix) as an administrative agent and lead arranger in connection with the credit facility of Neiman Marcus Group LTD, Inc.

We and our affiliates may have provided other financial advice and services, and may in the future provide financial advice and services, to the Company, the Acquiror, Acquiror External Adviser and their respective affiliates and third parties, including Elliott Management, a significant shareholder of the Company, for which we and our affiliates have received, and would expect to receive, compensation. We are a full service securities firm engaged in securities trading and brokerage activities as well as providing investment banking and other financial services. In the ordinary course of business, we and our affiliates may acquire, hold or sell, for our and our affiliates own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of the Company, the Acquiror and any other company, including Elliott Management and Acquiror External Adviser, that may be involved in the Merger or the related transactions, and of their respective affiliates and, if applicable, portfolio companies, as well as provide investment banking and other financial services to such companies.

It is understood that this letter is for the information of the Board (in its capacity as such) in connection with its consideration of the Merger and does not constitute advice or a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the proposed Merger or the related transactions.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Merger Consideration to be received by holders of Company Common Stock in the Merger is fair, from a financial point of view, to such stockholders, other than the Excluded Persons.

Very truly yours,

/s/ CREDIT SUISSE  
SECURITIES (USA) LLC

CREDIT SUISSE SECURITIES  
(USA) LLC

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**Opinion of Wells Fargo Securities, LLC**

May 23, 2016

The Board of Directors  
Ares Capital Corporation  
245 Park Avenue  
44<sup>th</sup> Floor  
New York, NY 10167

The Board of Directors:

The Board of Directors (the "Board") of Ares Capital Corporation, a Maryland corporation ("Parent"), has asked Wells Fargo Securities, LLC ("Wells Fargo Securities") to advise it with respect to the fairness, from a financial point of view, to Parent of the Parent Consideration (as hereinafter defined) to be paid by Parent pursuant to an Agreement and Plan of Merger (the "Agreement"), dated as of May 23, 2016, to be entered into by and among Parent, Orion Acquisition Sub, Inc., a Delaware corporation and wholly owned subsidiary of Parent ("Acquisition Sub"), Ivy Hill Asset Management, L.P., a Delaware limited partnership ("IHAM"), Ivy Hill Asset Management GP, LLC, a Delaware limited liability company, in its capacity as general partner of IHAM, American Capital, Ltd., a Delaware corporation (the "Company"), American Capital Asset Management, LLC, a Delaware limited liability company and wholly owned subsidiary of the Company ("Subsidiary Adviser") and, solely for purposes of certain sections of the Agreement, Ares Management, L.P., a Delaware limited liability company, an affiliate of Parent ("Parent External Adviser"), in its capacity as Parent's investment adviser. The Agreement provides, among other things, for the acquisition by Parent of the Company, to be effected through (i) a merger of Subsidiary Adviser with and into IHAM (the "Adviser Merger"), and (ii) the merger of Acquisition Sub with and into the Company (the "Company Merger" and, together with the Adviser Merger, the "Transaction") pursuant to which, among other things, (i) each outstanding limited liability company membership interest of Subsidiary Adviser shall automatically be canceled and shall cease to exist without any consideration being payable therefor and (ii) each outstanding share of the common stock, par value \$0.01 per share, of the Company ("Company Common Stock") will be converted into the right to receive (i) \$6.41 per share in cash from Parent (the "Parent Cash Consideration"), (ii) 0.483 of a share (such number of shares, the "Stock Consideration", and, together with the Parent Cash Consideration, the "Parent Consideration") of the common stock, par value \$0.001 per share, of Parent ("Parent Common Stock"), (iii) \$1.20 per share in cash from Parent External Adviser (the "Parent External Adviser Consideration"), (iv) \$2.45 per share in cash less the Mortgage Manager TSA Insurance Amount (as defined in the Agreement) (the "Mortgage Manager Cash Consideration"), which amount we have been advised by Parent represents the aggregate cash consideration required, as a condition of the Agreement, to be received by the Company on a per share basis pursuant to that certain Mortgage Manager Purchase Agreement (as defined in the Agreement) and will be freely available as cash reserves of the Company at the time of the closing of the Transaction, without giving effect to and prior to any adjustments or payments contemplated by the Mortgage Manager Purchase Agreement, any debt repayments required or caused by the Transaction, the Agreement or the Mortgage Manager Purchase Agreement or, in each case, the transactions contemplated thereby, and (v) the Make-up Dividend Amount (as defined in the Agreement), if any. We understand that Parent External Adviser has also agreed to waive certain management fees (such waiver, the "Fee Waiver") pursuant to a separate agreement to be entered into in connection with the Transaction. We also understand that the parties intend to undertake certain restructuring transactions in connection with the Transaction (collectively, the "Restructuring"), as described in the Agreement.

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Since the Mortgage Manager Cash Consideration payable by Parent represents the anticipated net cash proceeds required to be realized by the Company pursuant to the Mortgage Manager Purchase Agreement, for purposes of our opinion we have, with your consent, (i) treated the Mortgage Manager Cash Consideration as if the amount thereof were paid directly by the Company to its stockholders and (ii) excluded the Mortgage Manager Cash Consideration from the Parent Consideration. Similarly, we have, with your consent, excluded both the Parent External Adviser Consideration and the Make-up Dividend Amount, if any, from the Parent Consideration for purposes of our analysis. The terms and conditions of the Transaction are more fully set forth in the Agreement.

In arriving at our opinion, we have, among other things:

Reviewed the Agreement, including the financial terms of the Transaction;

Reviewed the Mortgage Manager Purchase Agreement;

Reviewed the Transaction Support; Fee Waiver letter agreement, dated as of May 23, 2016, by and between Parent and Parent External Adviser (the "Letter Agreement");

Reviewed certain publicly available business, financial and other information regarding the Company, including information set forth in the Company's annual reports on Form 10-K for the fiscal years ended December 31, 2013, 2014 and 2015, the Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2016, and the Company's preliminary proxy statement filed with the Securities and Exchange Commission on September 30, 2015;

Reviewed certain publicly available business, financial and other information regarding Parent, including information set forth in Parent's annual reports on Form 10-K for the fiscal years ended December 31, 2013, 2014 and 2015 and Parent's quarterly report on Form 10-Q for the quarterly period ended March 31, 2016;

Reviewed certain other business and financial information regarding the Company furnished to us by the Company and discussed with the managements of the Company and Parent;

Reviewed certain other business and financial information regarding Parent furnished to us by and discussed with the management of Parent, including financial forecasts and estimates relating to Parent for the fiscal years ending December 31, 2016 through December 31, 2021 prepared by the management of Parent, both on a standalone basis (the "Parent Stand-Alone Forecasts") and on a pro forma basis, giving effect to the Transaction and Parent's intended post-Transaction business plan (the "Parent Pro Forma Forecasts");

Reviewed estimated net asset values of the Company's investment portfolios and other assets as of September 30, 2016 prepared by the management of Parent based upon financial forecasts and estimates and assumptions relating thereto determined by management of Parent (the "Adjusted NAV Estimates");

Discussed with the managements of the Company and Parent the operations and prospects of the Company, including the historical financial performance and trends in the results of operations of the Company;

Discussed with the management of Parent the operations and prospects of Parent, including the historical financial performance and trends in the results of operations of the Parent;

Discussed with the management of Parent the strategic rationale for, and certain strategic and financial benefits to Parent anticipated by the management of Parent to result from, the Transaction and Parent's intended post-Transaction business plan;

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Reviewed the anticipated incremental benefits to Parent of the Transaction, determined as the difference between the Parent Pro Forma Forecasts and the Parent Stand-Alone Forecasts;

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Reviewed reported prices and trading activity for Company Common Stock and Parent Common Stock;

Compared certain financial data of the Company and Parent with similar data of certain publicly traded companies that we deemed relevant in evaluating the Company and Parent;

Compared the proposed financial terms of the Transaction with financial terms of certain business combinations and other transactions that we deemed relevant in evaluating the Transaction; and

Considered other information, such as financial studies, analyses and investigations, as well as financial, economic and market criteria, that we deemed relevant.

In connection with our review, we have assumed and relied upon the accuracy and completeness of the financial and other information provided, discussed with or otherwise made available to us, including all accounting, tax, regulatory and legal information, and we have not made (and have not assumed any responsibility for) any independent verification of such information. We have relied upon assurances of the managements of the Company and of Parent that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. We have assumed, with your consent, that the Adjusted NAV Estimates (including the assumptions on which they are based) have been reasonably prepared and reflect the best currently available estimates, judgments and assumptions of the management of Parent as to the net asset values of the Company's investment portfolios and other assets and, at your direction, we have utilized, without independent verification, the Adjusted NAV Estimates in our analysis. As you are aware, we have been advised by the management of the Company that current financial forecasts relating to the Company taking into account, among other things, the pro forma impact to the Company of the transactions contemplated by the Mortgage Manager Purchase Agreement, have not been, and would not be, prepared or provided to us for purposes of our opinion. We have assumed, at your direction, that the Parent Stand-Alone Forecasts and the Parent Pro Forma Forecasts (including, in each case, the assumptions on which they are based) have been reasonably prepared and reflect the best currently available estimates, judgments and assumptions of the management of Parent as to the future financial performance of Parent in the absence of the Transaction, and in the event of the Transaction, respectively and, at your direction, we have utilized the Parent Stand-Alone Forecasts and the Parent Pro Forma Forecasts, without independent verification, in our analysis. We assume no responsibility for, and express no view as to, any forecasts, estimates or other information utilized in our analyses or the judgments or assumptions upon which they are based. We also have assumed that there have been no meaningful changes in the condition (financial or otherwise), results of operations, business or prospects of the Company or Parent since the respective dates of the most recent financial statements and other information provided to us and that the financial forecasts and estimates relating to the Company and Parent reviewed by us reflect all assets and liabilities of the Company and Parent. In addition, we have relied upon the assessments of the management of Parent as to, among other things, the potential impact on the Company and Parent of market, competitive and other trends in and prospects for, and governmental, regulatory and legislative matters relating to or affecting, the business development company industry. We have assumed, with the consent of Parent, that there will be no developments with respect to any such matters that would have an adverse effect on the Company, Parent, the Transaction or related transactions (including the contemplated benefits thereof), including, without limitation, the Restructuring, or that otherwise would be meaningful in any respect to our analyses or opinion.

In arriving at our opinion, we have not conducted physical inspections of the properties or assets of the Company, Parent or any other entity, nor have we made or relied upon any independent evaluations or appraisals of the assets or liabilities (contingent, derivative, off-balance sheet or otherwise) of the Company, Parent or any other entity and we have assumed, with your consent, that

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there are no material undisclosed liabilities of or relating to the Company for which appropriate reserves, indemnification arrangements or other provisions have not been made. We also have not evaluated the solvency or fair value, as the case may be, of the Company, Parent or any other entity under state, federal or other laws relating to bankruptcy, insolvency or similar matters.

We have assumed, at your direction, that the Transaction and the Restructuring will be consummated in accordance with the terms of the Agreement and the transactions contemplated by the Mortgage Manager Purchase Agreement will be consummated in accordance with the terms of the Mortgage Manager Purchase Agreement, in each case, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, the Restructuring, and the transactions contemplated by the Mortgage Manager Purchase Agreement, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on the Company, Parent or the contemplated benefits of the Transaction. Our opinion is necessarily based on economic, market, financial and other conditions existing, and information made available to us, as of the date hereof. We express no view or opinion as to what the value of Parent Common Stock will be when issued or the prices at which such securities will trade at any time. Although subsequent developments may affect the matters set forth in this opinion, we do not have any obligation to update, revise, reaffirm or withdraw this opinion or otherwise comment on or consider any such events occurring or coming to our attention after the date hereof.

Our opinion only addresses the fairness, from a financial point of view and as of the date hereof, to Parent of the Parent Consideration to be paid by Parent in the Transaction pursuant to the Agreement to the extent expressly specified herein, and does not address any other terms, aspects or implications of the Transaction, including, without limitation, the form, structure or tax consequences or benefits of the Transaction or related transactions, the form of the Parent Consideration, the amount, form or structure of the Parent External Adviser Consideration, the Fee Waiver or any fee waivers provided by the Parent External Adviser, the Make-up Dividend Amount, or the Mortgage Manager Cash Consideration or any terms, aspects or implications of the Mortgage Manager Purchase Agreement and the transactions contemplated thereby, other transaction undertaken in connection with the Transaction or voting agreements or any other agreement, arrangement or understanding entered into in connection with or contemplated by the Transaction, any related transactions or otherwise. In addition, we express no view or opinion regarding any Alternate Mortgage Manager Transaction (as defined in the Agreement). Furthermore, our opinion does not address the fairness of the amount or nature of, or any other aspects relating to, any compensation to be received by any officers, directors or employees of any parties to the Transaction or related transactions, or class of such persons, relative to the Parent Consideration or otherwise, or as to any consideration or other direct or indirect benefits to be received in connection with or as a result of the Transaction or related transactions by Parent External Adviser or any other party. Our opinion also does not address the merits of the underlying decision by Parent to enter into the Agreement or the relative merits of the Transaction and related transactions compared with other business strategies or transactions available or that have been or might be considered by Parent or the Board or in which Parent might engage. We also are not expressing any view or opinion with respect to, and with the consent of Parent have relied upon the assessments of representatives of Parent regarding, accounting, tax, regulatory, legal or similar matters as to which we understand that Parent obtained such advice as it deemed necessary from qualified professionals.

The issuance of this opinion was approved by an authorized committee of Wells Fargo Securities. Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC. Wells Fargo Securities has been engaged to act as financial advisor to Parent in connection with the Transaction and

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will receive a fee for such services, a portion of which will be payable upon delivery of this opinion and the principal portion of which will be payable upon consummation of the Transaction. In addition, Wells Fargo & Company and certain of its affiliates expect to act as lender in connection with the upsizing of Parent's existing credit facility to be undertaken, and as bookrunner for a potential debt offering by Parent that may be undertaken, in each case, in connection with the financing for the Transaction, for which services Wells Fargo & Company and its affiliates expect to receive compensation. Parent has agreed to reimburse certain of Wells Fargo Securities' expenses and to indemnify us and certain related parties against certain liabilities that may arise out of our engagement. Wells Fargo Securities and our affiliates provide a full range of investment banking and financial advisory, securities trading, brokerage and lending services in the ordinary course of business, for which we and such affiliates receive customary fees and, given certain policies and procedures designed to preserve the independence of our research and credit analysts, the views of such analysts may differ from those reflected in our analyses and opinion.

In connection with unrelated matters, Wells Fargo Securities and our affiliates in the past have provided, currently are providing and in the future may provide investment banking and other financial services to the Company and its affiliates, for which Wells Fargo Securities and our affiliates have received and would expect to receive fees, including, during the past two years, having acted or acting as (i) lender or buyer under certain asset-backed, repurchase and other credit facilities of the Company and certain of its affiliates, and (ii) lead underwriter and placement agent on collateralized loan obligations of the Company.

In addition, in connection with unrelated matters, Wells Fargo Securities and our affiliates in the past have provided, currently are providing and in the future may provide investment banking and other financial services to Parent and its affiliates, including Parent External Adviser and (excluding Parent and its subsidiaries) certain of its affiliates and portfolio companies, for which Wells Fargo Securities and our affiliates have received and would expect to receive fees, including, during the past two years, having acted or acting as (i) joint bookrunner for debt and equity offerings of Parent, (ii) administrative agent and lender on various credit facilities of Parent and its affiliates, (iii) sole arranger, placement agent and structuring advisor for a collateralized loan obligation of a subsidiary of Parent, (iv) joint bookrunner for various debt offerings of affiliates and/or portfolio companies of Parent External Adviser, (v) joint bookrunner for a debt offering and financing advisor to Parent External Adviser on an announced but subsequently terminated acquisition transaction, (vi) joint bookrunner for Parent External Adviser's initial public offering, (vii) placement agent for a share repurchase of Parent External Adviser, (viii) agent and broker for sales of real estate assets and loans, real estate debt financings and other real estate transactions, (ix) advancing agent and notes administrator on a commercial real estate securitization for an affiliate of Parent External Adviser, (x) administrative agent and/or lender or buyer under certain asset-backed, construction, repurchase and other credit facilities of Parent External Adviser and certain of its affiliates and portfolio companies, and (xi) financial advisor for various portfolio companies of Parent External Adviser in acquisition transactions. In this regard, as you are aware, Parent External Adviser has requested our participation in arranging an amendment to its existing revolving credit facility and as an underwriter in a potential capital markets transaction, both of which may facilitate the funding by Parent External Adviser of the Parent External Adviser Consideration, and for which we would receive compensation. In the ordinary course of business, Wells Fargo Securities and our affiliates may actively trade, hold or otherwise effect transactions in the securities or financial instruments (including bank loans or other obligations) of the Company, Parent, Parent External Adviser and certain of their respective affiliates for our and our affiliates' own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or financial instruments.

It is understood that this opinion is for the information and use of the Board (in its capacity as such) in connection with its evaluation of the Transaction and is not rendered to or for the benefit of

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Parent External Adviser. Our opinion does not constitute a recommendation to the Board or to any other person or entity in respect of the Transaction or any related transactions.

Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, it is our opinion that, as of the date hereof, the Parent Consideration to be paid by Parent in the Transaction pursuant to the Agreement is fair, from a financial point of view, to Parent.

Very truly yours,

/s/ WELLS FARGO SECURITIES, LLC

WELLS FARGO SECURITIES, LLC

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**Opinion of Merrill Lynch, Pierce, Fenner & Smith Incorporated**

May 23, 2016

The Board of Directors  
Ares Capital Corporation  
245 Park Avenue  
44<sup>th</sup> Floor  
New York, NY 10167

Members of the Board of Directors:

We understand that Ares Capital Corporation ("ARCC") proposes to enter into an Agreement and Plan of Merger, dated as of May 23, 2016 (the "Agreement"), among ARCC, Orion Acquisition Sub, Inc., a wholly owned subsidiary of ARCC ("Merger Sub"), Ivy Hill Asset Management, L.P. ("IHAM"), Ivy Hill Asset Management GP, LLC, in its capacity as general partner of IHAM, American Capital, Ltd. ("American Capital"), American Capital Asset Management, LLC, a wholly owned subsidiary of American Capital ("Subsidiary Adviser"), and, solely for purposes of certain sections of the Agreement, Ares Management, L.P., an affiliate of ARCC ("Ares Management"), in its capacity as ARCC's investment adviser, pursuant to which, among other things, Subsidiary Adviser will merge with and into IHAM (the "Adviser Merger"), and Merger Sub will merge with and into American Capital (the "Company Merger" and, together with the Adviser Merger, the "Transaction"). In the Transaction, (i) each outstanding limited liability company membership interest of Subsidiary Adviser shall automatically be canceled and shall cease to exist without any consideration being payable therefor and (ii) holders of each outstanding share of the common stock, par value \$0.01 per share, of American Capital ("American Capital Common Stock") will receive from ARCC, in exchange for each share of American Capital Common Stock, (i) \$6.41 in cash (the "ARCC Cash Consideration") and (ii) 0.483 of a share (such number of shares, the "Stock Consideration" and, together with the ARCC Cash Consideration, the "ARCC Consideration") of common stock, par value \$0.001 per share, of ARCC ("ARCC Common Stock"). In addition, such holders of American Capital Common Stock will receive, in exchange for each share of American Capital Common Stock, (i) \$1.20 in cash from Ares Management (the "Ares Management Consideration"), (ii) \$2.45 in cash less the Mortgage Manager TSA Insurance Amount (as defined in the Agreement) (the "Mortgage Manager Cash Consideration"), which amount we have been advised by ARCC represents the aggregate cash consideration required, as a condition of the Agreement, to be received by American Capital on a per share basis pursuant to that certain Mortgage Manager Purchase Agreement (as defined in the Agreement) and will be freely available as cash reserves of American Capital at the time of the closing of the Transaction, without giving effect to and prior to any adjustments or payments contemplated by the Mortgage Manager Purchase Agreement, any debt repayments required or caused by the Transaction, the Agreement or the Mortgage Manager Purchase Agreement or, in each case, the transactions contemplated thereby, and (iii) the Make-up Dividend Amount (as defined in the Agreement), if any. We understand that Ares Management has also agreed to waive certain management fees (such waiver, the "Fee Waiver") pursuant to a separate agreement to be entered into in connection with the Transaction. We also understand that the parties intend to undertake certain restructuring transactions in connection with the Transaction (collectively, the "Restructuring"), as described in the Agreement.

Since the Mortgage Manager Cash Consideration payable by ARCC represents the anticipated net cash proceeds required to be realized by American Capital pursuant to the Mortgage Manager Purchase Agreement, for purposes of our opinion we have, with your consent, (i) treated the Mortgage Manager Cash Consideration as if the amount thereof were paid directly by American Capital to American Capital's stockholders and (ii) accordingly have not included the Mortgage Manager Cash

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Consideration as part of the ARCC Consideration. Similarly, we have, with your consent, not included either the Ares Management Consideration or the Make-up Dividend Amount, if any, as part of the ARCC Consideration. The terms and conditions of the Transaction are more fully set forth in the Agreement.

The Board of Directors of ARCC ("you" or "your") has requested our opinion as to the fairness, from a financial point of view, to ARCC of the ARCC Consideration to be paid by ARCC in the Transaction.

In connection with this opinion, we have, among other things:

- (1) reviewed certain publicly available business and financial information relating to American Capital and ARCC;
- (2) reviewed certain internal financial and operating information with respect to the business, operations and prospects of American Capital furnished to or discussed with us by the management of American Capital;
- (3) reviewed certain internal financial and operating information with respect to the business, operations and prospects of ARCC furnished to or discussed with us by the management of ARCC, including certain financial forecasts relating to ARCC prepared by the management of ARCC both on a standalone basis (such forecasts, the "ARCC Stand-Alone Forecasts") and on a pro forma basis giving effect to the Transaction and ARCC's intended post-Transaction business plan (such forecasts, the "ARCC Pro Forma Forecasts"), which forecasts include, without limitation, (a) any benefits anticipated to result from the Fee Waiver determined by the management of ARCC and (b) estimated net asset values of American Capital as of September 30, 2016 prepared by the management of ARCC based upon financial forecasts and estimates and assumptions relating thereto determined by the management of ARCC, and discussed with the management of ARCC the likelihood of achieving the future financial results reflected in the ARCC Stand-Alone Forecasts and the ARCC Pro Forma Forecasts;
- (4) discussed the past and current business, operations, financial condition and prospects of American Capital with the managements of American Capital and ARCC, and discussed the past and current business, operations, financial condition and prospects of ARCC with the management of ARCC;
- (5) discussed with the management of ARCC the strategic rationales for their plan for the management and disposition of American Capital's loan portfolios, and certain strategic and financial benefits to ARCC anticipated by the management of ARCC to result from the Transaction as reflected in the ARCC Pro-Forma Forecasts;
- (6) reviewed the trading histories for American Capital Common Stock and ARCC Common Stock and a comparison of such trading histories with each other and with the trading histories of other companies we deemed relevant;
- (7) compared certain financial and stock market information of American Capital and ARCC with similar information of other companies we deemed relevant;
- (8) compared certain financial terms of the Transaction to financial terms, to the extent publicly available, of other transactions we deemed relevant;
- (9) reviewed the anticipated incremental benefits to ARCC of the Transaction, determined as the difference between the ARCC Pro Forma Forecasts and the ARCC Stand-Alone Forecasts;
- (10) reviewed the Agreement;
- (11) reviewed the Mortgage Manager Purchase Agreement;

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- (12) reviewed the Transaction Support; Fee Waiver letter agreement, dated as of May 23, 2016, by and between ARCC and Ares Management (the "Letter Agreement"); and
- (13) performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

In arriving at our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of the managements of American Capital and ARCC that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. As you are aware, we have been advised by the management of American Capital that current financial forecasts relating to American Capital prepared by the management of American Capital have not been, and would not be, prepared or provided to us for purposes of our opinion. With respect to the ARCC Stand-Alone Forecasts and the ARCC Pro Forma Forecasts we have been advised by the management of ARCC, and have assumed, at your direction, that they have been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of ARCC as to the future financial performance of ARCC in the absence of the Transaction and in the event of the Transaction, respectively, and, based on the assessments of the management of ARCC as to the likelihood of achieving the future financial results reflected in the ARCC Stand-Alone Forecasts and ARCC Pro Forma Forecasts, at your direction we have used and relied, without independent verification, upon the ARCC Stand-Alone Forecasts and the ARCC Pro Forma Forecasts for purposes of our opinion. We have not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of American Capital or ARCC, nor have we made any physical inspection of the properties or assets of American Capital or ARCC and we have assumed, with your consent, that there are no material undisclosed liabilities of or relating to American Capital for which appropriate reserves, indemnification arrangements or other provisions have not been made. We have not evaluated the solvency or fair value of American Capital or ARCC under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. We have assumed, at your direction, that the Transaction and the Restructuring will be consummated in accordance with the terms of the Agreement and that the transactions contemplated by the Mortgage Manager Purchase Agreement will be consummated in accordance with the terms of the Mortgage Manager Purchase Agreement, in each case, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, the Restructuring, and the transactions contemplated by the Mortgage Manager Purchase Agreement, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on American Capital, ARCC or the contemplated benefits of the Transaction.

We express no view or opinion as to any terms or other aspects or implications of the Transaction (other than the ARCC Consideration to the extent expressly specified herein), including, without limitation, the form, structure or tax consequences or benefits of the Transaction or related transactions, including, without limitation, the Restructuring, the form of the ARCC Consideration, the amount, form or structure of the Ares Management Consideration, the Fee Waiver or any other fee waivers provided by Ares Management, the Make-up Dividend Amount, or the Mortgage Manager Cash Consideration or any terms, aspects or implications of the Mortgage Manager Purchase Agreement or the Letter Agreement and, in each case, the transactions contemplated thereby, the Restructuring, other transactions undertaken in connection with the Transaction or voting agreements or any other agreement, arrangement or understanding entered into in connection with or contemplated by the Transaction, any related transactions or otherwise. In addition, we express no view or opinion regarding any Alternate Mortgage Manager Transaction (as defined in the Agreement). Our

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opinion is limited to the fairness, from a financial point of view, to ARCC of the ARCC Consideration to be paid by ARCC in the Transaction and no opinion or view is expressed with respect to any consideration received in connection with the Transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transaction, or class of such persons, relative to the ARCC Consideration or otherwise, or as to any consideration or other direct or indirect benefits to be received in connection with or as a result of the Transaction or related transactions by Ares Management or any other party. Furthermore, no opinion or view is expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to ARCC or in which ARCC might engage or as to the underlying business decision of ARCC to proceed with or effect the Transaction. We also are not expressing any view or opinion with respect to, and have relied, with your consent, upon the assessments of representatives of ARCC regarding, legal, regulatory, accounting, tax and similar matters relating to ARCC, American Capital and the Transaction (including the contemplated benefits thereof) as to which we understand that ARCC obtained such advice as it deemed necessary from qualified professionals. We further are not expressing any opinion as to what the value of ARCC Common Stock actually will be when issued or the prices at which ARCC Common Stock or American Capital Common Stock will trade at any time, including following announcement or consummation of the Transaction. In addition, we express no opinion or recommendation as to how any stockholder should vote or act in connection with the Transaction or any related matter.

We have acted as financial advisor to ARCC in connection with the Transaction and will receive a fee for our services, a portion of which is payable upon delivery of this opinion and a significant portion of which is contingent upon consummation of the Transaction. We and certain of our affiliates also may be participating in the financing for the Transaction, for which services we and our affiliates would receive significant compensation, including acting as (i) arranger and lender under ARCC's current credit facility and/or (ii) bookrunner and/or underwriter in connection with the potential issuance of new bonds by ARCC. In addition, ARCC has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. As you are aware, Ares Management has requested our participation, (i) in arranging an amendment to its existing revolving credit facility and/or (ii) as an underwriter in a potential capital markets transaction, both of which may facilitate the funding by Ares Management of the Ares Management Consideration and for which we and our affiliates would receive significant compensation.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of ARCC, certain of its affiliates, including Ares Management and (excluding ARCC and its subsidiaries) certain of its affiliates (each such affiliate, an "Ares Management Affiliate") and portfolio companies (each such portfolio company, an "Ares Management Portfolio Company"), American Capital and certain of its affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to ARCC and certain of its subsidiaries and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as an underwriter and/or book-running manager for certain debt offerings of ARCC, (ii) having acted or acting as a bookrunner and/or arranger for, and/or as a

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lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of ARCC and/or certain of its subsidiaries, (iii) having acted or acting as manager for a share repurchase program of ARCC and (iv) having provided or providing certain treasury management products and services to ARCC and/or certain of its subsidiaries.

In addition, we and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Ares Management and certain Ares Management Affiliates and Ares Management Portfolio Companies and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as financial advisor to Ares Management in connection with certain acquisition transactions and to an Ares Management Portfolio Company in connection with a sale transaction, (ii) having acted or acting as an underwriter and/or book-running manager for certain debt and equity offerings of Ares Management and certain Ares Management Affiliates and Ares Management Portfolio Companies, (iii) having acted or acting as an agent, manager, administrative agent, credit agent, bookrunner and/or arranger for, and/or as a lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of Ares Management and/or certain Ares Management Affiliates and Ares Management Portfolio Companies (including acquisition financing), (iv) having provided or providing certain commodity, derivatives, foreign exchange and other trading services to Ares Management and/or certain Ares Management Affiliates and Ares Management Portfolio Companies, (v) having provided or providing certain managed investments services and products to Ares Management and/or certain Ares Management Affiliates and Ares Management Portfolio Companies and (vi) having provided or providing certain treasury management products and services to Ares Management and/or certain Ares Management Affiliates and Ares Management Portfolio Companies.

In addition, we and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to American Capital and certain of its affiliates and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as an administrative agent, managing agent, book manager and/or arranger for, and/or as a lender under, certain term loans, letters of credit, credit facilities and other credit arrangements of American Capital and/or certain of its affiliates (including acquisition financing), (ii) having provided or providing certain derivatives, foreign exchange and other trading services to American Capital and/or certain of its affiliates, (iii) having provided or providing certain managed investments services and products to American Capital and/or certain of its affiliates and (iv) having provided or providing certain treasury management products and services to American Capital and/or certain of its affiliates. In addition, we and/or certain of our affiliates have maintained, currently are maintaining, and in the future may maintain, commercial (including vendor and/or customer) relationships with American Capital and/or certain of its affiliates.

It is understood that this letter is for the benefit and use of the Board of Directors of ARCC (in its capacity as such) in connection with and for purposes of its evaluation of the Transaction and is not rendered to or for the benefit of Ares Management.

Our opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this opinion, and we do not have any obligation to update, revise, or reaffirm this opinion. The issuance of this opinion was approved by a fairness opinion review committee of Merrill Lynch, Pierce, Fenner & Smith Incorporated.

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Based upon and subject to the foregoing, including the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the ARCC Consideration to be paid by ARCC in the Transaction is fair, from a financial point of view, to ARCC.

Very truly yours,

/s/ MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

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*ANNEX F*

**Section 262 of the General Corporation Law of the State of Delaware**

**8 Del.C. § 262**  
**§ 262. Appraisal rights**

(a) Any stockholder of a corporation of this State who holds shares of stock on the date of the making of a demand pursuant to subsection (d) of this section with respect to such shares, who continuously holds such shares through the effective date of the merger or consolidation, who has otherwise complied with subsection (d) of this section and who has neither voted in favor of the merger or consolidation nor consented thereto in writing pursuant to § 228 of this title shall be entitled to an appraisal by the Court of Chancery of the fair value of the stockholder's shares of stock under the circumstances described in subsections (b) and (c) of this section. As used in this section, the word "stockholder" means a holder of record of stock in a corporation; the words "stock" and "share" mean and include what is ordinarily meant by those words; and the words "depository receipt" mean a receipt or other instrument issued by a depository representing an interest in 1 or more shares, or fractions thereof, solely of stock of a corporation, which stock is deposited with the depository.

(b) Appraisal rights shall be available for the shares of any class or series of stock of a constituent corporation in a merger or consolidation to be effected pursuant to § 251 (other than a merger effected pursuant to § 251(g) of this title and, subject to paragraph (b)(3) of this section, § 251(h) of this title), § 252, § 254, § 255, § 256, § 257, § 258, § 263 or § 264 of this title:

(1) Provided, however, that, except as expressly provided in § 363(b) of this title, no appraisal rights under this section shall be available for the shares of any class or series of stock, which stock, or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of the meeting of stockholders to act upon the agreement of merger or consolidation, were either: (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders; and further provided that no appraisal rights shall be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation as provided in § 251(f) of this title.

(2) Notwithstanding paragraph (b)(1) of this section, appraisal rights under this section shall be available for the shares of any class or series of stock of a constituent corporation if the holders thereof are required by the terms of an agreement of merger or consolidation pursuant to §§ 251, 252, 254, 255, 256, 257, 258, 263 and 264 of this title to accept for such stock anything except:

a. Shares of stock of the corporation surviving or resulting from such merger or consolidation, or depository receipts in respect thereof;

b. Shares of stock of any other corporation, or depository receipts in respect thereof, which shares of stock (or depository receipts in respect thereof) or depository receipts at the effective date of the merger or consolidation will be either listed on a national securities exchange or held of record by more than 2,000 holders;

c. Cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a. and b. of this section; or

d. Any combination of the shares of stock, depository receipts and cash in lieu of fractional shares or fractional depository receipts described in the foregoing paragraphs (b)(2)a., b. and c. of this section.

(3) In the event all of the stock of a subsidiary Delaware corporation party to a merger effected under § 251(h), § 253 or § 267 of this title is not owned by the parent immediately prior

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to the merger, appraisal rights shall be available for the shares of the subsidiary Delaware corporation.

(4) In the event of an amendment to a corporation's certificate of incorporation contemplated by § 363(a) of this title, appraisal rights shall be available as contemplated by § 363(b) of this title, and the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as practicable, with the word "amendment" substituted for the words "merger or consolidation," and the word "corporation" substituted for the words "constituent corporation" and/or "surviving or resulting corporation."

(c) Any corporation may provide in its certificate of incorporation that appraisal rights under this section shall be available for the shares of any class or series of its stock as a result of an amendment to its certificate of incorporation, any merger or consolidation in which the corporation is a constituent corporation or the sale of all or substantially all of the assets of the corporation. If the certificate of incorporation contains such a provision, the procedures of this section, including those set forth in subsections (d) and (e) of this section, shall apply as nearly as is practicable.

(d) Appraisal rights shall be perfected as follows:

(1) If a proposed merger or consolidation for which appraisal rights are provided under this section is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, shall notify each of its stockholders who was such on the record date for notice of such meeting (or such members who received notice in accordance with § 255(c) of this title) with respect to shares for which appraisal rights are available pursuant to subsection (b) or (c) of this section that appraisal rights are available for any or all of the shares of the constituent corporations, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstick corporation, a copy of § 114 of this title. Each stockholder electing to demand the appraisal of such stockholder's shares shall deliver to the corporation, before the taking of the vote on the merger or consolidation, a written demand for appraisal of such stockholder's shares. Such demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such stockholder's shares. A proxy or vote against the merger or consolidation shall not constitute such a demand. A stockholder electing to take such action must do so by a separate written demand as herein provided. Within 10 days after the effective date of such merger or consolidation, the surviving or resulting corporation shall notify each stockholder of each constituent corporation who has complied with this subsection and has not voted in favor of or consented to the merger or consolidation of the date that the merger or consolidation has become effective; or

(2) If the merger or consolidation was approved pursuant to § 228, § 251(h), § 253, or § 267 of this title, then either a constituent corporation before the effective date of the merger or consolidation or the surviving or resulting corporation within 10 days thereafter shall notify each of the holders of any class or series of stock of such constituent corporation who are entitled to appraisal rights of the approval of the merger or consolidation and that appraisal rights are available for any or all shares of such class or series of stock of such constituent corporation, and shall include in such notice a copy of this section and, if 1 of the constituent corporations is a nonstick corporation, a copy of § 114 of this title. Such notice may, and, if given on or after the effective date of the merger or consolidation, shall, also notify such stockholders of the effective date of the merger or consolidation. Any stockholder entitled to appraisal rights may, within 20 days after the date of mailing of such notice or, in the case of a merger approved pursuant to § 251(h) of this title, within the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days after the date of mailing of such notice, demand in writing from the surviving or resulting corporation the appraisal of such holder's shares. Such

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demand will be sufficient if it reasonably informs the corporation of the identity of the stockholder and that the stockholder intends thereby to demand the appraisal of such holder's shares. If such notice did not notify stockholders of the effective date of the merger or consolidation, either (i) each such constituent corporation shall send a second notice before the effective date of the merger or consolidation notifying each of the holders of any class or series of stock of such constituent corporation that are entitled to appraisal rights of the effective date of the merger or consolidation or (ii) the surviving or resulting corporation shall send such a second notice to all such holders on or within 10 days after such effective date; provided, however, that if such second notice is sent more than 20 days following the sending of the first notice or, in the case of a merger approved pursuant to § 251(h) of this title, later than the later of the consummation of the tender or exchange offer contemplated by § 251(h) of this title and 20 days following the sending of the first notice, such second notice need only be sent to each stockholder who is entitled to appraisal rights and who has demanded appraisal of such holder's shares in accordance with this subsection. An affidavit of the secretary or assistant secretary or of the transfer agent of the corporation that is required to give either notice that such notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein. For purposes of determining the stockholders entitled to receive either notice, each constituent corporation may fix, in advance, a record date that shall be not more than 10 days prior to the date the notice is given, provided, that if the notice is given on or after the effective date of the merger or consolidation, the record date shall be such effective date. If no record date is fixed and the notice is given prior to the effective date, the record date shall be the close of business on the day next preceding the day on which the notice is given.

(e) Within 120 days after the effective date of the merger or consolidation, the surviving or resulting corporation or any stockholder who has complied with subsections (a) and (d) of this section hereof and who is otherwise entitled to appraisal rights, may commence an appraisal proceeding by filing a petition in the Court of Chancery demanding a determination of the value of the stock of all such stockholders. Notwithstanding the foregoing, at any time within 60 days after the effective date of the merger or consolidation, any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party shall have the right to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation. Within 120 days after the effective date of the merger or consolidation, any stockholder who has complied with the requirements of subsections (a) and (d) of this section hereof, upon written request, shall be entitled to receive from the corporation surviving the merger or resulting from the consolidation a statement setting forth the aggregate number of shares not voted in favor of the merger or consolidation and with respect to which demands for appraisal have been received and the aggregate number of holders of such shares. Such written statement shall be mailed to the stockholder within 10 days after such stockholder's written request for such a statement is received by the surviving or resulting corporation or within 10 days after expiration of the period for delivery of demands for appraisal under subsection (d) of this section hereof, whichever is later. Notwithstanding subsection (a) of this section, a person who is the beneficial owner of shares of such stock held either in a voting trust or by a nominee on behalf of such person may, in such person's own name, file a petition or request from the corporation the statement described in this subsection.

(f) Upon the filing of any such petition by a stockholder, service of a copy thereof shall be made upon the surviving or resulting corporation, which shall within 20 days after such service file in the office of the Register in Chancery in which the petition was filed a duly verified list containing the names and addresses of all stockholders who have demanded payment for their shares and with whom agreements as to the value of their shares have not been reached by the surviving or resulting corporation. If the petition shall be filed by the surviving or resulting corporation, the petition shall be accompanied by such a duly verified list. The Register in Chancery, if so ordered by the Court, shall give notice of the time and place fixed for the hearing of such petition by registered or certified mail to

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the surviving or resulting corporation and to the stockholders shown on the list at the addresses therein stated. Such notice shall also be given by 1 or more publications at least 1 week before the day of the hearing, in a newspaper of general circulation published in the City of Wilmington, Delaware or such publication as the Court deems advisable. The forms of the notices by mail and by publication shall be approved by the Court, and the costs thereof shall be borne by the surviving or resulting corporation.

(g) At the hearing on such petition, the Court shall determine the stockholders who have complied with this section and who have become entitled to appraisal rights. The Court may require the stockholders who have demanded an appraisal for their shares and who hold stock represented by certificates to submit their certificates of stock to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with such direction, the Court may dismiss the proceedings as to such stockholder.

(h) After the Court determines the stockholders entitled to an appraisal, the appraisal proceeding shall be conducted in accordance with the rules of the Court of Chancery, including any rules specifically governing appraisal proceedings. Through such proceeding the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation, together with interest, if any, to be paid upon the amount determined to be the fair value. In determining such fair value, the Court shall take into account all relevant factors. Unless the Court in its discretion determines otherwise for good cause shown, interest from the effective date of the merger through the date of payment of the judgment shall be compounded quarterly and shall accrue at 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time during the period between the effective date of the merger and the date of payment of the judgment. Upon application by the surviving or resulting corporation or by any stockholder entitled to participate in the appraisal proceeding, the Court may, in its discretion, proceed to trial upon the appraisal prior to the final determination of the stockholders entitled to an appraisal. Any stockholder whose name appears on the list filed by the surviving or resulting corporation pursuant to subsection (f) of this section and who has submitted such stockholder's certificates of stock to the Register in Chancery, if such is required, may participate fully in all proceedings until it is finally determined that such stockholder is not entitled to appraisal rights under this section.

(i) The Court shall direct the payment of the fair value of the shares, together with interest, if any, by the surviving or resulting corporation to the stockholders entitled thereto. Payment shall be so made to each such stockholder, in the case of holders of uncertificated stock forthwith, and in the case of holders of shares represented by certificates upon the surrender to the corporation of the certificates representing such stock. The Court's decree may be enforced as other decrees in the Court of Chancery may be enforced, whether such surviving or resulting corporation be a corporation of this State or of any state.

(j) The costs of the proceeding may be determined by the Court and taxed upon the parties as the Court deems equitable in the circumstances. Upon application of a stockholder, the Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorney's fees and the fees and expenses of experts, to be charged pro rata against the value of all the shares entitled to an appraisal.

(k) From and after the effective date of the merger or consolidation, no stockholder who has demanded appraisal rights as provided in subsection (d) of this section shall be entitled to vote such stock for any purpose or to receive payment of dividends or other distributions on the stock (except dividends or other distributions payable to stockholders of record at a date which is prior to the effective date of the merger or consolidation); provided, however, that if no petition for an appraisal shall be filed within the time provided in subsection (e) of this section, or if such stockholder shall deliver to the surviving or resulting corporation a written withdrawal of such stockholder's demand for

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an appraisal and an acceptance of the merger or consolidation, either within 60 days after the effective date of the merger or consolidation as provided in subsection (e) of this section or thereafter with the written approval of the corporation, then the right of such stockholder to an appraisal shall cease. Notwithstanding the foregoing, no appraisal proceeding in the Court of Chancery shall be dismissed as to any stockholder without the approval of the Court, and such approval may be conditioned upon such terms as the Court deems just; provided, however that this provision shall not affect the right of any stockholder who has not commenced an appraisal proceeding or joined that proceeding as a named party to withdraw such stockholder's demand for appraisal and to accept the terms offered upon the merger or consolidation within 60 days after the effective date of the merger or consolidation, as set forth in subsection (e) of this section.

(l) The shares of the surviving or resulting corporation to which the shares of such objecting stockholders would have been converted had they assented to the merger or consolidation shall have the status of authorized and unissued shares of the surviving or resulting corporation.

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**PART C**

**OTHER INFORMATION**

**Item 15. *Indemnification.***

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final adjudication as being material to the cause of action. Ares Capital's charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law, subject to the requirements of the Investment Company Act.

Ares Capital's charter authorizes Ares Capital, to the maximum extent permitted by Maryland law and subject to the requirements of the Investment Company Act, to obligate itself to indemnify any present or former director or officer or any individual who, while a director or officer and at Ares Capital's request, serves or has served another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Ares Capital's bylaws obligate Ares Capital, to the maximum extent permitted by Maryland law and the Investment Company Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at Ares Capital's request, serves or has served another corporation, REIT, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made or threatened to be made a party to a proceeding by reason of his or her service in that capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in that capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit Ares Capital to, with the approval of the board of directors or a duly authorized committee thereof, indemnify and advance expenses to any person who served a predecessor of Ares Capital in any of the capacities described above and any of Ares Capital's employees or agents or any employees or agents of Ares Capital's predecessor. In accordance with the Investment Company Act, Ares Capital will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office. In addition to the indemnification provided for in Ares Capital's bylaws, Ares Capital has entered into indemnification agreements with each of Ares Capital's current directors and certain of Ares Capital's officers and with members of Ares Capital's investment adviser's investment committee and Ares Capital intends to enter into indemnification agreements with each of Ares Capital's future directors, members of Ares Capital's investment adviser's investment committee and certain of Ares Capital's officers. The indemnification agreements attempt to provide these directors and senior officers the maximum indemnification permitted under Maryland law and the Investment Company Act. The agreements provide, among other things, for the advancement of expenses and indemnification for liabilities which such person may incur by reason of his or her status as a present or former director or officer or member of Ares Capital's investment adviser's investment committee in any action or proceeding arising out of the performance of such person's services as a present or former director or officer or member of Ares Capital's investment adviser's investment committee.

Maryland law requires a corporation (unless its charter provides otherwise, which Ares Capital's charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a corporation to indemnify

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its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

The investment advisory and management agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Ares Capital's investment adviser Ares Capital Management and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Ares Capital for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Ares Capital's investment adviser's services under the investment advisory and management agreement or otherwise as an investment adviser of Ares Capital.

The administration agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Ares Operations and its officers, manager, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from Ares Capital for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Ares Operations' services under the administration agreement or otherwise as administrator for Ares Capital.

Insofar as indemnification for liability arising under the Securities Act may be permitted to directors, officers and controlling persons of Ares Capital pursuant to the foregoing provisions, or otherwise, Ares Capital has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by Ares Capital of expenses incurred or paid by a director, officer or controlling person of Ares Capital in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, Ares Capital will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

**Item 16. Exhibits.**

- (1) Articles of Amendment and Restatement, as amended(A)
- (2) Second Amended and Restated Bylaws, as amended(B)
- (3) Not Applicable
- (4) Agreement and Plan of Merger, dated May 23, 2016, among Registrant, American Capital, Orion Acquisition Sub, Inc., Ivy Hill Asset Management, L.P., Ivy Hill Asset Management GP, LLC, American Capital Asset Management, LLC, and solely for the limited purposes set forth therein, Ares Capital Management LLC(C)
- (5)(a) Form of Stock Certificate(D)
- (5)(b) Form of Subscription Certificate(E)
- (5)(c) Indenture, dated June 16, 2006, between Allied Capital Corporation and The Bank of New York, as trustee(F)
- (5)(d) Form of Note under the Indenture, dated June 16, 2006, between Allied Capital Corporation and The Bank of New York, as trustee (contained in Exhibit (d)(4) to this Registration Statement)(F)
- (5)(e) Third Supplemental Indenture, dated as of March 28, 2007, between Allied Capital Corporation and The Bank of New York, as trustee(G)
- (5)(f) Form of 6.875% Notes due 2047(G)
- (5)(g) Fourth Supplemental Indenture, dated as of April 1, 2010, among the Registrant, Allied Capital Corporation and The Bank of New York Mellon, as trustee(H)
- (5)(h) Indenture, dated as of October 21, 2010, between the Registrant and U.S. Bank National Association, as trustee(I)
- (5)(i) Third Supplemental Indenture, dated as of September 25, 2012, relating to the 5.875% Senior Notes due 2022, between the Registrant and U.S. Bank National Association, as trustee(J)
- (5)(j) Form of 5.875% Senior Notes due 2022(J)
- (5)(k) Fourth Supplemental Indenture, dated as of November 19, 2013, relating to the 4.875% Senior Notes due 2018, between the Registrant and U.S. Bank National Association, as trustee(K)
- (5)(l) Form of 4.875% Senior Notes due 2018(K)
- (5)(m) Fifth Supplemental Indenture, dated as of November 21, 2014, relating to the 3.875% Notes due 2020, between the Registrant and U.S. Bank National Association, as trustee(L)
- (5)(n) Form of 3.875% Notes due 2020(L)
- (5)(o) Sixth Supplemental Indenture, dated as of September 19, 2016, relating to the 3.625% Notes due 2022, between the Registrant and U.S. Bank National Association, as trustee(M)
- (5)(p) Form of 3.625% Notes due 2022(M)
- (5)(q) Indenture, dated as of March 14, 2012, between the Registrant and U.S. Bank National Association, as trustee(N)
- (5)(r) Form of 4.875% Convertible Senior Notes due 2017(N)
- (5)(s) Indenture, dated as of October 10, 2012, between the Registrant and U.S. Bank National Association, as trustee(O)

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- (5)(t) Form of 4.75% Convertible Senior Notes due 2018(O)
- (5)(u) Indenture, dated as of July 19, 2013, between the Registrant and U.S. Bank National Association, as trustee(P)
- (5)(v) Form of 4.375% Convertible Senior Notes due 2019(P)
- (6)(a) Restated Investment Advisory and Management Agreement, dated as of June 6, 2011, between Registrant and Ares Capital Management LLC(Q)
- (6)(b) Transaction Support and Fee Waiver Agreement, dated May 23, 2016, between the Registrant and Ares Capital Management LLC(C)
- (7)(a) Form of Underwriting Agreement for Equity Securities(OO)
- (7)(b) Form of Underwriting Agreement for Debt Securities(R)
- (8) Not Applicable
- (9)(a) Amended and Restated Custodian Agreement, dated as of May 15, 2009, between the Registrant and U.S. Bank National Association(S)
- (9)(b) Amendment No. 1, dated as of December 19, 2014, to the Amended and Restated Custodian Agreement dated as of May 15, 2009, by and among the Registrant and U.S. Bank National Association(T)
- (10) Not Applicable
- (11) Opinion and Consent of Venable LLP, Maryland counsel for the Registrant(OO)
- (12) Not Applicable
- (13)(a) Amended and Restated Administration Agreement, dated as of June 1, 2007, between the Registrant and Ares Operations LLC(U)
- (13)(b) Trademark License Agreement between the Registrant and Ares Management LLC(V)
- (13)(c) Form of Indemnification Agreement between the Registrant and directors and certain officers(W)
- (13)(d) Form of Indemnification Agreement between the Registrant and members of Ares Capital Management LLC investment committee(W)
- (13)(e) Amended and Restated Purchase and Sale Agreement, dated as of January 22, 2010, among the Registrant, as seller, and Ares Capital CP Funding Holdings LLC, as purchaser(X)
- (13)(f) Amendment No. 1 to Amended and Restated Purchase and Sale Agreement, dated as of June 7, 2012, among the Registrant, as seller, and Ares Capital CP Funding Holdings LLC, as purchaser(Y)
- (13)(g) Second Tier Purchase and Sale Agreement, dated as of January 22, 2010, among Ares Capital CP Funding Holdings LLC, as seller, and Ares Capital CP Funding LLC, as purchaser(X)
- (13)(h) Amendment No. 1 to Second Tier Purchase and Sale Agreement, dated as of June 7, 2012, among Ares Capital CP Funding Holdings LLC, as seller, and Ares Capital CP Funding LLC, as purchaser(Z)
- (13)(i) Amended and Restated Sale and Servicing Agreement, dated as of January 22, 2010, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer, Wachovia Bank, National Association, as note purchaser, U.S. Bank National Association, as trustee and collateral custodian, and Wells Fargo Securities, LLC, as agent(X)

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- (13)(j) Amendment No. 1 to the Amended and Restated Sale and Servicing Agreement, dated as of May 6, 2010, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer, Wells Fargo Bank, National Association, as successor by merger to Wachovia Bank, as note purchaser, U.S. Bank National Association, as trustee and collateral custodian, and Wells Fargo Securities, LLC, as agent(Z)
- (13)(k) Amendment No. 2 to the Amended and Restated Sale and Servicing Agreement, dated as of January 18, 2011, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer, Wells Fargo Bank, National Association, as successor by merger to Wachovia Bank, as note purchaser, U.S. Bank National Association, as trustee and collateral custodian, and Wells Fargo Securities, LLC, as agent(AA)
- (13)(l) Amendment No. 3 to the Amended and Restated Sale and Servicing Agreement, dated as of October 13, 2011, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer and as transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, U.S. Bank National Association, as trustee, collateral custodian and bank, and Wells Fargo Securities, LLC, as agent(BB)
- (13)(m) Amendment No. 4 to the Amended and Restated Sale and Servicing Agreement, dated as of January 18, 2012, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer and transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as collateral custodian, trustee and bank(CC)
- (13)(n) Amendment No. 5 to the Amended and Restated Sale and Servicing Agreement, dated as of June 7, 2012, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer and transferor, Wells Fargo Bank, National Association (as successor by merger to Wachovia Bank, National Association), as note purchaser, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as collateral custodian, trustee and bank(Y)
- (13)(o) Amendment No. 6 to the Loan and Servicing Agreement, dated as of January 25, 2013, among Ares Capital CP Funding LLC, as borrower, the Registrant, as servicer and transferor, Wells Fargo Securities, LLC, as agent, and Wells Fargo Bank, National Association, as swingline lender, and the other lenders party thereto(DD)
- (13)(p) Omnibus Amendment, dated as of May 14, 2014, among Ares Capital CP Funding LLC, Ares Capital CP Funding Holdings LLC, the Registrant, Wells Fargo Bank, National Association, as swingline lender and as a lender, Wells Fargo Securities, LLC, as agent, and U.S. Bank National Association, as trustee, bank and collateral custodian (amending the Loan and Servicing Agreement, dated as of January 22, 2010, the Amended and Restated Purchase and Sale Agreement, dated as of January 22, 2010, and the Second Tier Purchase and Sale Agreement, dated as of January 22, 2010)(EE)
- (13)(q) Sixth Amended and Restated Senior Secured Revolving Credit Agreement, dated as of April 18, 2016, among the Registrant, the lenders party thereto, and JPMorgan Chase Bank as administrative agent(FF)
- (13)(r) Loan and Servicing Agreement, dated as of January 20, 2012, among Ares Capital JB Funding LLC, as borrower, the Registrant, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, collateral agent and lender, and U.S. Bank National Association, as collateral custodian and bank(GG)
- (13)(s) Purchase and Sale Agreement, dated as of January 20, 2012, between Ares Capital JB Funding LLC, as purchaser, and the Registrant, as seller(GG)

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- (13)(t) Omnibus Amendment No. 1, dated as of September 14, 2012, among Ares Capital JB Funding LLC, as borrower, the Registrant, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(HH)
- (13)(u) Omnibus Amendment No. 2, dated as of December 20, 2013, among Ares Capital JB Funding LLC, as borrower, the Registrant, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(II)
- (13)(v) Omnibus Amendment No. 3, dated as of June 30, 2015, among Ares Capital JB Funding LLC, as borrower, the Registrant, as servicer and transferor, Sumitomo Mitsui Banking Corporation, as administrative agent, lender and collateral agent, and U.S. Bank National Association, as collateral custodian and bank (amending the Loan and Servicing Agreement, dated as of January 20, 2012, and the Purchase and Sale Agreement, dated as of January 20, 2012)(JJ)
- (13)(w) Dividend Reinvestment Plan of the Registrant(KK)
- (14)(a) Consent of independent registered public accounting firm for the Registrant\*
- (14)(b) Consent of independent registered public accounting firm for American Capital, Ltd., for audited financial statements\*
- (14)(c) Consent of independent registered public accounting firm for the Registrant relating to the financial statements of Senior Secured Loan Fund LLC\*
- (14)(d) Report of independent registered public accounting firm for the Registrant, regarding "senior securities" table contained herein(MM)
- (14)(e) Report of independent registered public accounting firm for American Capital, Ltd., regarding "senior securities" table contained herein(LL)
- (15) Financial Statements of Senior Secured Loan Fund LLC as of and for the years ended December 31, 2015 and December 31, 2014 (audited)(NN)
- (16) Power of Attorney(LL)
- (17)(a) Form of Proxy Card of American Capital, Ltd.\*
- (17)(b) Form of Proxy Card of Ares Capital Corporation\*
- (17)(c) Consent of Bank of America/Merrill Lynch, Pierce, Fenner & Smith Incorporated(OO)
- (17)(d) Consent of Wells Fargo Securities, LLC(OO)
- (17)(e) Consent of Goldman, Sachs & Co.\*
- (17)(f) Consent of Credit Suisse Securities (USA) LLC\*

\*

Filed herewith.

(A)

Incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K (File No. 814-00663) for the year ended December 31, 2015, filed on February 24, 2016.

(B)

Incorporated by reference to Exhibit 3.2 to the Registrant's Form 10-Q (File No. 814-00663) for the quarter ended June 30, 2010, filed on August 5, 2010.

(C)

Incorporated by reference to Exhibits 2.1 and 99.1, as applicable to the Registrant's Form 8-K (File No. 814-00663), filed on May 26, 2016.



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- (D) Incorporated by reference to Exhibit (d) to the Registrant's pre effective Amendment No. 2 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-114656), filed on September 28, 2004.
- (E) Incorporated by reference to Exhibit (d)(4) to the Registrant's pre effective Amendment No. 2 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-149139), filed on April 9, 2008.
- (F) Incorporated by reference to Exhibit d.2 to Allied Capital's Registration Statement under the Securities Act of 1933, as amended, on Form N 2/A (File No. 333-133755), filed on June 21, 2006.
- (G) Incorporated by reference to Exhibits d.8 and d.9, as applicable, to Allied Capital's post-effective Amendment No. 3 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2/A (File No. 333-133755), filed on March 28, 2007.
- (H) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on April 7, 2010.
- (I) Incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K (File No. 814-00663), filed on October 22, 2010.
- (J) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on September 25, 2012.
- (K) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on November 19, 2013.
- (L) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on November 21, 2014.
- (M) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on September 19, 2016.
- (N) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on March 14, 2012.
- (O) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on October 10, 2012.
- (P) Incorporated by reference to Exhibits 4.1 and 4.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on July 19, 2013.
- (Q) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on June 8, 2011.
- (R) Incorporated by reference to Exhibit (h)(1) to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-212788), filed on August 1, 2016.
- (S) Incorporated by reference to Exhibit (j) to the Registrant's pre effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-158211), filed on May 28, 2009.

(T)

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Incorporated by reference to Exhibit 10.5 to the Registrant's Form 10-K (File No. 814-00663) for the year ended December 31, 2014, filed on February 26, 2015.

(U)

Incorporated by reference to Exhibit 10.1 to the Registrant's Form 10-Q (File No. 814-00663) for the quarter ended June 30, 2007, filed on August 9, 2007.

(V)

Incorporated by reference to Exhibit (k)(3) to the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-114656), filed on September 17, 2004.

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- (W) Incorporated by reference to Exhibits (k)(3), (k)(4) and (r), as applicable, to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-188175), filed on April 26, 2013.
- (X) Incorporated by reference to Exhibits 10.2 through 10.4, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on January 25, 2010.
- (Y) Incorporated by reference to Exhibits 10.1 through 10.3, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on June 8, 2012.
- (Z) Incorporated by reference to Exhibit 10.5 to the Registrant's Form 10-Q (File No. 814-00663) for the quarter ended March 31, 2010, filed on May 10, 2010.
- (AA) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on January 19, 2011.
- (BB) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on October 14, 2011.
- (CC) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on January 19, 2012.
- (DD) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on January 28, 2013.
- (EE) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on May 15, 2014.
- (FF) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on April 18, 2016.
- (GG) Incorporated by reference to Exhibits 10.1 and 10.2, as applicable, to the Registrant's Form 8-K (File No. 814-00663), filed on January 24, 2012.
- (HH) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on September 17, 2012.
- (II) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on December 23, 2013.
- (JJ) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on July 1, 2015.
- (KK) Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K (File No. 814-00663), filed on February 27, 2012.
- (LL) Incorporated by reference to Exhibits 99.(14)(e) and 99.(16), as applicable, to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-14 (File No. 333-212604), filed on July 20, 2016.
- (MM) Incorporated by reference to Exhibit 99.(n)(2) to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form N-2 (File No. 333-212142), filed on June 21, 2016.
- (NN) Incorporated by reference to Exhibit 99.1 to the Registrant's Form 10-K (File No. 814-00663), filed on February 24, 2016.
- (OO)

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Incorporated by reference to Exhibits 99.(7)(a), 99.(11), 99.(17)(c) and 99.(17)(d), as applicable, to the Registrant's pre-effective Amendment No. 1 to the Registration Statement under the Securities Act of 1933, as amended, on Form N-14 (File No. 333-212604), filed on September 16, 2016.

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**Item 17. Undertakings.**

(1) The undersigned registrant agrees that prior to any public reoffering of the securities registered through the use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c) of the Securities Act, the reoffering prospectus will contain the information called for by the applicable registration form for the reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) The undersigned registrant agrees that every prospectus that is filed under paragraph (1) above will be filed as a part of an amendment to the registration statement and will not be used until the amendment is effective, and that, in determining any liability under the 1933 Act, each post-effective amendment shall be deemed to be a new registration statement for the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering of them.

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SIGNATURE	TITLE	DATE
* _____ Steven B. McKeever	Director	October 13, 2016
* _____ Robert L. Rosen	Director	October 13, 2016
* _____ Bennett Rosenthal	Co-Chairman and Director	October 13, 2016
* _____ Eric B. Siegel	Director	October 13, 2016

\*By: \_\_\_\_\_  
/s/ PENNI F. ROLL  
Penni F. Roll  
*Attorney-in-fact*

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MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

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