

INTERPHARM HOLDINGS INC
Form DEF 14A
October 26, 2006

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

INTERPHARM HOLDINGS, INC.
75 Adams Avenue
Hauppauge, New York 11788

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON NOVEMBER 16, 2006

To the Stockholders of Interpharm Holdings, Inc.:

You are cordially invited to attend the Annual Meeting of Stockholders of Interpharm Holdings, Inc., a Delaware corporation, to be held at the Hilton Hotel, 598 Broadhollow Road, Melville, New York 11747, on Thursday, November 16, 2006, at 10:00 a.m. local time, for the following purposes:

1. To elect six members to the Board of Directors of the Company to serve until their respective successors are elected and qualified; and
2. To ratify and approve Marcum & Kliegman, LLP, as our independent public accountants, to audit our financial statements for the fiscal year ending June 30, 2007; and
3. To transact such other matters as may properly come before the meeting or any adjournment thereof.

Only stockholders of record at the close of business on October 6, 2006 (the "Record Date") are entitled to notice of, and to vote at the meeting.

A proxy statement and proxy are enclosed herewith. If you are unable to attend the meeting in person you are urged to sign, date and return the enclosed proxy promptly in the enclosed addressed envelope, which requires no postage if mailed within the United States. If you attend the meeting in person, you may withdraw your proxy and vote your shares. Also enclosed herewith is our 2006 Annual Report.

By Order of the Board
of Directors

Maganlal K. Sutaria, Chairman

Hauppauge, New York
October 27, 2006

PROXY STATEMENT

INTERPHARM HOLDINGS, INC.
75 Adams Avenue
Hauppauge, New York 11788

ANNUAL MEETING OF STOCKHOLDERS
NOVEMBER 16, 2006

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The Board of Directors of Interpharm Holdings, Inc., a Delaware corporation (the “Company,” “we” or “us”), is soliciting the enclosed proxy for the annual meeting of stockholders to be held on November 16, 2006, at 10:00 a.m. local time, at the Hilton Hotel, 598 Broadhollow Road, Melville, New York 11747, or any continuation or adjournment thereof. At the meeting, the stockholders will be asked to vote on proposals, which are listed in the notice of annual meeting of stockholders and described in more detail below.

This proxy statement and the enclosed proxy card are being mailed on or about October 27, 2006, to all stockholders entitled to vote at the meeting. Our 2006 Annual Report on Form 10-K is also being mailed to all stockholders entitled to vote at the annual meeting. The Annual Report does not constitute a part of the proxy solicitation material.

At the meeting, our stockholders will be asked:

1. To elect six members to the Board of Directors to serve until their respective successors are elected and qualified;
2. To ratify and approve Marcum & Kliegman, LLP, as our independent public accountants, to audit our financial statements for the fiscal year ending June 30, 2007; and
3. To approve such other matters as may properly come before the meeting or any adjournment thereof.

Record Date; Outstanding Shares

Only stockholders of record at the close of business on October 6, 2006 (the “Record Date”) are entitled to receive notice of, and vote at our annual meeting. As of the Record Date, the classes of stock entitled to vote at the meeting, and the number of shares of each class outstanding as of the Record Date and entitled to vote consisted of:

- 64,609,554 shares of \$.01 par value per share common stock;
- 10,000 shares of series B-1 convertible preferred stock, par value \$.01 per share (“Series B-1 Stock”);
- 10,000 shares of series C-1 convertible preferred stock, par value \$.01 per share (“Series C-1 Stock”);
- 277,004 shares of series C convertible preferred stock, par value \$.01 per share (“Series C Stock”).

Each share of our common stock and Series C Stock is entitled to one vote on all matters. Each share of Series C Stock votes with the common stock. Each share of Series B-1 Stock and Series C-1 Stock also votes with the common stock and has a number of votes equal to the number of shares of common into which it is convertible on the record date for the action to be voted upon. The aggregate number of votes for each of the Series B-1 Stock and Series C-1 Stock as of the Record Date for this Meeting is 6,519,755. The Series A-1 preferred stock (of which there were 4,855,389 shares outstanding as of the Record Date) is not entitled to vote. We do not have any other voting securities.

Expenses of Soliciting Proxies

We will pay the expenses of soliciting proxies to be voted at the annual meeting. Following the original mailing of the proxies and other proxy materials, we or our agents may supplement the solicitation of proxies by mail, telephone, internet, telegraph or in person. Following the original mailing of the proxies and other proxy materials, we will request that brokers, custodians, nominees and other record holders of our common stock forward copies of the proxy and other annual meeting materials to persons for whom they hold shares of common stock and request authority for the exercise of proxies. In these cases, we will reimburse such record holders for their reasonable expenses if requested to do so.

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Revocability of Proxies

If you attend the meeting, you may vote in person, regardless of whether you have submitted a proxy. Any person giving a proxy in the form accompanying this proxy statement may revoke it at any time before it is voted. A proxy may be revoked by (i) written notice of revocation or submission of a new proxy sent to our Corporate Secretary at 75 Adams Avenue, Hauppauge, New York 11788, or (ii) attending the meeting and voting in person.

Voting and Votes Required for Approval

Every stockholder of record is entitled to one vote, for each share held, on each proposal or item that comes before the meeting. There are no cumulative voting rights. By submitting your proxy, you authorize Bhupatlal K. Sutaria, or any person designated as his substitute, to represent you and vote your shares at the meeting in accordance with your instructions. If the meeting is adjourned, Mr. Sutaria or his substitute will be authorized to vote your shares at any adjournment or postponement of the meeting.

To vote by mail, please sign, date and complete the enclosed proxy and return it in the enclosed self-addressed envelope, to Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004. If you hold your shares through a bank, broker or other nominee, it will give you separate instructions for voting your shares.

In addition to solicitations by mail, we may solicit proxies in person, by telephone, facsimile or e-mail. In the event that additional solicitation material is used, it will be filed with the SEC prior to its use.

Proposal 1: Election of Directors. Directors are elected by a plurality vote and the six nominees who receive the most votes will be elected. In the election of Directors, votes may be cast in favor of or withheld with respect to each nominee.

Proposal 2: Ratification of Selection of Auditors. The affirmative vote of stockholders owning at least a majority of our shares of common and preferred stock entitled to vote, and voting together as a single class, present in person or represented by proxy at our annual meeting at which a quorum is present is necessary for ratification of the selection of our auditors.

Tabulation of Votes

The votes received by proxy will be tabulated and certified by our transfer agent, Continental Stock Transfer & Trust Company. All other votes will be tabulated by an inspector of election at the meeting.

Voting by Street Name Holders

If you are the beneficial owner of shares held in “street name” by a broker, the broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give instructions to the broker, the broker will nevertheless be entitled to vote the shares with respect to “discretionary” items but will not be permitted to vote the shares with respect to “non-discretionary” items (in which case, the shares will be treated as “broker non-votes”).

Quorum; Abstentions; Broker Non-Votes

The required quorum for the transaction of business at the annual meeting is one-third of the issued and outstanding shares of common stock and Series B-1 Stock, Series C-1 Stock and Series C Stock, collectively, at the annual meeting, in person or by proxy. Shares that are voted “FOR,” “AGAINST” or “WITHHELD FROM” a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as shares represented and voting the votes cast at the annual meeting with respect to such matter.

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, we believe that abstentions should be counted for purposes of determining both: (i) the presence or absence of a quorum for the transaction of business; and (ii) the total number of votes cast with respect to a proposal (other than the election of directors). In the absence of controlling precedent to the contrary, we intend to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal.

Under current Delaware case law, while broker non-votes (i.e. the votes of shares held of record by brokers as to which the underlying beneficial owners have given no voting instructions) should be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. We intend to treat broker non-votes in this manner. Thus, a broker non-vote will make a quorum more readily obtainable, but the broker non-vote will not otherwise affect the outcome of the voting on a proposal.

PROPOSALS TO STOCKHOLDERS**PROPOSAL NO. 1****ELECTION OF DIRECTORS**

Our Board of Directors presently consists of six members. The Board of Directors has determined to nominate the existing six directors. Unless otherwise instructed, the proxy holder will vote the proxies received by him for the nominees named below. In the event that any nominee is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee who shall be designated by the current Board of Directors to fill the vacancy. The term of office of each person elected as a director will continue until the next annual meeting of stockholders or until a successor has been duly elected and qualified or until his or her earlier resignation, removal from office, death or incapacity.

Article III of our By-laws gives power to our Board of Directors to change the number of directors of the Company by resolution and to fill any vacancies created by an increase in the number of directors by a vote of the directors without the necessity of a vote by stockholders on such matter. Certain members of the Board have expressed a desire to enlarge our Board of Directors and elect candidates who have significant and relevant business experience. Accordingly, the Board of Directors may do so from time to time between annual meetings of stockholders.

The following table sets forth the names and ages of all current directors and all persons nominated or chosen to become directors along with their current positions, offices and term:

<u>Name of Nominee</u>	<u>Age</u>	<u>Position with Director Since Interpharm</u>	
Dr. Maganlal K. Sutaria	70	Chairman	May 2003
David Reback (1)(2)(3)(4)	64	Director	November 1997
Stewart Benjamin (1)(4)	41	Director	May 2001
Kennith Johnson (1)(2)(3)(4)	53	Director	November 2004
Richard J. Miller	47	Director	May 2006
Joan P. Neuscheler	47	Director	August 2006
(1)			Member of the audit committee
(2)			Member of the compensation committee
(3)			Member of the nominating committee
(4)			Member of corporate governance committee

The Board of Directors has determined that David Reback, Stewart Benjamin, Kennith Johnson, Richard J. Miller and Joan P. Neuscheler are independent (as independence is defined in Section 121A of the listing standards of the American Stock Exchange).

The following information with respect to the principal occupation or employment of the nominees, the name and principal business of the corporation or other organization in which such occupation or employment is carried on and other affiliations and business experience during the past five years has been furnished to us by the respective nominees:

DR. MAGANLAL K. SUTARIA is a cardiovascular surgeon who received his medical degree from the Medical College, Ahmedabad, Gujarat University in 1961 and since 1991 served as the Chairman of Interpharm, Inc. Dr. Sutaria has been a Director and Chairman of our Board of Directors since May 29, 2003.

DAVID C. REBACK has served as a director since November 1997. Since 1969, Mr. Reback has been a partner with Reback & Potash, LLP, a law firm specializing in litigation, appellate matters and real estate. Mr. Reback received a B.A. from Syracuse University, and in 1965 he received a Juris Doctor's degree from Syracuse University College of Law.

STEWART BENJAMIN has served as a Director since May 2001. Mr. Benjamin is a certified public accountant in the State of New York. From January 1996 to the present, Mr. Benjamin has been self-employed as a sole practitioner under the name of Stewart H. Benjamin, CPA, P.C. From 1985 through December 1995, Mr. Benjamin was employed as a staff accountant in both private industry and local public accounting firms. Mr. Benjamin received a Bachelor of Business Administration degree from Pace University in 1985.

KENNETH JOHNSON has served as a Director since November 18, 2004. He currently serves as the Chairman of our Audit and Compensation Committees. He is a CPA with more than 30 years of financial/accounting experience and presently Vice President of Finance & Administration with the operations of Fairfax Financial Holdings Ltd. a financial and insurance holding company. Prior to joining Fairfax, he had been a consultant and the Senior Vice President and Chief Financial Officer for the Movado Group, Inc., a manufacturer and distributor of Swiss watches and jewelry. Prior thereto, he was Vice President, Chief Financial Officer for Wenger-The Swiss Army Knife Company, a distributor and importer of Swiss made products. He has held financial positions with C.R. Bard, Inc., Becton Dickinson Company and Pfizer Corporation.

RICHARD J. MILLER has served as a director since May 30, 2006. Mr. Miller is the managing member of Shippan Point Advisors, LLC, a private equity advisory firm. As part of his private equity work, Mr. Miller was a member of Tullis-Dickerson Capital Focus III, LP's general partner from April 2002 to June 2006, serving as the Chairman and CEO of SupplyPro, Inc. from January 2004 to June 2006, as well as consulting with other private equity firms. Previously he served as Senior Vice President of GE Equity, a division of GE Capital, where he led successful strategic investments in healthcare and technology companies and as a partner of RFE Investment Partners, a venture capital firm.

JOAN P. NEUSCHELER has served as a director since August 23, 2006. Ms. Neuscheler has 17 years of experience in private equity investing as an officer of Tullis-Dickerson & Co., Inc. ("TD"), a health care-focused venture capital firm. Since July 1998, Ms. Neuscheler has been the President of TD. Ms. Neuscheler's previous experience includes three years in public accounting with Arthur Andersen and five years experience as a senior officer in a reinsurance firm. Ms. Neuscheler is a Director of Adams Respiratory Therapeutics, Inc. (NasdaqGS: ARXT), a specialty pharmaceutical company, and a number of privately held companies. She received her B.B.A. and her M.B.A. from Pace University.

Directors are elected by a plurality vote and the six nominees who receive the most votes of our Series B-1 Stock, Series C-1 Stock, Series C Stock and common stock, voting together as a class, will be elected. In the election of directors, votes may be cast in favor of or withheld with respect to each nominee.

Family Relationships

The following are the family relationships among our nominees for director and officers: Raj Sutaria, an officer of Interpharm, Inc., is the son of Maganlal K. Sutaria and the nephew of Bhupatlal K. Sutaria, our President. Maganlal K. Sutaria and Bhupatlal K. Sutaria are brothers.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION AS A DIRECTOR OF EACH OF THE NOMINEES SET FORTH ABOVE. PROXIES SOLICITED HEREBY WILL BE VOTED "FOR" EACH DIRECTOR NAMED ABOVE UNLESS A VOTE AGAINST A NOMINEE OR AN

ABSTENTION IS SPECIFICALLY INDICATED.

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MANAGEMENT

The following table sets forth the names and ages of all current Interpharm officers along with their current positions. Officers are appointed to serve until the meeting of the board of directors following the next annual meeting of stockholders and until their successors have been duly elected and qualified.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Cameron Reid	52	Chief Executive Officer
Bhupatlal K. Sutaria	60	President
George Aronson	57	Chief Financial Officer
Kenneth Cappel	40	Executive Vice President and General Counsel
Raj Sutaria	34	Chief Operating Officer
Jeffrey Weiss	39	Executive Vice President - Sales and Marketing
Jonathan Berlent	37	Senior Vice President - Business Development

CAMERON REID has served as the CEO of the Company since January 24, 2005. From 1992 through March 2004, Mr. Reid was the President of Dr. Reddy's Laboratories, Inc. Prior to joining Dr. Reddy's, Mr. Reid was an Executive Vice President of, and headed Roussel Corp., a division of Roussel UCLAF, a pharmaceutical company based in Montvale, New Jersey. Mr. Reid holds a Bachelor of Science degree in chemistry and geology from the University of Calgary. He is also a graduate of the executive management program at INSEAD in France.

BHUPATLAL K. SUTARIA. Mr. Sutaria has served as the President of Interpharm Inc. since 1990. Prior to joining Interpharm, Inc., Mr. Sutaria was an entrepreneur involved in several of his own businesses, including a motorcycle dealership and a franchised restaurant. Mr. Sutaria received a Bachelor's degree in Chemistry from Saurashpra University in India in 1972 and a Masters of Business Administration degree from the University of Palm Beach in 1974. Mr. Sutaria is the brother of Dr. Maganlal K. Sutaria.

GEORGE ARONSON became our Chief Financial Officer in January 2004. Prior to joining Interpharm, from 1995 through 2003, Mr. Aronson served as the Chief Financial Officer of Direct Insite Corporation, an application service provider (ASP) for large enterprise customers. Prior to 1995, he served as Chief Financial Officer of Hayim & Co., an importer/distribution organization from 1988 through 1994. Mr. Aronson holds a Bachelor of Science degree from Long Island University and is a Certified Public Accountant in the State of New York, is a member of the American Institute of Certified Public Accountants and the Financial Executives Institute.

KENNETH CAPPEL joined us in February 2005 and became our General Counsel on March 30, 2006. Mr. Cappel brings to us over 15 years of experience in pharmacy, pharmaceutical development and intellectual property law. After holding positions as a pharmacist in retail and hospital pharmacies, Mr. Cappel worked as a pharmaceutical scientist in the Schering-Plough Research Institute from October 1992 to September 2000. He then worked from September 2000 to March 2003 as an associate in the law firm of Budd Lerner where his practice focused on ANDA litigation, patent opinions and Hatch-Waxman/FDA regulatory issues. Mr. Cappel was next employed at Dr. Reddy's Laboratories, Inc. where from March 2003 to February 2005 he advised several key business units. Mr. Cappel

graduated Rutgers College of Pharmacy in 1989 and Seton Hall School of Law in 2000. He is a registered pharmacist and a member of the New Jersey bar.

JEFFREY WEISS became our Executive Vice President of Sales and Marketing in April 2005. Mr. Weiss brings with him over 17 years of experience in the pharmaceutical industry, having served in many senior level management positions in sales and marketing. Prior to joining us, Mr. Weiss served as CEO of Glenmark Pharmaceuticals Inc. from 2003 until joining us in April, 2005. Prior, Mr. Weiss served as Vice President of Sales for Dr. Reddy's Laboratories, Inc. from 2001 to 2003. Mr. Weiss holds a Bachelors degree from William Paterson College in Business Management.

JONATHAN BERLENT became our Vice President of Business Development in August 2004. He was promoted to Senior Vice President on July 1, 2006. Mr. Berlent brings with him over eleven years of experience from the capital markets division of FleetBoston as a manager and equities trader where he ran FleetBoston's Long Island desk from March 2000 to August 2001. Mr. Berlent earned a Masters of Business Administration from New York University's Stern School of Business in May 2001 where he double-majored in Finance and Management and he graduated in May 1991 from the University of Michigan with a Bachelor of Arts in Economics.

RAJ SUTARIA has been our Chief Operating Officer since November, 2004. Between 1997 and 2004, Mr. Sutaria served as Production Manager, Director of Manufacturing, Vice President and Chief Operating Officer of Interpharm, Inc. Mr. Sutaria earned a B.B.A. in Marketing from the University of Colorado at Boulder in 1997 and is the son of Maganlal K. Sutaria and the nephew of Bhupatlal K. Sutaria.

BOARD OF DIRECTORS MEETINGS AND COMMITTEES

Our Board of Directors held a total of six meetings during the fiscal year ended June 30, 2006. The Board of Directors did not act by unanimous written consent during the fiscal year nor did the independent directors meet during the fiscal year without the presence of non-independent directors and management. During the fiscal year ended June 30, 2006, each of our directors attended at least 75% of the aggregate number of all meetings of the Board of Directors and of the committees, if any, on which such director served. The Board of Directors has standing Audit, Nominating, Compensation and Corporate Governance Committees.

Audit Committee and Audit Committee Report

The Board of Directors created the audit committee in 1994. The audit committee is responsible for reviewing reports of financial results, audits, internal controls, and adherence to its Business Conduct Guidelines in compliance with federal procurement laws and regulations. The committee recommends to the Board of Directors the selection of Interpharm's outside auditors and reviews their procedures for ensuring their independence with respect to the services performed for Interpharm.

The audit committee is comprised of three directors: Kenneth Johnson, Stewart Benjamin and David Reback. In the opinion of the Board of Directors, Messrs. Johnson, Benjamin and Reback are independent of management and free of any relationship that would interfere with their exercise of independent judgment as members of this committee and they are independent as defined in Section 121(A) of the AMEX listing standards. The Board of Directors has adopted a written charter for the audit committee. The Audit Committee met four times during the fiscal year ended June 30, 2006.

AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Committee is comprised of three Directors and operates under a written charter adopted by the Board of Directors. All of the audit committee members are independent within the meaning of Rule 121(A) of the AMEX listing standards, and are "independent," as that term is defined in Section 10A of the Securities Act of 1934, as amended. Management has the primary responsibility for the financial statements and the reporting process, including the Company's systems of internal control. In fulfilling its responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management, including discussing with management the quality and acceptability of the Company's financial reporting and controls.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting standards, their judgments as to the quality and acceptability of the Company's financial reporting and such other matters as are required to be discussed with the Committee under generally accepted auditing standards, including the matters required to be discussed by SAS 61 (Communication with Audit Committees). In addition, the Committee has discussed with the independent auditors the auditors' independence from management and the Company, including the matters in the auditors' written disclosures required by Independent Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Furthermore, the Audit Committee has considered whether the provision of non-audit services by

the independent auditors for the fiscal year ended June 30, 2006 is compatible with maintaining their independence.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended June 30, 2006 be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2006, for filing with the SEC.

Management is responsible for the Company's financial reporting process including its systems of internal control, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent auditors are responsible for auditing those financial statements. Our responsibility is to monitor and review these processes. It is not the Committee's duty or responsibility to conduct auditing or accounting reviews or procedures. The Committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States of America and on the independent auditors' report on the Company's financial statements.

The Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Committee's considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with generally accepted accounting principles, that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent accountants are in fact "independent."

The Audit Committee is pleased to submit this report to the stockholders with regard to the above matters.

/s/ Kenneth Johnson
/s/ Stewart Benjamin
/s/ David Reback

The Company believes that Kenneth Johnson and Stewart Benjamin qualify as a "financial experts" as defined in Rule 401(k) of Regulation S-K.

Compensation Committee

In August 1994, the Board of Directors established a Compensation Committee, which is responsible for decisions regarding salaries, stock option grants and other matters regarding executive officers and key employees. Kenneth Johnson and David C. Reback currently serve on the Compensation Committee. During the fiscal year ended June 30, 2006, the compensation committee met one time.

Nominating Committee

In March, 2004 the Board of Directors established a Nominating Committee, which is responsible for determination of the appropriate size, functioning and needs of the Board, including, recruitment and retention of high quality Board members, committee composition and structure, Board assessment of director performance and related party and conflicts oversight. Kenneth Johnson and David C. Reback currently serve on the Nominating Committee. All of the Nominating Committee members are independent within the meaning of Rule 121(A) of the AMEX listing standards, and are "independent," as that term is defined in Section 10A of the Securities Act of 1934, as amended. During the fiscal year ended June 30, 2006 the Nominating Committee met one time.

The Nominating Committee considers nominees recommended by any stockholder entitled to vote in the election of directors. Any stockholder wishing to nominate an individual for election to the Board must comply with the advance notice procedures described in the "Stockholders' Proposals" section at the end of this proxy statement. The nomination must contain the following information about the nominee: name, age, business and residence addresses, principal occupation or employment, the number of shares of common stock held by the nominee, the information that would be required under SEC rules in a proxy statement soliciting proxies for the election of such nominee as a director, and a signed consent of the nominee to serve as a director of the Company, if elected. The Nominating Committee has not specified any minimum qualifications for serving on the Board. However, in its assessment of potential candidates, the Nominating Committee will review the candidate's character, business experience and understanding of the Company's business environment, and ability to devote the time and effort necessary to fulfill his or her responsibilities, all in the context of the perceived needs of the Board at that time.

A copy of our Nominating Committee Charter is available on our website at www.interpharminc.com.

Corporate Governance Committee

In March, 2004, the Board of Directors established a Corporate Governance Committee, which is responsible for reviewing the Company's corporate governance and making recommendations as to changes and improvements as necessary. Kenneth Johnson, David C. Reback and Stewart Benjamin currently serve on the Corporate Governance Nominating Committee. All of the Corporate Governance Committee members are independent within the meaning of Rule 121(A) of the AMEX listing standards, and are "independent," as that term is defined in Section 10A of the Securities Act of 1934, as amended. During the fiscal year ended June 30, 2006 the Corporate Governance Committee did not meet.

BOARD OF DIRECTORS COMPENSATION

Compensation of Directors

We compensate members of our Board of Directors annually as follows: (i) Board member - \$750; (ii) attendance in person per meeting - \$500, telephonically - \$250; (iii) committee chairman - \$1,000; (iv) committee member - \$250. Further, all directors are entitled to reimbursement of reasonable travel and lodging expenses related to attending meetings of the Board of Directors and any committee on which they serve. In addition, the Company and its Compensation Committee are currently working to determine the compensation of directors for the fiscal year ended June 30, 2006.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors of Interpharm Holdings, Inc. (the “Company”) is charged with developing and administering a compensation policy for senior management that contains appropriate performance incentives and equity-linked components, and reviewing annually the performance of the executive officers of the Company.