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U.S. Securities and Exchange Commission
Washington, D.C. 20549
Form 10-KSB

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For fiscal year ended April 30, 2001

Commission File Number 0-20424

Hi-Tech Pharmacal Co., Inc.
(Name of small business issuer in its charter)

Delaware	11-2638720
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

369 Bayview Avenue, Amityville, New York 11701
(Address of principal executive offices) (Zip Code)

(631) 789-8228
Issuer's telephone number

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock, $.01 par value
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. (X)

The issuer's revenues for its most recent fiscal year ended April 30, 2001 were $29,649,000.

The aggregate market value of the voting stock held by non-affiliates of the issuer on July 26, 2001, based upon the price at which such stock was sold on that date, was $22,461,702. The number of shares of Common Stock of the issuer outstanding as of July 26, 2001 was 4,569,942.

Transitional Small Business Disclosure Format: Yes ; No X

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ITEM 1. BUSINESS.

General

Hi-Tech Pharmacal Co., Inc. (the "Company") a Delaware corporation, incorporated in April 1983, is a growing specialty manufacturer and marketer of prescription, over-the-counter and nutritional products.

The Company manufactures and distributes its products from facilities at Amityville, NY. The Company sells its products in three similar markets: 1) Generic pharmaceuticals, 2) Branded products and 3) Contract manufacturing. The Company markets its generic pharmaceuticals under the brand names H-T(TM) and RX Choice(TM). The Company also markets a line of branded products primarily for people with Diabetes, including Diabetic Tussin(R), DiabetiDerm(R), DiabetiSweet(TM), DiabetiGest(TM) and DiabetiRinse(TM). In addition, the Company markets other niche over-the-counter brands to the general healthcare marketplace under such brands as Kosher Care(TM), Nasal Ease(TM), and Soothing Comfort(TM).

The Company specializes in the manufacture of liquid, cream and ointment formulations. The Company also manufactures products in a state of the art sterile facility capable of producing ophthalmic, otic and inhalation products.

The Company’s customers include chain drug stores, drug wholesalers, generic distributors, mass merchandisers, mail-order pharmacies and certain Federal government agencies. Some of the Company’s key customers include Bergen-Brunswig, CVS, Eckerds, K-Mart, McKesson, Rite-Aid, Rugby Labs/Div of Watson, Walgreens, Wal-Mart and Ivax Pharmaceuticals. The Company produces a wide range of products for various disease states including cough and cold, allergies, pain, stomach and neurological disorders and others.

The Company currently markets more than 70 products to approximately 100 customers. For the fiscal year ended April 30, 2001 the Company’s sales breakdown was as follows: 79% generic and contract manufacturing and 21% branded products. The Steri-Med Division (sterile products) contributed approximately $2.2 million of which 80% was from the sales of two Albuterol Inhalation products.

The Company’s Health Care Products Division ("HCP") is a leading manufacturer and marketer of branded products that include over-the-counter, as well as prescription products primarily to people with diabetes. These products include the

Company's flagship brand Diabetic Tussin(R) which is available in several formulations, including DM, Max Strength, EX, Allergy and Cough Drops. The Company also markets Diabetic Tussin-C, a prescription formulation for severe coughs.

HCP also markets DiabetiSweet(R) - a unique sugar substitute which is aspartame free and heat stable for baking and cooking, which has become HCP's number two selling product after Diabetic Tussin(R). HCP also markets the following products: DiabetiDerm(R) Cream and Lotion for severe dry skin; DiabetiGest(TM) - an antacid calcium supplement; and DiabetiRinse(TM) - a mouth rinse for people with diabetes.

HCP recently launched Diabetic Health, a nutritional catalogue for people with diabetes. The catalogue contains nutritional supplements uniquely formulated for people with diabetes. In addition, the catalogue contains the Company's over-the-counter products. The catalogue has been mailed to a targeted list of diabetic consumers. HCP will continue to aggressively develop and market new items for the diabetic market. There are estimated to be more than 16 million diabetics in the United States alone; 10 million diagnosed and 800,000 new cases per year. There are more than 100 million cases worldwide. The Company is confident that it can maintain its leadership position in the area of improving the lifestyle of people with diabetes and will devote a significant portion of its resources to continuing its penetration of this market.

HCP also continues to market its Kosher Care(R) brand of products, as well as Nasal Ease(R) and SoothIt(R) Lotion.

The Company has received Abbreviated New Drug Application ("ANDA") approvals for 24 products. All of the products listed below are marketed under the Company's brand names H-T(TM) or RX Choice(TM) and in certain cases under private label. The following table sets forth the principal products marketed by the Company and the names of certain national brands with which these products compete.

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Company Product	Examples of Competing National Products
Prescription Drugs	
<S>	<C>
Carbofed DM Syrup & Drops	Rondec(R)-DM
Triple Tannate Pediatric Suspension	Rynatan(R)
Quad-Tuss Tannate Pediatric Suspension	Rynatuss Pediatric Suspension
Promethazine HCI & Dextromethorphan Hbr Syrup	Phenergan(R)w/ Dextromethorphan Syrup
Promethazine HCL & Codeine	Phenegran(R)with Codeine
Albuterol Sulfate Inhalation 0.5% (Sterile)	Proventil(R)Inhalation Solution
Albuterol Sulfate Syrup	Ventolin(R)Syrup
Albuterol Sulfate Inhalation 0.83% (Sterile)	Proventil(R)Inhalation Solution
Tri-Vitamin Drops with Iron & Fluoride (0.25)	Tri-Vi-Flor(R)w/Iron
Tri-Vitamin Drops with Fluoride (0.25)(0.5)	Tri-Vi-Flor(R)
Tri-Vitamin Drops with Fl(.25)(.5)	Tri-Vi-Flor(R)
Poly-Vitamin Drops with Fluoride (0.25)(0.5)	Poly-Vi-Flor(R)
Poly-Vitamin Drops with Iron & Fluoride (0.25)(0.5)	Poly-Vi-Flor(R)
Valproic Acid Syrup	Depakene(R)Syrup
Hydroxyzine Hydrochloride Syrup	Atarax(R)
Amantadine Hydrochloride Syrup	Symmetrel(R)Syrup
Lidocaine HCL Oral Topical Solution	Xylocaine(R)
Lactulose Solution USP	Chronulac(R), Cephulac(R)
APAP with Codeine Oral Solution	Tylenol(R)with Codeine
Chlorhexidine Gluconate Oral Rinse	Peridex(R)
Cimetidine Hydrochloride Oral Solution	Tagamet(R)Oral Solution300 mg/5mL
Tannate-12 Suspension	Tussi-12(R)
Erythromycin Topical Soln.	T-Stat Solution 2%(R)
Sulfamethoxazole & Trimethoprim Oral Susp. Grape & Cherry	Bactrim Pediatric Susp.(R)
Brometane DX	Dimetane DX(R)
H-T Tussin DM 20/2000	Dura Tuss DM(R)
Luride Drops	Sodium Fluoride Drops(R)

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Company Product	Examples of Competing National Products
Vitamins and Nutritional Supplements	
<S>	<C>
Tri-Vitamin Drops	Tri-Vi-Sol(R)Drops
Poly-Vitamin Drops	Poly-Vi-Sol(R)Drops
Poly-Vitamin Drops with Iron	Poly-Vi-Sol(R)with Iron
Golden Age Liquid Vitamins & Minerals	Centrum(R)Liquid
Ferrous Sulfate Drops	Fer-in-Sol(R)Drops
Ferrous Sulfate Elixir	Feosol Elixir
Dalyvite	Vi-daylin(R)
Dalyvite with Iron	Vi-daylin(R)with Iron
Vitamin C Liquid	Vitamin C Liquid

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Company Product	Examples of Competing National Products
<S>	<C>
Over-The-Counter Pharmaceuticals	
Branded Health Care Products	
Diabetic Tussin(R)-Formula DM	
Diabetic Tussin(R)-Formula DM Maximum Strength	
Diabetic Tussin(R)-Formula EX	
Diabetic Tussin(R)Allergy Relief Formula	
Diabetic Tussin(R)Children's Formula	
DiabetiDerm(TM)Moisturizing Lotion for Severe Dry Skin	
DiabetiDerm(TM) Moisturizing Cream for Severe Dry Skin	
DiabetiRinse(TM)	
DiabetiGest(TM)	
DiabetiSweet(R) - Aspartame Free Sugar Substitute	
Kosher Care(TM) - Tussin DM	
Kosher Care(TM) - Pain and Fever Relief	
Kosher Care(TM) - Allergy Relief	
NasalEase(TM) Moisturizing Nasal Spray	

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Company Product	Examples of Competing National Products
Cough/Cold/Decongestant/Other Products/Private Label	
Active Syrup	Actifed Syrup
Hygienol	Balneol
Aromatic Cascara Sagrada	Cascara Sagrada
Bromtapp Elixir Alcohol Free	Dimetapp(R)Elixir
Bromtapp DM Elixir Alcohol Free	Dimetapp(R)DM Elixir
Guaiatussin-DM	Robitussin(R)DM
Guaiatussin DAC (CV)	Robitussin DAC (CV)
Guaiatussin AC (CV)	Robitussin AC (CV)
Guaiatussin (Alcohol Free)	Robitussin (Alcohol Free)
Tri-Fedrine	Triaminic(R)
Nite-Time Cough Medicine	Nyquil(R)
Children's Allergy Medicine	Benadryl(R)
Oxymetazoline Nasal Spray	Afrin(R)Nasal Spray
Apap Drops	Tylenol(R)Drops
Apap Elixir	Tylenol(R)Elixir
Equalizer Gas Relief Drops	Mylicon(R)Drops
K-Pec with Attapulgite	Kaopectate(R)
Minoxidil Topical Solution 2%	Rogaine(R)
Loperamide HCL Oral Solution	Imodium A-D(R)
Geri-Tonic	Gevrabon
Nausea Control Cherry Flavor	Emetrol Cherry
Peri-Docu Syrup	Peri-Colace
Docu Syrup	Colace Syrup
Docu Liquid	Colace Liquid
Eye Wash/Irrigating Solution	Eyewash
Hypotonic Tears	Visine(R)
Redness Reliever Eye Drops	Neo-Calglucon
Calcium Glubionate Syrup	

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Research and Product Development

The Company's research and development activities consist of new generic drug product development efforts and manufacturing process improvements. New product activities are primarily directed at conducting research studies to develop generic drug formulations, reviewing and testing such formulations for therapeutic equivalence to brand name products and development of brand name products for its Health Care Products Division.

The Company's product development strategies depend upon its ability to formulate and develop generic drug products equivalent to brand name drugs for which, in some cases, patent protection is expiring or has already expired and to obtain FDA approval using the ANDA procedure for the manufacture and sale of such products.

The completion of a prospective product's formulation, testing and FDA approval generally takes up to several years. Development activities for each generic product could begin several years in advance of the patent expiration date, which may include bioequivalency studies which are a significant cost of such ANDA submissions. Consequently, the Company is presently selecting and will continue to select and develop drugs it expects to market several years in the future.

For the fiscal years ended April 30, 2001 and 2000, total R&D expenditures were $1,683,000 and $1,367,000. The Company currently has several products in various stages of development, which belong to different therapeutic categories and when approved by the FDA, may represent a large potential market for the Company. The Company continues to place increasing emphasis on its R&D activities. The Company has seven products currently submitted to the FDA for approval and in addition has another ten products in various stages of development.

The Company has the approval of the DEA to sell certain generic pharmaceutical products containing narcotics. The Company is currently manufacturing six preparations containing narcotics. In order to manufacture and sell products containing narcotics, the Company has implemented stringent security precautions to insure that the narcotics are accounted for and properly stored. The Company is currently developing other products which contain narcotics.

The Company's Steri-Med Division is capable of manufacturing ophthalmic, otic and inhalation products. The manufacture of ophthalmic, otic, and other products require a sterile environment, validation of the manufacturing process and special equipment and trained personnel. The Company has produced nine different products in its sterile facility. The Company intends to use the ANDA procedure to obtain FDA approval for the manufacture of certain other products in this facility. In addition, the Company has several contract manufacturing agreements for products at various stages of development to be manufactured in its sterile facility. The Company currently manufactures over-the-counter eye drops, eye wash and artificial tears and two sterile Albuterol inhalation products previously approved by the FDA.

The Company and Reuben Seltzer, a director of the Company, each has a 21.25% interest in Marco Hi-Tech JV Ltd. ("Marco Hi-Tech"), a New York corporation, which markets raw materials for nutraceutical products and has licensed the patent rights to Huperzine and analogues from the Mayo Clinic. Huperzine is a naturally derived compound belonging to a class known as acetylcholinesterase inhibitors. Huperzine has been shown to inhibit the enzyme responsible for the breakdown of acetylcholine, a neurotransmitter or brain chemical, which is believed to be critical in learning and memory. Marco Hi-Tech is currently distributing Huperzine as a dietary supplement under the

Dietary Supplement Health and Education Act of 1994 and developing analogues and derivatives to Huperzine. Marco Hi-Tech has entered into a supply arrangement for its Huperzine product with a multi-national leader in the nutraceutical market. It is also developing other products for the nutraceutical market.

Customers and Marketing

The Company markets its products to chain drug stores, drug wholesalers, generic distributors, mass merchandise chains, mail order pharmacies, managed care providers, and local, state and Federal government agencies. The Company sells its generic products to over 100 active accounts located throughout the United States. For the fiscal year ended April 30, 2001, one customer, Rugby Laboratories, a division of Watson Laboratories, accounted for approximately 10% of the Company's sales. For the fiscal year ended April 30, 2000, Rugby Laboratories accounted for approximately 14% of the Company's sales. Each of the Company's other major customers accounted for less than 10% of the Company's total revenues for such periods. The Company's top ten customers accounted for approximately 58% and 61% of the Company's total sales for each of the fiscal years ended April 30, 2001 and 2000, respectively. If any of the Company's top five customers discontinues or substantially reduces its purchases from the Company, it may have a material adverse effect on the Company's business and financial condition. The Company believes, however, that it has good relationships with its customers.

The Company utilizes its state of the art facilities and laboratories to offer contract manufacturing which includes research and development programs, to its existing as well as potential customers.

The Company's Health Care Products Division ("HCP"), created in fiscal 1993, currently includes branded over-the-counter products for the diabetic consumer. The Company's products are Diabetic Tussin(R), its flagship brand available in several formulations, including Diabetic Tussin(R) DM, Maximum Strength, Children's Formula and Allergy Formula and Cough Drops. The Company's Diabetic Tussin(R) DM is the best selling sugar free over-the-counter cough medication in the United States. HCP also markets dermatological moisturizers under the brand name DiabetiDerm(TM), which include DiabetiDerm(TM) Cream and Lotion. HCP has introduced DiabetiSweet(R), a unique aspartame free heat stable sugar substitute formulated for use in baking, cooking and sweetening beverages, which has become the Company's number two selling product after Diabetic Tussin(R). HCP also markets DiabetiGest(TM) antacid formulation calcium supplement and DiabetiRinse(TM) mouthwash formulation. HCP recently launched Diabetic Health, a nutritional catalogue for people with diabetics. The catalogue contains nutritional supplements uniquely formulated for people with diabetics and contains the Company's over-the-counter products. The catalogue has been test mailed to a targeted list of diabetic consumers.

HCP also markets several other niche over-the-counter brands, including Nasal Ease(TM), a nasal moisturizer, which contains zinc and Kosher Care - a new line of over-the-counter products certified as Kosher. HCP intends to continue its focus on introducing branded over-the-counter formulations targeted to the diabetic market. HCP is introducing its first ever branded prescription product, Diabetic Tussin-C, a formulation for severe coughs by prescription only. Products sold through the Health Care Products Division accounted for approximately 20% and 25% of the Company's total sales for fiscal 2001 and fiscal 2000, respectively.

The Company markets its products using various marketing tools, which include more contemporary packaging to improve point-of-purchase impact, media, trade and consumer journal advertising, as well as coupon promotions, professional and consumer sampling programs, as well as telemarketing efforts. The Company has expanded its marketing strategy with programs to include marketing ventures with major companies selling popular non-competing diabetic medications, pharmacy programs and via the Internet using a website. As part of its marketing strategy, the Company places increasing emphasis on the Internet which it views as a very efficient tool in educating and reaching out to millions of people with diabetes. The Company's website is registered under the domain name diabeticproducts.com. The Company has joined efforts with other diabetic based websites. HCP currently employs 5 full time employees in sales and marketing and two independent commission sales representative organizations.

The Company is focused on growth and will continue to develop new branded and generic products, and also will devise new marketing strategies to aggressively penetrate the market. In order to maximize its growth and shareholder value, the Company is seeking to complement this internal effort by acquiring products for future marketing, as well as licensing rights to proprietary products and technologies for development and commercialization. The Company will place increasing emphasis on establishing co-development and co-marketing agreements with strategic partners. To facilitate the implementation of this aggressive growth strategy, the Company engaged in the services of an investment banker, The Nassau Group (the "Group"), Westport, CT. Based on their extensive expertise in financial and business consulting, the Group has worked with the Company's management to evaluate its strategic options. While the Company is no longer formally using the services of the Group it will continue to review and seek new opportunities for growth and enhancement shareholder value.

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Manufacturing

The Company's manufacturing capabilities are designed to be flexible in order to allow the low cost production of a variety of products of different dosages, sizes, packagings and quantities while maintaining a high level of quality and customer service. This flexible production capability allows the Company to adjust on-line production in order to meet customer requirements.

Manufacturing and Facilities

The Company is operating from four buildings on one site in Amityville, New York totaling approximately 133,000 square feet.

Building 1 -	This 40,000 sq. ft. facility is dedicated to liquid and semi-solid production which consists of a compounding facility, 5 high speed filling lines and raw material warehousing space and pharmacy.
Building 2 -	This 21,500 sq. ft. facility consists of narcotic manufacturing and cream and ointment filling, quality control and microbiology laboratories and the Company's Steri-Med Unit for sterile manufacturing and filling.
Building 3 -	This 21,500 sq. ft. facility is used for research and development laboratories and warehousing of components.
Building 4 -	This 50,000 sq. ft. facility is used for warehousing space and distribution center.

The Company owns all of its buildings except for its 50,000 square foot warehouse for which it has a lease purchase agreement in place on favorable terms.

The Company constructed a new 8,000 square foot office building which will be occupied in September 2001. This facility will be used for administration, sales and marketing. The Company believes the current facilities will be adequate for the next several years.

Raw Materials

The Company's raw materials are readily available from multiple suppliers, and the Company is not dependent upon any single supplier for its needs, with the exception of certain ANDA products. The Company has a source for various tannate raw materials used in the manufacturing of a number of its key products. The Company believes it has good, cooperative working relationships with its suppliers and is not experiencing any difficulty in obtaining its raw materials. If a supplier were unable to supply the Company, the Company believes it could locate an alternative supplier. However, any change in suppliers of a raw material could cause significant delays and cost increases in the manufacture of such product.

Competition

The market for generic pharmaceuticals is highly competitive. The Company's direct competition consists of numerous generic drug manufacturers, many of which have greater financial and other resources than the Company. If one or more other generic pharmaceutical manufacturers significantly reduce their prices in an effort to gain market share, the Company's profitability or market position could be adversely affected. Competition is based principally on price, quality of products, customer service, reputation and marketing support.

Government Regulation

The Company's products and facilities are subject to regulation by a number of Federal and state governmental agencies. The FDA, in particular, maintains oversight of the Company's manufacturing process as well as the distribution of the Company's products. In July 1999, the Company received a warning letter from the FDA, alleging certain non-compliance issues based upon a previously conducted investigation. In response to the warning letter, the Company promptly met with the FDA, hired a highly qualified compliance consultant and prepared and submitted a corrective action plan on October 14, 1999 outlining its remediation efforts. In October 1999 and July 2000 the FDA commenced a new inspection. The Company continues to voluntarily provide quarterly updates to the FDA regarding its further compliance efforts. As of the date hereof, the Company believes it has taken the corrective action to bring the Company in substantial compliance with applicable FDA regulations. The FDA has not required the Company to cease manufacturing any of its products due to compliance issues.

Although many of the products currently manufactured and marketed by the Company do not require prior specific approval of the FDA, certain products which the Company currently markets and intends to market under its product development program

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will require prior FDA approval using the ANDA procedure before they can be marketed. The Company currently has pending submissions for FDA approval of seven generic formulations and has 24 approved products.

An ANDA can be filed for a drug which is the equivalent of a product previously approved by the FDA. Under the ANDA procedure, applicants are required to demonstrate through studies that, among other things, the drug product is chemically equivalent to the previously approved drug, that its facilities and personnel meet standards for the manufacture of such product, and that its production procedures will consistently adhere to FDA quality standards, and, in certain cases, the applicant is required to demonstrate the bioequivalency of its product (the rate and extent of absorption of a drug's active ingredient and/or its availability at the site of drug action).

The FDA has extensive enforcement powers, including the power to seize noncomplying products, to seek court action to prohibit their sale and to seek criminal penalties for noncomplying manufacturers. Although it has no statutory power to force the recall of products, the FDA usually accomplishes a recall as a result of the threat of judicially imposed seizure, injunction and/or criminal penalties.

The Company is also subject to regulation by the DEA, which regulates the sale of pharmaceutical products that contain narcotics. The Company has received DEA approval and is manufacturing and selling six products containing narcotics. The DEA also has extensive enforcement powers, including the power to seize and prohibit the manufacture and sale of noncomplying products.

Product Liability

The sale of pharmaceutical products can expose the manufacturer of such products to product liability claims by consumers. A product liability claim, if successful and in excess of the Company's insurance coverage, could have a material adverse effect on the Company's financial condition. No product liability suit has ever been filed against the Company. The Company maintains a product liability insurance policy which provides coverage in the amount of $5,000,000 per claim and in the aggregate, with a $100,000 deductible.

Employees

As of April 30, 2001, the Company employed 146 full-time persons and 2 part-time persons, of whom 22 were engaged in executive, financial and administrative capacities; 10 in marketing, sales and service; 69 full-time employees and 2 part-time employees in production, warehousing and distribution; and 45 in research and development and quality control functions. The Company is not a party to a collective

bargaining agreement. The management of the Company considers its relations with its employees to be satisfactory.

ITEM 2. PROPERTIES.

The Company's executive offices and manufacturing facility are located in Amityville, New York. The Company currently occupies such facility, aggregating approximately 40,000 square feet. There is a first mortgage on the property in the original principal amount of $922,500.

The Company also owns a facility in Amityville, New York of approximately 21,500 square feet, which is used as a sterile manufacturing facility and also contains research and development, chemistry and microbiology laboratories. There is a first mortgage on the property in the original principal amount of $600,000.

The Company leases an approximately 50,000 square feet facility in Amityville, New York which it uses for the warehousing of finished goods and shipments. The Company has an option to purchase this facility. The current annual base rent is $199,000.

The Company also owns a 21,000 square feet warehouse facility in Amityville, New York which it purchased in February 1994 for a purchase price of $500,000. There is a first mortgage on the property in the original principal amount of $375,000. The Company's four facilities in Amityville, New York total approximately 133,000 square feet.

The Company has completed the construction of an approximate 8,000 square foot office building adjacent to its existing facilities to be utilized for administrative offices.

The Company believes that its properties are adequately covered by insurance and are suitable and adequate for its needs for several years.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any material litigation.

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

No matters were submitted to a vote of security holders during the quarter ended April 30, 2001.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK.

MARKET INFORMATION

The following table sets forth the high and low sales prices for the Company's common stock for the periods indicated, as reported by Nasdaq. The quotations are inter-dealer prices, without retail mark-up, mark-down or commissions paid, and may not necessarily reflect actual transactions.

Quarter Ended	High	Low
Fiscal 2000		
July 31, 1999	4.63	3.75
October 31, 1999	5.44	3.56
January 31, 2000	5.43	3.75
April 30, 2000	8.69	3.81
Fiscal 2001		
July 31, 2000	4.81	3.75
October 31, 2000	5.19	3.25
January 31, 2001	4.50	3.69
April 30, 2001	6.06	4.00

As of July 26, 2001 the closing price of the Common Stock on the Nasdaq National Market System was $14.20.

COMMON STOCK HOLDERS

The Company believes there are approximately 1,133 holders of Common Stock, including shares held in street name by brokers.

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DIVIDENDS

The Company has never declared or paid any cash dividends, and it does not anticipate that it will pay cash dividends in the foreseeable future. The declaration of dividends by the Company in the future is subject to the sole discretion of the Company's Board of Directors and will depend upon the operating results, capital requirements and financial position of the Company, general economic conditions and other pertinent conditions or restrictions relating to any financing. The Company's current loan agreement prohibits the payment of cash dividends by the Company.

ITEM 6. MANAGEMENT'S DISCUSSION AND OF OPERATIONS FINANCIAL CONDITION AND RESULTS

GENERAL

The following discussion and analysis should be read in conjunction with the Financial Statements and Notes thereto appearing elsewhere in this Report.

The following table sets forth, for all periods indicated, the percentage relationship that items in the Company's Statements of Operations bear to net sales.

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	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
Net Sales	100.0%	100.0%
Cost of Sales	51.7%	56.7%
Gross profit	48.3%	43.3%
Selling, general & administrative expense	31.0%	29.4%
Research & development costs	5.7%	5.2%
Contract research (income)	(0.8)%	(1.1)%
Interest expense	0.3%	0.5%
Interest (income) and other	(1.1)%	(1.0)%
Total expenses	35.1%	33.0%
Income before tax provision	13.2%	10.3%
Income tax provision	5.1%	3.9%
Net income	8.1%	6.4%

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RESULTS OF OPERATIONS YEARS ENDED APRIL 30, 2001 AND 2000

For the fiscal year ended April 30, 2001 ("Fiscal 2001"), net sales increased by $3,235,000, or 12.2% to $29,649,000 from $26,414,000 for the fiscal year ended April 30, 2000 ("Fiscal 2000"). The increase was primarily the result of the increased shipments to our existing customers as well as several new customers in Fiscal 2001. Sales of the Health Care Products Division declined approximately $575,000.

Cost of sales, as a percentage of net sales, decreased from 56.7% for Fiscal 2000 to 51.7% for Fiscal 2001. In the aggregate, labor and overhead, including the sterile manufacturing facility, expense increased less than increased sales. Primarily, a higher proportion of revenues from certain higher gross profit products influenced the results favorably. The Company continues to have a source for the associated raw materials used in the manufacture of these products. If one or more other generic pharmaceutical manufacturers significantly reduce their prices in an effort to gain market share, the Company’s profitability could be adversly affected.

Selling General and Administrative expenses, as percentage of net sales increased from 29.5% to 31.0%, or increased to $9,197,000 for Fiscal 2001 from $7,786,000 for Fiscal 2000 resulting principally from a increased sales staff and test mailing a product catalog to direct mail prospects.

Research and development costs increased to $1,683,000 or 5.7% of sales for Fiscal 2001 from $1,367,000 or 5.2% of sales for Fiscal 2000 as a result of, among other things, expenses associated with the filing of Abbreviated New Drug Applications (ANDAs) with the FDA as well as development of new products for the Company’s Health Care Products Division. The majority of the Company’s pharmaceutical products do not require prior approval before marketing. However, certain products which the Company introduced and intends to introduce under its product development program will require prior FDA approval using the ANDA procedure before they can be manufactured and marketed. Such products include products to be manufactured in the Company’s sterile facility. There can be no assurance that the FDA will approve such products or, if approved, when such approval will be received.

Net income increased to $2,391,000 for Fiscal 2001 from net income of $1,692,000 for Fiscal 2000, as a result of the factors noted above.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s operations are historically financed principally by cash flow from operations and bank borrowing. At April 30, 2001 and April 30, 2000, working capital was approximately $13,095,000 and $10,676,000, respectively.

Accounts payable decreased 31% from $3,335,000 for Fiscal 2000 to $2,313,000 for Fiscal 2001 due principally to faster payment processing.

Accrued expenses increased 27% from $1,746,000 for Fiscal 2000 to $2,210,000 for Fiscal 2001 as a result of the increased levels of compensation expenses.

Cash flows from operating activities were approximately $3,483,000, which was the result principally of net income and depreciation of $3,664,000. Cash flows used in investing activities was approximately $873,000 from operating activities funds and was principally payments for fixed assets acquired. Cash flows used for financing activities approximated $647,000 and resulted from the retirement of $446,000 of debt and the acquisition of Treasury stock in the amount of $204,000.

On February 2, 2000 the Company renewed its $6,000,000 working capital credit line expiring February 3, 2003. At April 30, 2001 the rate for borrowing was 6.6% and there was no balance outstanding. Borrowings under the line are collateralized by inventory, accounts receivable and all other assets. The agreement contains covenants with respect to working capital, net worth and certain ratios, as well as other covenants and prohibits the payment of cash dividends.

The Company believes that its financial resources consisting of current working capital, anticipated future operating revenue and its credit line will be sufficient to enable it to meet its working capital requirements for at least the next 12 months.

In December 1999, the SEC released Staff Accounting Bulletin No. 101 ("SAB

101"), which provides the staff's views on applying generally accepted accounting principles to selected revenue recognition issues. During the year ended April 30, 2001, the Company adopted SAB 101, which did not materially impact the Company's financial position, results of operations or cash flows.

<PAGE>

SELECTED FINANCIAL DATA

The selected financial data presented below for the five years ended April 30, 2001 are derived from the audited financial statements of the Company. This data is qualified in its entirety by reference to, and should be read in conjunction with, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Company's financial statements and related notes thereto included elsewhere herein.

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,				
	2001	2000	1999	1998	1997
Statement of operations data:					
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 29,649,000	26,414,000	23,266,000	22,366,000	20,534,000
Costs and expenses:					
Costs of goods sold	15,315,000	14,979,000	13,210,000	13,084,000	13,278,000
Research and development	1,683,000	1,367,000	1,124,000	1,003,000	960,000
Selling, general and administrative	9,197,000	7,786,000	6,262,000	5,497,000	4,862,000
Contract research (income)	(250,000)	(279,000)	(336,000)	(228,000)	(178,000)
Interest expense	104,000	126,000	220,000	268,000	340,000
Interest (income) and other	(319,000)	(277,000)	(210,000)	(93,000)	(55,000)
	$ 25,730,000	23,702,000	20,270,000	19,531,000	19,207,000
Income before provision for income taxes	3,919,000	2,712,000	2,996,000	2,835,000	1,327,000
Provision for income taxes	1,528,000	1,020,000	1,118,000	1,100,000	510,000
Net income	$ 2,391,000	1,692,000	1,878,000	1,735,000	817,000
Basic earnings per share	$ 0.55	$ 0.38	$ 0.42	$ 0.38	$ 0.18
Diluted earnings per share	$ 0.54	$ 0.38	$ 0.42	$ 0.38	$ 0.18
Weighted average common shares outstanding basic earnings per share	4,357,000	4,401,000	4,487,000	4,516,000	4,526,000
Effect of potential common shares	57,000	57,000	32,000	64,000	73,000
Weighted average common shares outstanding basic earnings per share	4,414,000	4,458,000	4,519,000	4,580,000	4,599,000

	APRIL 30,				
	2001	2000	1999	1998 (1)	1997 (1)
Balance sheet data:					
Working capital	$ 13,095,000	10,676,000	9,939,000	8,321,000	6,422,000
Total assets	$ 27,510,000	25,829,000	23,210,000	21,622,000	21,282,000
Long-term debt	$ 217,000	556,000	1,003,000	1,450,000	1,896,000
Stockholders' equity	$ 20,980,000	18,739,000	17,307,000	15,685,000	14,001,000

</TABLE>

(1) Certain balance sheet accounts and disclosures have been changed to conform to current year classification.

<PAGE>

ITEM 7. FINANCIAL STATEMENTS.

<TABLE>
<CAPTION>

INDEX	PAGE NUMBER
<S>	<C>
Independent Auditors' Report	F-2
Balance Sheets	F-3
Statements of Operations	F-4
Statements of Changes in Stockholders' Equity	F-5
Statements of Cash Flows	F-6
Notes to Financial Statements	F-7

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Hi-Tech Pharmacal Co., Inc.
Amityville, New York

We have audited the accompanying balance sheets of Hi-Tech Pharmacal Co., Inc. as of April 30, 2001 and 2000, and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Hi-Tech Pharmacal Co., Inc. as of April 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/ RICHARD A. EISNER & COMPANY, LLP

RICHARD A. EISNER & COMPANY, LLP

New York, New York
July 13, 2001

<PAGE>

HI-TECH PHARMACAL CO., INC.
BALANCE SHEETS

<TABLE>
<CAPTION>

	APRIL 30, 2001	APRIL 30, 2000
A S S E T S		
CURRENT ASSETS:		
<S>	<C>	<C>
Cash and cash equivalents	$ 7,144,000	5,181,000
Accounts receivable (less allowances for doubtful accounts of $240,000 at April 30,2001 and $240,000 at April 30, 2000)	4,435,000	4,798,000
Inventory	5,487,000	4,922,000
Prepaid taxes	-	704,000
Deferred taxes	437,000	
Other current assets	708,000	599,000
TOTAL CURRENT ASSETS	$ 18,211,000	16,204,000
Property and equipment at cost, net of accumulated depreciation and amortization	8,960,000	9,360,000
Other assets	339,000	265,000
T O T A L	$ 27,510,000	25,829,000
L I A B I L I T I E S		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 340,000	447,000
Accounts payable	2,313,000	3,335,000
Accrued expenses	2,210,000	1,746,000
Taxes payable	253,000	-
TOTAL CURRENT LIABILITIES	$ 5,116,000	5,528,000
Long-term debt (less current portion)	217,000	556,000
Deferred taxes	1,197,000	1,006,000
TOTAL LIABILITIES	$ 6,530,000	7,090,000
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, par value $.01 per share; authorized 3,000,000 shares, none issued	-	-
Common stock, par value $.01; authorized 10,000,000 shares, 4,527,000 shares issued, respectively	45,000	45,000
Additional paid-in capital	8,688,000	8,634,000
Retained earnings	13,048,000	10,657,000
Treasury stock, 194,700 and 144,300 shares of common stock, at cost April 30, 2001 and 2000, respectively	(801,000)	(597,000)
TOTAL STOCKHOLDERS' EQUITY	$ 20,980,000	18,739,000
T O T A L	$ 27,510,000	25,829,000

</TABLE>

See notes to Financial Statements.

<PAGE>

HI-TECH PHARMACAL CO., INC.

STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
NET SALES	$ 29,649,000	26,414,000
Cost of goods sold	15,315,000	14,979,000
GROSS PROFIT	14,334,000	11,435,000
COST AND EXPENSES:		
Selling, general and administrative expense	9,197,000	7,786,000
Research and product development costs	1,683,000	1,367,000
Contract research (income)	(250,000)	(279,000)
Interest expense	104,000	126,000
Interest (income) and other	(319,000)	(277,000)
T O T A L	10,415,000	8,723,000
Income before income taxes	3,919,000	2,712,000
Provision for income taxes	1,528,000	1,020,000
NET INCOME	$ 2,391,000	1,692,000
BASIC INCOME PER SHARE	$ 0.55	0.38
DILUTED INCOME PER SHARE	$ 0.54	0.38
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	4,357,000	4,401,000
EFFECT OF POTENTIAL COMMON SHARES	57,000	57,000
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	4,414,000	4,458,000

See notes to Financial Statements.

</TABLE>

<PAGE>

HI-TECH PHARMACAL CO., INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK AT COST	TOTAL Stockholders' EQUITY
	SHARES	AMOUNT				
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE - APRIL 30, 1999	4,526,000	$ 45,000	8,634,000	8,965,000	(337,000)	17,307,000
Net income	-	-	-	1,692,000	-	1,692,000
Treasury stock	-	-	-	-	(260,000)	(260,000)
BALANCE - APRIL 30, 1999	4,526,000	$ 45,000	8,634,000	10,657,000	(597,000)	18,739,000
Net income	-	-	-	2,391,000	-	2,391,000
Consulting expense attributable to options and warrants			51,000			51,000
Exercise of options	1,000		3,000			3,000
Treasury stock	-	-	-	-	(204,000)	(204,000)
BALANCE - APRIL 30, 2000	4,527,000	$ 45,000	8,688,000	13,048,000	(801,000)	20,980,000

</TABLE>

See notes to Financial Statements

<PAGE>

HI-TECH PHARMACAL CO., INC.
STATEMENTS OF CASH FLOWS

<TABLE>

	YEAR ENDED APRIL 30,	
	2001	2000
<CAPTION>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S>	<C>	<C>
Net income	$ 2,391,000	1,692,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,273,000	1,355,000
Valuation of options and warrants for consulting expense	51,000	-
Deferred income taxes	(246,000)	(32,000)
Provision for doubtful accounts	-	(65,000)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Accounts receivable	363,000	(519,000)
Inventory	(565,000)	(637,000)
Prepaid taxes / Taxes payable	957,000	(35,000)
Other current assets	(109,000)	(170,000)
Other assets	(74,000)	(60,000)
Accounts payable	(1,022,000)	1,231,000
Accrued expenses	464,000	435,000
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 3,483,000	3,195,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(873,000)	(1,511,000)
NET CASH USED IN INVESTING ACTIVITIES	$ (873,000)	(1,511,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments - long-term debt and notes payable	(446,000)	(447,000)
Proceds from exercise of options	3,000	-
Purchase of treasury stock	(204,000)	(260,000)
NET CASH USED IN FINANCING ACTIVITIES	$ (647,000)	(707,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,963,000	977,000
Cash and cash equivalents at beginning of year	5,181,000	4,204,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 7,144,000	5,181,000
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 100,000	128,000
Income taxes	$ 641,000	758,000

See notes to Financial Statements.

</TABLE>

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

NOTE A: The Company and Summary of Significant Accounting Policies:

[1] Business/Organization:

Hi-Tech Pharmacal Co., Inc. manufactures and sells prescription and over-the-counter generic drugs, in liquid and semi-solid dosage forms including higher margin prescription products. In the generic drug industry, certain products may contribute significantly to a Company's gross profit. The gross profit on these products may change as market conditions change. The Company markets its products in the United States through distributors, retail drug and mass-merchandise chains and mail order companies.

[2] Inventory:

Inventories are valued at the lower of cost (first-in first-out or average cost) or market.

[3] Property and equipment:

Property and equipment is stated at cost less accumulated depreciation. Estimated depreciation and amortization of the respective assets is computed using the straight-line method over their estimated useful lives.

[4] Income taxes:

The Company uses the liability method to account for deferred income taxes. The liability method measures deferred income taxes by applying enacted statutory rates in effect at the balance sheet date to the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The resulting asset or liability is adjusted to reflect changes in the tax law as they occur.

[5] Revenue recognition:

Sales are recorded as products are shipped. Estimated sales returns and discounts are provided for. Contract research income is recognized as work is completed and as billable costs are incurred. In some cases, contract research income is based on attainment of certain designated milestones.

[6] Advertising Expense:

Advertising costs are expensed when first shown. Advertising expense for the years ended April 30, 2001 and 2000 amounted to $1,979,000 and $1,888,000, respectively.

[7] Cash and cash equivalents:

The Company considers U.S. Treasury bills and government agency obligations with a maturity of three months or less when purchased to be cash equivalents.

[8] Net income per share:

Net income per common share is computed based on the weighted average number of common shares outstanding for basic earnings per share and on the weighted average number of common shares and common share equivalents outstanding for diluted earnings per share.

(continued)

<PAGE>

[9] Long-lived assets:

In accordance with standards to account for the impairment of long-lived assets and for long-lived assets to be disposed of, the Company records impairment losses on long-lived assets used in operations, including intangible assets, when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No such losses have been recorded.

[10] Use of estimates:

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

[11] Stock-based compensation:

The Company accounts for its employee stock-based compensation plans using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". The Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation ("SFAS No. 123"). SFAS No. 123 established a fair-value-based method of accounting for stock-based compensation plans. The Company has adopted the disclosure requirements of SFAS No. 123 and has presented the proforma effects on net income and net income per share as if SFAS No. 123 had been adopted, as well as certain other information (see Note L[4]).

[12] New accounting pronouncements:

In December 1999, the SEC released Staff Accounting Bulletin No. 101 ("SAB 101"), which provides the staff's views on applying generally accepted accounting principles to selected revenue recognition issues. During the year ended April 30, 2001, the Company adopted SAB 101, which did not materially impact the Company's financial position, results of operations or cash flows.

(NOTE B) - Inventory:

The components of inventory consist of the following:

<TABLE>
<CAPTION>

	April 30,	
	2001	2000
<S>	<C>	<C>
Finished goods and work in process	$ 2,114,000	$ 2,176,000
Raw materials	3,373,000	$ 2,746,000
Total	$ 5,487,000	$ 4,922,000

</TABLE>

(continued)

<PAGE>

(NOTE C) - Property and Equipment:

The components of net property and equipment consist of the following:

<TABLE>
<CAPTION>

	APRIL 30,	
	2001	2000
<S>	<C>	<C>
Land and building and improvements	$ 5,773,000	$ 5,446,000
Machinery and equipment	11,588,000	11,125,000
Transportation equipment	13,000	13,000
Computer equipment	639,000	586,000
Furniture and fixtures	324,000	294,000
Total property and equipment	$ 18,337,000	$ 17,464,000
Accumulated depreciation and amortization	9,377,000	8,104,000
Total property and equipment - net	$ 8,960,000	$ 9,360,000

</TABLE>

(NOTE D) - Other Assets:

Included in other assets is the Company's investment in a joint venture for the marketing and development of a nutritional supplement. The net investment is approximately $148,000 and is accounted for under the equity method of accounting. The Company has guaranteed $1,500,000 of revolving debt of this joint venture to its lender. Mr. Reuben Seltzer, a director of the Company, has an ownership interest in the joint venture and is the son of Mr. Bernad Seltzer, Chairman of the Board of the Company. The results of operations of the joint venture were not material to the results of operations of the Company.

(NOTE E) - Customer Deposits and Contract Research Income:

Contract research income is recognized as work is completed and as billable costs are incurred. In some cases, contract research income is based on attainment of certain designated milestones. Advance payments may be received to fund certain development costs which is included in accrued expenses at April 30, 2001.

(NOTE F) - Note Payable - Bank:

On February 2, 2000 the Company renewed its $6,000,000 working capital credit line expiring February 2, 2003. At April 30, 2001 the rate for borrowing was 6.6% and there was no balance outstanding. Borrowing under the line is collateralized by inventory, accounts receivable and all other assets. The agreement contains covenants with respect to working capital, net worth and certain ratios, as well as other covenants and prohibited the payment of cash dividends.

(continued)

<PAGE>

(NOTE G) - Long-Term Debt:

Long-term debt consists of the following:

<TABLE>
<CAPTION>

	April 30, 2001	April 30, 2000
<S>	<C>	<C>
Mortgage payable (1)	$ 85,000	144,000
Mortgage payable (2)	216,000	307,000
Mortgage payable (3)	106,000	145,000
Equipment term loan - collateralized by the related equipment purchased, inventory, and accounts receivable and other assets (4)	150,000	407,000
T o t a l	$ 557,000	1,003,000
Less current portion	340,000	447,000
Long-term debt	$ 217,000	556,000

</TABLE>

[1] The mortgage is payable over ten years in monthly installments of $5,000 plus interest at 8.26% at April 30, 2001.

[2] The mortgage is payable in monthly installments of approximately $8,000 and interest at a varying rate of 1/2% above the bank's prime rate, 8.00% at April 30, 2001.

[3] The mortgage is payable in monthly installments of $3,125 plus interest at the rate of 1/2% over the bank's prime rate,8.00% per annum through September 2002.

[4] The equipment term loan bears interest at 1/2% above the bank's prime lending rate, 8.00% or 1.5 % above the LIBOR rate,6.6% at April 30, 2001. The loan requires monthly payments of principal in the amount of $21,429 plus interest.

(continued)

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

(NOTE G) - Long-Term Debt: - (continued)

Long-term debt is payable as follows:

2002.....	$ 340,000
2003.....	155,000
2004.....	62,000
T o t a l.....	$ 557,000

(NOTE H) - Related Party Transactions:

The Company has an employment agreement expiring April 30, 2004 with the Chairman of the Board, who is a stockholder of the Company, which provides for an annual base salary of approximately $ 242,000, $ 254,000 and $ 266,000 for the years ending April 2002, 2003, and 2004, respectively. In addition, the agreement provides for a bonus during each year equal to 1% of the increase in sales over the preceding year plus a discretionary bonus as determined by the Board of Directors.

The Company has an employment agreement, expiring April 30, 2004 with the Chief Executive Officer who is a stockholder of the Company, which provides for annual base salary of approximately $ 347,000 for the year ending April 2002. The increase in annual base salary for each fiscal year thereafter is determined by multiplying the respective annual base salary for the prior fiscal year by the greater of 5% or the increase in the Consumer Price Index as of May 1 of each year over the index as of the May 1 of the prior year. In addition, the agreement provides for a guaranteed bonus during each year equal to three percent of the Company's pre-tax income for such year in the event the Company's pre-tax income exceeds $2 million, plus a discretionary bonus as determined by the Board of Directors.

The Company utilizes the services of Reuben Seltzer, an attorney and a director, and the son of the Company's Chairman of the Board. He provided legal and new business development services throughout the year. Fees and expense reimbursements for the years ended April 30, 2001 and 2000 were $102,000 and $93,000, respectively. In addition, in fiscal 2001 the Company granted him an option to purchase 25,000 shares of the Company's common stock at an exercise price of $4.00 and vesting at 25% per annum excercisable through April 1, 2010. During the year ended April 30, 2001, the Company valued this option using the Black Scholes option pricing model assuming risk free rate of 4.76%, volatility of 42%, dividend yield of 0%, 5 year term, stock price rate of $5.68 on April 30, 2001 and an exercise price of $4 at $9,000 which was charged to operations. The Company may recognize additional expense relating to the fair value of this option as and when they vest at the then market price.

(NOTE I) - Commitments and Contingencies:

[1] Government regulation:

The Company's products and facilities are subject to regulation by a number of Federal and State governmental agencies. The FDA, in particular, maintains oversight of the formulation, manufacture,

(continued)

distribution, packaging and labeling of all of the Company's products.

In July 1999 the FDA issued a "Warning Letter" which indicated certain areas of particular concern. The Company responded to the FDA with its Corrective Action Plan as a result of the Warning Letter. The plan included the hiring of additional personnel in certain areas of the Company's operations which resulted in additional overhead expense. In October 1999 and July 2000, the FDA commenced a new inspection. The results of these inspections and such additional expense resulting from the Corrective Action Plan have not had a material adverse affect on the Company's operations or financial condition.

[2] Employment agreements:

The Company has entered into a two year employment agreement with its Vice President-Finance and Chief Financial Officer of the Company ending on July 31, 2002. The agreement provides for an annual base salary of approximately $134,000 and an annual bonus to be determined at the discretion of the Board of Directors. An increase in annual base salary for each year thereafter is determined by multiplying his annual base salary for the prior fiscal year by the greater of 5% or the increase in the Consumer Price Index as of September 1 of each such year over the index as of September 1 of the prior year.

See Note H for other employment agreements.

(continued)

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

[3] Leased property:

On July 18, 1996, the Company executed an operating lease for a 50,000 square foot building in Amityville, New York. The lease commenced August 1, 1996 and expires January 31, 2003. The Company is responsible for all operating costs of this facility and has the option to purchase the premises at the end of the lease for $1,300,000. Rental expense for the fiscal years ended April 30, 2001 and 2000 was approximately $199,000 and $194,000, respectively.

Future minimum payments by year are as follows:

2002	$ 190,000
2003	148,000
T o t a l	$ 338,000

(NOTE J) - Fair Value of Financial Instruments:

The carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, short-term borrowings and long-term debt approximate their fair values. The fair value of the financial instruments are determined by reference to market data and other valuation techniques, as appropriate.

(continued)

<PAGE>

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

(NOTE K) - Income Taxes:

[1] The provision for income taxes is composed of the following:

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
Current:		
Federal	$ 1,658,000	946,000
State	116,000	106,000
Deferred:		
Federal	(209,000)	(29,000)
State	(37,000)	(3,000)
T o t a l	$ 1,528,000	1,020,000

</TABLE>

[2] Expected tax expense based on the statutory rate is reconciled with actual tax expense as follows:

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
Statutory rate	34.0%	34.0%
State income tax, net of federal income tax benefit	3.4%	2.6%
Other	1.5%	1.0%
Effective tax rate	38.9%	37.6%

</TABLE>

(NOTE K) - Income Taxes (continued):

[3] Deferred tax expense is composed of the following:

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
Depreciation and amortization	$ (107,000)	(42,000)
Inventory uniform capitalization	-	10,000
Accrued expenses	(139,000)	-
	$ (246,000)	(32,000)

</TABLE>

[4] The deferred tax liability at April 30, 2001 and 2000 relates principally to depreciation.

The deferred-tax asset relates principally to expenditures not currently deductible for tax purposes and to accounts receivable allowances.

(continued)

<PAGE>

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

(NOTE L) - Common Stock:

[1] Stock Option Plans:

The Company's 1992 Stock Option Plan, as amended (the "Plan") provides for the issuance of either incentive stock options or nonqualified options. The maximum number of shares of common stock for which options may be granted is 1,175,000 shares. All stock options granted are exercisable at a price determined by the stock option committee of the Plan. However, Incentive Stock Options ("ISOs"), as defined by the Internal Revenue Code, must not be less than the fair market value of the stock, at the date of grant. All options are exercisable in installments commencing one year from date of grant and must be exercised within ten years of the date of grant, except for ISOs granted to persons owning more than 10% of the Company's common stock which must be exercised within five years of the date of the grant.

In August 1994 the Company adopted the 1994 Directors Stock Option Plan and reserved 100,000 shares of common stock for issuance thereunder. The Plan provides for the annual grant of options to purchase 3,000 shares of common stock (plus 500 additional shares for committee chairpersons) to nonemployee directors at fair market value at the date of grant.

In March 2001, the Company granted 5,000 options under the Plan to a consultant for promotion services. The options vest 50% immediately and 50% in six months. The options are exercisable at $ 6.00 per share through March 1, 2004. The Company has valued these options using the Black Sholes option pricing model assuming risk free rates of 4.51% and 4.46%, volatility of 42%, dividend yield of 0%, term of 3 years, stock price of $4.56 and $5.68 for March 1, 2001 and April 30, 2001 respectively and charged operations $ 4,000 for the year ended April 30, 2001. The Company will record additional compensation relative to this option when they vest at the then market price.

[2] Additional information with respect to the 1992 Stock Option Plan is as follows:

<TABLE>
<CAPTION>

	Options		Exercisable Options	
	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share
<S>	<C>	<C>	<C>	<C>
Outstanding at April 30, 1999	781,125	$5.040	456,763	5.40
Cancelled	(14,350)	$4.610		
Outstanding at April 30, 2000	766,775	$4.950	568,538	5.20
Cancelled	(25,575)	$4.850		
Exercised	(625)	$4.500		
Granted	162,450	$4.070		
Outstanding at April 30, 2001	903,025	$4.790	644,838	5.07

</TABLE>

(continued)

<PAGE>

As of April 30, 2001, 253,750 shares were available for future grant under the Plan. The weighted average remaining contractual life of the outstanding options is 6.55 years and the range of exercise prices are as follows.

Range of Exercise Price	Number of Shares
3.50 - 4.75	527,475
4.75 - 6.00	203,500
6.00 - 7.25	172,050
	903,025

(NOTE L) - Common Stock (continued):

[3] Additional information with respect to the 1994 Directors Stock Option Plan is as follows:

<TABLE>
<CAPTION>

	Options		Exercisable Options	
	Number of Shares	Weighted Average Exercise Price Per Share	Number of Shares	Weighted Average Exercise Price Per Share
<S>	<C>	<C>	<C>	<C>
Outstanding at April 30, 1999	45,500	$5.640	22,250	$5.580
Granted	10,000	$4.500		
Outstanding at April 30, 2000	55,500	$5.430	30,625	$6.090
Granted	13,500	$4.310		
Outstanding at April 30, 2001	69,000	$5.190	40,500	$5.750

</TABLE>

As of April 30, 2001, 31,000 shares were available for future grant under the Plan. The weighted average remaining contractual life of the outstanding options is 6.8 years and the range of exercise prices are as follows.

Range of Exercise Price	Number of Shares
4.25 - 5.25	44,000
5.25 - 6.50	9,000
6.50 - 7.75	16,000
	69,000

(continued)

<PAGE>

(NOTE L) - Common Stock (continued):

[4] The Company applies APB No. 25 in accounting for its stock option plan, which requires the recognition of compensation expense for the difference between the fair value of the underlying common stock and the grant price of the option at the grant date. Had the compensation expense been determined based upon the fair value at the grant date, as prescribed under SFAS No. 123, the Company's net profit for the years ended April 30, 2001 and April 30, 2000, would have been as follows:

<TABLE>
<CAPTION>

	YEAR ENDED APRIL 30,	
	2001	2000
<S>	<C>	<C>
Net income:		
As reported	$ 2,391,000	1,692,000
Proforma under SFAS 123	$ 2,220,000	1,509,000
Earnings per share:		
As reported		
Basic	$ 0.55	$ 0.38
Diluted	$ 0.54	$ 0.38
Proforma under SFAS 123		
Basic	$ 0.51	$ 0.34
Diluted	$ 0.50	$ 0.34

</TABLE>

The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

<TABLE>
<CAPTION>

	2001	2000
<S>	<C>	<C>
Risk-free interest rate	4.89 - 6.30%	6.03%
Expected life of options	5	5
Expected stock price volatility	42.00%	61.00%
Expected dividend yield	0.00%	0.00%

</TABLE>

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options. The proforma effect on net income in fiscal 2001 and 2000 is not necessarily representative of the proforma effect

(continued)

HI-TECH PHARMACAL CO., INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED APRIL 30, 2001 AND APRIL 30, 2000

(NOTE L) - Common Stock (continued):

on net income in future years because it does not take into consideration vesting requirements, future option grants and issuances of options prior to the adoption of SFAS No. 123. The weighted average fair value of options granted is $4.31 in fiscal 2001 and $4.50 in fiscal 2000.

[5] Stock buy-back program:

In May 1997, the Company announced a stock buy-back program under which the Board of Directors authorized the purchase of up to $1,000,000 of its common stock. As of April 30, 2001 the Company had purchased 194,700 shares at a cost of $801,000.

[6] Warrants:

In November 2000, the Company granted 25,000 Warrants to a consultant in return for financial advisory services. The warrant which vests immediately is exercisable at $ 5.50 per share through March 15, 2005. The Company valued these warrants at $38,000 using the Black Scholes option pricing model assuming risk free rates of 5.50%, volatility of 42%, dividend yield of 0%, term of 4.37 years and a stock price of $4.13 and charged operations immediately.

(NOTE M) - Significant Customers and Concentration of Credit Risk:

One major customer accounted for net sales of approximately 10% for the year ended April 30, 2001 and 14% for the year ended April 30, 2000, respectively. This customer represented approximately 10% of the outstanding trade receivables at April 30, 2001. Cash in excess of Federal Deposit Insurance Company limitations may be held in certain banks.

(NOTE N) - Savings Plan:

The Company has a defined contribution plan that qualifies under Section 401(k) of the Internal Revenue Code for the benefit of substantially all full-time, eligible employees. Employees may contribute between 1% and 15% of their salary up to the dollar maximum allowed by the Internal Revenue Service. Company contributions are voluntary and are made at the discretion of the Board of Directors. The Company contributed $87,000 and $71,000, respectively, for fiscal years 2001 and 2000.

(continued)

<PAGE>

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

The Board of Directors consists of five members. All Directors are elected at each Annual Meeting of Shareholders and hold office until the next Annual Meeting of Shareholders when their respective successors are duly elected and qualified.

Set forth below is the name and age of each Director, his position with the Company and his principal occupation during the past five years and the year in which each Director was first elected as a Director of the Company.

<TABLE>
<CAPTION>

Name of Director	Principal Occupation and other Directorships	Age	Elected to the Board
<S>	<C>	<C>	<C>
Bernard Seltzer	Bernard Seltzer has been Chairman of the Company since January 1990. As of May 1, 1998 Mr. Seltzer resigned as President and Chief Executive Officer of the Company. From May 1983 to January 1990, Mr. Seltzer was Vice President of Sales of the Company. Prior thereto, Mr. Seltzer was the Vice President of Sales and Marketing of Ketchum Laboratories, Inc., a pharmaceutical manufacturer and the predecessor of the Company.	77	1983

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

Name of Director	Principal Occupation and other Directorships	Age	Elected to the Board
<S>	<C>	<C>	<C>
David S. Seltzer	David S. Seltzer has been Chief Executive Officer and President of the Company since May 1, 1998 and a Director, Secretary and Treasurer since February 1992. From July 1992 to May 1, 1998 Mr. Seltzer was Executive Vice President - Administration and since July 1992, Vice President - Administration and Chief Operating Officer of the Company since March 1992. From September 1986 to February 1990 Mr. Seltzer was employed as an account executive. Mr. Seltzer received a B.A. in Economics from Queens College in 1984. David S. Seltzer is the son of Bernard Seltzer.	41	1992
Reuben Seltzer	Reuben Seltzer has been a Director of the Company since April 1992. Mr. Seltzer is currently serving as a consultant to the Company on legal matters and special projects. Mr. Seltzer has been president of R.M. Realty Services Inc., a real estate investment and consulting company since May 1988. From May 1983 to May 1988 Mr. Seltzer was a vice president and attorney with Merrill Lynch Hubbard Inc., a real estate investment subsidiary of Merrill Lynch and Company. Mr. Seltzer received a B.A. in Economics from Queens College in 1978, a Juris Doctor from the Benjamin N. Cardozo School of Law in 1981 and a L.L.M. from the New York University School of Law in 1987. Reuben Seltzer is the son of Bernard Seltzer.	45	1992
Martin M. Goldwyn	Martin M. Goldwyn was elected a Director of the Company in May 1992. Mr. Goldwyn is a member in the law firm of Tashlik, Kreutzer, Goldwyn & Crandell P.C. Mr. Goldwyn received a B.A. in finance from New York University in 1974 and a Juris Doctor from New York Law School in 1977.	49	1992

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

Name of Director	Principal Occupation and other Directorships	Age	Elected to the Board
<S>	<C>	<C>	<C>
Yashar Hirshaut, M.D.	Yashar Hirshaut has been a Director of the Company since September 1992. Dr. Hirshaut is a practicing medical oncologist and is currently an Associate Clinical Professor of Medicine at Cornell University Medical College. Since July 1986, he has been a Research Professor of Biology at Yeshiva University. In addition, he has served as editor-in-chief of the Professional Journal of Cancer Investigation since July 1981. Dr. Hirshaut received a B.A. from Yeshiva University in 1959 and his medical degree from Albert Einstein College of Medicine in 1963.	62	1992

</TABLE>

<PAGE>

Executive Officers

The executive officers of the Company are set forth in the table below. All executive officers are elected at the annual meeting or interim meetings of the Board of Directors. No arrangements or understanding exists between any executive officer and any other person pursuant to which he was elected as an executive officer.

<TABLE>
<CAPTION>

Name	Age	Position and Period Served
<S>	<C>	<C>
Bernard Seltzer	77	Chairman of the Company since January 1990.
David S. Seltzer	41	Chief Executive Officer and President of the Company since May 1, 1998 and a Director, Secretary and Treasurer since February 1992. Mr. Seltzer served as Executive Vice President of Administration since February 1992.
Elan Bar-Giora	57	Executive Vice President-Operations of the Company since July 1992 and Vice President-Operations of the Company since August 1990.
Arthur S. Goldberg	59	Vice President-Finance and Chief Financial Officer of the Company since September 1991.

</TABLE>

Significant Employees

<TABLE>
<CAPTION>

Name	Age	Position and Period Served
<S>	<C>	<C>
Michael McConnell	43	Director of Product Development since January 1992.
Gary M. April	44	President of Health Care Products Division since May 1998 and Divisional Vice President of Sales since January 1993.
Suzanne Fenton	46	Director of Compliance since September 1995.
Jesse Kirsh	40	Director of Quality Assurance since March 1994.
Pudpong Poolsuk	57	Senior Director of Science since May 2000.

</TABLE>

<PAGE>

<TABLE>
<CAPTION>

Name	Age	Position and Period Served
<S>	<C>	<C>
Joanne Curri	57	Director of Regulatory Affairs since January 1993.
Edward Berrios	49	Vice President - Sales since November 2000 and National Accounts Manager since November 1997.

</TABLE>

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors and Executive Officers and persons who own more than ten percent of a registered class of the Company's equity securities to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, Directors and greater than ten percent shareholders are required by Securities and Exchange Commission regulation to furnish the Company with copies of all Section 16(a) forms they file. The Company believes that all Section 16(a) filing requirements were met during Fiscal 2001. In making this statement, the Company has relied on the written representations of its incumbent directors and officers and copies of the reports that they have filed with the Securities and Exchange Commission and Nasdaq.

<PAGE>

ITEM 10. EXECUTIVE COMPENSATION.

The following table shows, for the fiscal years ended April 30, 2001, 2000 and 1999, the compensation paid or accrued by the Company to or for each of the executive officers of the Company.

I. SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

		Annual Compensation			Long Term Compensation Awards	
					Awards	
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation (1) ($)	Options (#) (2)	All Other Compensation (3) ($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Bernard Seltzer	2001	230,000	22,000	--	-0-	-0-
Chairman	2000	230,000	-0-	--	-0-	-0-
	1999	216,000	9,000	--	-0-	4,420
David S. Seltzer	2001	325,000	119,000	--	50,000	5,413
President, Chief Executive	2000	325,000	-0-	--	50,000	3,241
Officer, Secretary and	1999	289,000	9,000	--	50,000	3,300
Treasurer						
Elan Bar-Giora	2001	140,000	30,000	--	10,000	2,210
Executive Vice President-	2000	140,000	-0-	--	10,000	1,702
Operations	1999	121,000	-0-	--	10,000	1,715
Arthur S. Goldberg	2001	132,000	-0-	--	7,500	--
Vice President of Finance and	2000	125,000	-0-	--	7,500	--
Chief Financial Officer	1999	119,000	-0-	--	7,500	--

</TABLE>

<PAGE>

.....

(1) The named executive officers received various perquisites, the cost of which did not exceed the lesser of $50,000 or 10% of annual salary plus bonus.

(2) Adjusted to reflect a 3-for-2 stock split declared on November 1, 1993.

(3) Represents the dollar value of the premium paid by the Company during the fiscal years ended April 30, 2001, 2000 and 1999 with respect to term life insurance for the benefit of the named executive officer.

Stock Options

The following table contains information concerning the grant of stock options under the Company's Amended and Restated Stock Option Plan ("Plan") to the named executive officers of the Company during Fiscal Year 2001.

II. OPTION GRANTS IN LAST FISCAL YEAR

<TABLE>
<CAPTION>

	Individual Grants			
Name	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date
<S>	<C>	<C>	<C>	<C>
Bernard Seltzer	-0-	-0-	-0-	-0-
David S. Seltzer	50,000	33	4.40	2005
Elan Bar-Giora	10,000	7	4.00	2010
Arthur S. Goldberg	7,500	5	4.00	2010

</TABLE>

(1) Options granted in Fiscal Year 2001 are scheduled to vest and become exercisable in yearly increments of 25% beginning on June 1, 2001, with full vesting occurring on June 1, 2004. Options expire ten years after grant under the terms of the Company's Plan.

<PAGE>

Option Exercises And Holdings

The following table sets forth information with respect to the named executives concerning the exercise of options during Fiscal Year 2001 and unexercised options held as of the end of Fiscal Year 2001.

III. AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

<TABLE>
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#)(1) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End ($)(2) Exercisable/ Unexercisable
<S>	<C>	<C>	<C>	<C>
Bernard Seltzer	-0-	-0-	0/0	0/0
David S. Seltzer	-0-	-0-	275,000/75,000	368,250/250,063
Elan Bar-Giora	-0-	-0-	77,500/15,000	110,375/86,738
Arthur S. Goldberg	-0-	-0-	59,250/11,250	74,899/57,171

</TABLE>

(1) Adjusted to reflect a 3-for-2 stock split declared on November 1, 1993.

(2) Amounts reflect the market value of the underlying shares of Common Stock on April 30, 2001 less the exercise price.

Employment Contracts and Termination of Employment

Bernard Seltzer and David S. Seltzer serve as Chairman of the Board and as President and Chief Executive Officer, Chief Operating Officer, Secretary and Treasurer, respectively, of the Company. Mr. Bernard Seltzer's employment agreement, as amended, effective as of May 1, 2001 expires on April 30, 2004, pursuant to which he agreed to serve in his capacities. Bernard Seltzer resigned as President and Chief Executive Officer effective as of May 1, 1998. David Seltzer was elected to serve as President and Chief Executive Officer effective May 1, 1998. Such employment agreements provide that the annual base salary for each of Bernard Seltzer and David Seltzer would be $241,500 and $347,300

respectively, for the fiscal year commencing May 1, 2001 through April 30, 2002. The increase in annual base salary for each fiscal year thereafter for David S. Seltzer is determined by multiplying his annual base salary for the prior fiscal year by the greater of 5% or the increase in the Consumer Price Index as of May 1 of each such year over the index as of May 1 of the prior year. The Board of Directors in its discretion will determine the annual bonus, if any, to be received by David S. Seltzer. Mr. Bernard Seltzer may receive a bonus during each year of employment equal to 1% of the increase in net sales of the Company. Mr. David Seltzer receives a guaranteed bonus during each year of employment in the amount equal to 3% of the Company's pre-tax net income for such year in the event the Company's pre-tax net income exceeds $2 million. The employment agreements also contain standard confidentiality provisions and a non-compete provision for a term of one year after the termination of their employment.

Under the employment agreements for each of Bernard Seltzer and David S. Seltzer, the Company will pay to each person's estate upon his death, his base salary for a period of twelve (12) months after the end of the month in which death occurred. In the event of total disability, each will continue to receive his base salary for the remaining term of his employment agreement. In addition to base salary, Bernard Seltzer and David S. Seltzer each will be paid an amount equal to a percentage of the bonus, if any, based on the portion of such year in which death, total disability or termination of employment occurred. If termination is for cause, total disability or because he wrongfully leaves his employment, then, upon such occurrence, the employment agreement shall be deemed terminated and the Company shall be released from all obligations.

Arthur S. Goldberg serves as Vice President-Finance and Chief Financial Officer of the Company pursuant to a two year employment agreement ending on August 31, 2002. Mr. Goldberg's annual base salary is approximately $134,000 for such period. The Board of Directors in its discretion will determine the annual bonus, if any, to be received by Mr. Goldberg. Such employment agreement contains standard confidentiality provisions.

Director Compensation

For their service on the Board, the Company pays each director a fee of $500 per meeting. Each member of the Board is reimbursed for expenses incurred in connection with each Board or Committee meeting attended.

<PAGE>

Stock Option Plans

The Amended and Restated Stock Option Plan (the "Plan")

The Company's Amended and Restated Stock Option Plan provides for a total of 1,175,000 shares of Common Stock authorized to be granted under such Plan. During Fiscal 2001, the Company granted options to purchase 157,450 shares of Common Stock at $4.00 and $4.125 per share. During Fiscal 2001, 25,575 options were cancelled or expired, and 253,750 shares are available for future grant under such Plan. The Company's Plan provides for the grant of options to its key employees and directors in order to give such employees a greater personal interest in the success of the Company and an added incentive to continue and advance in their employment. The Company's Plan provides for a fifteen year expiration period for non-statutory options and ten years for incentive stock options granted thereunder and allows for the exercise of options by delivery by the optionee of previously owned Common Stock of the Company having a fair market value equal to the option price, or by a combination of cash and Common Stock.

As of July 28, 2001, the Company has granted options to purchase 350,000 shares to David S. Seltzer, 92,500 shares to Elan Bar-Giora, and 70,500 shares to Arthur S. Goldberg at an average exercise price of $4.95, $4.91, and $4.97, per share, respectively.

The Plan is administered by the Stock Option Committee of the Board of Directors. The Committee has broad discretion in determining the recipients of options and numerous other terms and conditions of the options.

The exercise price for shares purchased upon the exercise of non-statutory options granted under the Plan is determined by the Stock Option Committee as of the date of the grant.

The exercise price of an incentive stock option must be at least equal to the fair market value of the Common Stock on the date such option is granted (110% of the fair market value for shareholders who, at the time the option is granted, own more than 10% of the total combined classes of stock of the Company or any subsidiary). No employees may be granted incentive stock options in any year for shares having a fair market value, determined as of the date of grant, in excess of $100,000.

No incentive option may have a term of more than ten years (in the case of incentive stock options, five years for shareholders holding 10% or more of the Common Stock of the Company). Options generally may be exercised only if the option holder remains continuously associated with the Company or a subsidiary from the date of grant to the date of exercise. However, options may be exercised upon termination of employment or upon the death or disability of any employee within certain specified periods.

<PAGE>

Directors Plan

The Company's 1994 Directors Stock Option Plan ("Directors Plan") provides for a total of 100,000 shares of Common Stock authorized to be granted under the Directors Plan. Through July 28, 2001, the Company has granted non-statutory options to purchase 22,000 shares to each of two directors and 25,000 shares to one director at an average exercise price of $5.19 per share.

The Directors Plan provides for the automatic annual grant of options to non-employee directors and is administered by the Board of Directors. Each non-employee director will be automatically granted 3,000 shares of Common Stock on the date of each annual meeting of the Company's shareholders. A non-employee director who chairs the audit or other committees of the Board of Directors will be automatically granted annually an option to purchase an additional 500 shares of Common Stock.

To remain eligible, a non-employee director must continue to be a member of the Board of Directors. Each option granted is exercisable in increments of 25% per year commencing on the first anniversary date of the date of grant. The exercise price for all options may not be less than the fair market value of the Common Stock on the date of grant. Options under the Directors Plan have a term of 10 years and may be exercised for limited periods after a person ceases to serve as a director.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table identifies each person known to the Company to be the beneficial owner of more than five percent of the Company's Common Stock, each director of the Company, and all directors and officers of the Company as a group, and sets forth the number of shares of the outstanding Common Stock beneficially owned by each such person and such group and the percentage of the shares of the outstanding Common Stock owned by each such person and such group. Except as noted below, the named person has sole voting power and sole investment power over the securities.

<PAGE>

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Common Stock
<S>	<C>	<C>
Bernard Seltzer c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	462,104 (2)	10.1%
David S. Seltzer c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	955,857 (3)	19.6%
Reuben Seltzer c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	578,199 (4)	12.4%
Arthur S. Goldberg c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	64,875 (5)	1.4%
Elan Bar-Giora c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	85,000 (6)	1.8%
Martin M. Goldwyn c/o Tashlik, Kreutzer, Goldwyn & Crandell P.C. 833 Northern Boulevard Great Neck, New York 11021	31,500 (7)	*
Yashar Hirshaut, M.D. c/o Hi-Tech Pharmacal Co., Inc. 369 Bayview Avenue Amityville, New York 11701	22,000 (8)	*
All Directors and Executive Officers as a group (7 persons)	2,199,535 (9)	42.3%

</TABLE>

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* Amount represents less than one percent of Common Stock including shares issuable to such beneficial owner under options which are presently exercisable or will become exercisable within 60 days.

(1) Unless otherwise indicated, each person has sole voting and investment power with respect to the shares shown as beneficially owned by such person.

(2) Amount does not include 60,000 shares of Common Stock owned by Mr. Seltzer's wife, as to which Bernard Seltzer disclaims beneficial ownership.

(3) Amount includes options to purchase 312,500 shares of Common Stock exercisable within 60 days of July 28, 2001 and 172,406 shares of Common Stock owned by Mr. Seltzer's wife and children.

(4) Amount includes options to purchase 111,500 shares of Common Stock exercisable within 60 days of July 28, 2001 and 164,378 shares of Common Stock owned by Mr. Seltzer's wife and children.

(5) Amount includes options to purchase 61,875 shares of Common Stock exercisable within 60 days of July 28, 2001.

(6) Amount represents options to purchase 85,000 shares of Common Stock exercisable within 60 days of July 28, 2001.

(7) Amount represents options to purchase 31,500 shares of Common Stock exercisable within 60 days of July 28, 2001.

(8) Amount includes options to purchase 22,000 shares of Common Stock exercisable within 60 days of July 28, 2001.

(9) Amount includes options to purchase 627,375 shares of Common Stock exercisable within 60 days of July 28, 2001.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

For the fiscal year ended April 30, 2001, Mr. Reuben Seltzer was engaged by the Company to provide new business development and legal services. For such services, Mr. Reuben Seltzer received $102,000 and 25,000 stock options of the Company at an exercise price of $4.00. Mr. Reuben Seltzer is a director of the Company and the son of Mr. Bernard Seltzer, the Company's Chairman of the Board.

The Company and Reuben Seltzer each has a 21.25% interest in Marco Hi-Tech JV Ltd., a New York corporation ("Marco Hi-Tech"), which markets raw materials for nutraceutical products and has licensed the patent rights to Huperzine and analogues from the Mayo Clinic. Huperzine is a naturally derived compound belonging to a class known as acetylcholinesterase inhibitors. Huperzine has been shown to inhibit the enzyme responsible for the breakdown of acetylcholine, a neurotransmitter or brain chemical, which is believed to be critical in learning and memory. Marco Hi-Tech

<PAGE>

manufactures and distributes Huperzine as a dietary supplement under the Dietary Supplement Health and Education Act of 1994 and is developing analogues and derivatives to Huperzine. It is currently developing other products for the nutraceutical market.

The Company believes that material affiliated transactions between the Company and its directors, officers, principal stockholders or any affiliates thereof have been, and will be in the future, on terms no less favorable than could be obtained from unaffiliated third parties.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

<TABLE>
<CAPTION>

(a) Exhibit Number	Description of Document	Page Number Foot-Notes
<S>	<C>	<C>
3.1	Restated Certificate of Incorporation and By-Laws	(1)
4.3	Copy of Hi-Tech Pharmacal Co., Inc. Stock Option Plan	(2)
4.4	Copy of Hi-Tech Pharmacal Co., Inc. Stock Option Agreement	(3)
4.5	Copy of 1994 Directors Stock Option Plan	(4)
*10.1	Amended and Restated Executive Employment Agreement with Bernard Seltzer	
10.2	Amended and Restated Employment Agreement with David S. Seltzer	(5)
*10.3	Amendment No. 1 to Amended and Restated Executive Employment Agreement of David Seltzer	
*10.4	Amended and Restated Employment Agreement with Arthur S. Goldberg	
10.5	Agreement, dated June 2, 1993, by and between Bernard Seltzer and the Company	(6)
10.6	Agreement, dated June 2, 1993, by and between David S. Seltzer and the Company	(7)
10.7	Revolving Credit Agreement with Fleet Bank, N.A., dated as of February 2, 2000 in the amount of $6,000,000	(8)
10.8	$449,973 Term Loan Facility with Fleet Bank, N.A., dated as of February 2, 2000	(9)
10.9	Mortgage between National Westminster Bank USA and the Company dated September 1, 1992	(10)
10.10	Mortgage Note and Supplemental Mortgage and Mortgage Spreader Consolidating Modification and Extension	
10.11	Agreement between the Company and National Westminster Bank dated July 29, 1993	(11)
10.12	Lease Agreement by and between Hi-Tech Pharmacal Co., Inc. and Chigi Realty Corp. dated July 18, 1996	(12)
*23	Consent of Richard A. Eisner & Company LLP	

</TABLE>

* Filed herewith

<PAGE>

(1) Filed as Exhibit 3.0 to Hi-Tech Pharmacal Co., Inc. Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1994 and incorporated herein by reference.

(2) Filed as Exhibit 10.1 to Hi-Tech Pharmacal Co., Inc. Registration Statement on Form S-1 (No. 33-47860) and incorporated herein by reference.

(3) Filed as Exhibit 10.2 to Hi-Tech Pharmacal Co., Inc. Registration Statement on Form S-1 (No. 33-47860) and incorporated herein by reference.

(4) Filed as Exhibit 10.1 to Hi-Tech Pharmacal Co., Inc. Quarterly Report on Form 10-Q for the quarterly period ended October 31, 1994 and incorporated herein by reference.

(5) Filed as Exhibit 10.2 to Hi-Tech Pharmacal Co., Inc. Annual Report on Form 10-KSB for fiscal year ended April 30, 2000 and incorporated herein by reference.

(6) Filed as Exhibit 10.4 to Hi-Tech Pharmacal Co., Inc. Annual Report on Form 10-KSB for fiscal year ended April 30, 1993 and incorporated herein by reference.

(7) Filed as Exhibit 10.5 to Hi-Tech Pharmacal Co., Inc. Annual Report on Form 10-KSB for fiscal year ended April 30, 1993 and incorporated herein by reference.

(8) Filed as Exhibit 10.6 to Hi-Tech Pharmacal Co., Inc. Annual Report on Form 10-KSB for fiscal year ended April 30, 2000 and incorporated herein by reference.

(9) Filed as Exhibit 10.7 to Hi-Tech Pharmacal Co., Inc. Annual Report on Form 10-KSB for fiscal year ended April 30, 2000 and incorporated herein by reference.

(10) Filed as Exhibit to Hi-Tech Pharmacal Co., Inc. Quarterly Report on Form 10-QSB for the quarterly period ended January 31, 1993 and incorporated herein by reference.

(11) Filed as Exhibit to Hi-Tech Pharmacal Co., Inc. Quarterly Report on Form 10-Q for the quarterly period ended July 31, 1992 and incorporated herein by reference.

(12) Filed as Exhibit to Hi-Tech Pharmacal Co., Inc. Quarterly Report on Form 10-QSB for the quarterly period ended July 31, 1993 and incorporated herein by reference.

(b) No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: July 27, 2001

HI-TECH PHARMACAL CO., INC.

By: /s/David Seltzer
David Seltzer, Chief Executive Officer, President, Secretary & Treasurer

By: /s/Arthur S. Goldberg
Arthur S. Goldberg
Chief Financial Officer

In accordance with the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/Bernard Seltzer — July 27, 2001
Bernard Seltzer, Chairman of the Board

/s/David S. Seltzer — July 27, 2001
David S. Seltzer, Director, Chief Executive Officer, President, Treasurer, Secretary

/s/Reuben Seltzer — July 27, 2001
Reuben Seltzer, Director

/s/Martin M. Goldwyn — July 27, 2001
Martin M. Goldwyn, Director

July 27, 2001
Yashar Hirshaut, M.D., Director