

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-K

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

For the fiscal year ended **FEBRUARY 28, 2010**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission file number **000-17741**

EPOLIN, INC.

(Exact Name of Registrant as Specified in Its Charter)

New Jersey
(State or other jurisdiction
of incorporation or organization)

22-2547226
(I.R.S. Employer
Identification Number)

358-364 Adams Street
Newark, New Jersey
(Address of principal executive offices)

07105
(Zip Code)

Registrant's telephone number, including area code: **(973) 465-9495**

Securities registered pursuant to Section 12(b) of the Exchange Act: **None**

Securities registered pursuant to Section 12(g) of the Exchange Act: **Common Stock (no par value)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant (8,484,310 shares) as of August 31, 2009, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$4,157,000. The number of shares outstanding of the Common Stock (no par value) of the registrant as of the close of business on May 18, 2010 was 12,166,355.

Documents Incorporated by Reference: None

EPOLIN, INC.

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Forward-Looking Statements

This report contains certain forward-looking statements and information relating to the Company that are based on the beliefs and assumptions made by the Company's management as well as information currently available to the management. When used in this document, the words "anticipate", "believe", "estimate", and "expect" and similar expressions, are intended to identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are discussed in this report in Part I, Item 1A "Risk Factors". The Company does not intend to update these forward-looking statements.

PART I

Item 1. Business.

Introduction

Epolin, Inc. (referred to herein as "Epolin", the "Company", "we", "us" and "our"), which was incorporated in the State of New Jersey in May 1984, is a specialized chemical company primarily engaged in the manufacturing, marketing, research and development of dyes and dye formulations. Our business is heavily weighted towards the development, manufacture and sale of near infrared dyes. Applications for these dyes cover several markets that include laser protection, welding, sunglasses, optical filters, glazing and imaging and security inks and tagants.

Our wholly-owned subsidiary, Epolin Holding Corp. ("Epolin Holding"), was incorporated in the State of New Jersey as a real estate holding company. Epolin Holding became a wholly-owned subsidiary in January 1998.

Following completion of Epolin's public offering in 1989, our revenues were then primarily generated through the synthesis and sale of specialty organic chemical products. Building upon this base, Epolin singled out near infrared dye technology as a most promising product line and since 1991 has emphasized the development, manufacture and sale of these dyes.

Paralleling the growth of the dye business, we maintain a level of production and sales of specialty products made on a custom basis. These include additives for plastics, thermochromic materials for use in paints as well as other specialty chemicals made in low volume to sell at prices that reflect the value of the product. However, unlike the dye business, we do not expect our specialty chemical business to grow.

We sell our products to the manufacturers of plastics/resins, credit cards, electronics, glass, and other basic materials primarily in the United States, Asia, and Europe.

Our principal offices are located at 358-364 Adams Street, Newark, New Jersey 07105 and our telephone number is (973) 465-9495. Epolin's web-site can be accessed at www.epolin.com.

Unless the context otherwise requires, all references herein to "Epolin" or the "Company" refer to Epolin, Inc. and its consolidated subsidiary, Epolin Holding Corp.

Infrared Dyes

Based upon our years of experience in the specialty dye business, we believe that Epolin possesses the largest offering of near infrared (NIR) dyes in the world. Our Epolight™ NIR dyes absorb in the near infrared region of the electromagnetic light spectrum which is 700nm to 1600nm. However, we are unaware of any statistical evidence available to support or contradict the belief that Epolin is the largest NIR dye producer.

Epolight™ dyes are sold as pure crystalline dyes or formulated mixtures. We also incorporate our dyes into liquid inks and thermoplastics pellets. We have approximately 275 to 300 product formulations and have created a more vertically integrated product line over the past three years to address more applications.

Our products can be divided into five distinct product groups: dyes, dye blends, inks and coatings, laminate pellets and other.

We sell our products into three primary market segments. Any product that does not fall into any of the three primary markets is characterized as Custom.

Eye Protection

Our eye protection products are used in plastic lenses, eyeglasses, goggles, windows and shields that protect eyes from high energy ultraviolet (UV), visible and near infrared radiation. Typical end-users include welders, military, industrial and medical laser users. The eye protection market is concentrated with several major and medium-sized customers in the United States, Asia and Europe.

We believe our products are important because our dyes protect the eyes by absorbing the harmful wavelengths of light while simultaneously allowing visible light transmission. Consumers are increasingly aware of the risk of macular degeneration due to long term exposure to the sun's harmful NIR light waves. This concern has generated interest in the Company's products for use in sunglasses.

Security Ink

Our inks and coatings are used on credit cards as well as security inks for documents and packaging. Typical end-users include banks, printers, publishers and consumer goods companies. The ink and coatings market is worldwide with several security ink makers in the United States, Europe and Asia. Our products make transparent ATM cards readable by ATM machines. Our near infra-red (NIR) dyes are almost invisible and mask important data or otherwise tag products by code as genuine. Our products are viable tools to thwart counterfeiting and fraud.

Light Management

Our light Management products are used in laser equipment, electronic displays, night vision systems, solar heat shields, heat and light sensors, imaging systems, plasma televisions and data storage discs. Typical end-users include a large variety of industrial, automotive, aerospace, construction and electronic users. The light Management market includes many diverse market niches worldwide. Our light Management dyes allow for the filtering and manipulation of visible light and NIR light for many applications.

Specialty Chemical Products

We also maintain a level of production and sales of specialty products made on a custom basis. These include additives for plastics, thermochromic materials for use in paints as well as other specialty chemicals made in low volume to sell at prices that reflect the value of the product. The production and sale of these products represents less than 10% of the overall business.

Effect of Compliance with Government Regulation

Manufacturers of chemical products are subject to extensive Federal and State environmental regulations. Although we believe that our manufacturing processes do not result in the emission of volatile organic vapors into the atmosphere, and that we are not in violation of any State or Federal environmental regulations, Epolin is required to comply with such regulations with respect to manufacture, storage and/or disposal of toxic materials. To our knowledge, we are in compliance with present regulations. However, no assurances can be given that future regulations will not be adopted, compliance with which will result in substantial expense to, and otherwise adversely affect our business. In addition, we are subject to the State of New Jersey Industrial Site Recovery Act (ISRA), which, among other requirements, requires us to obtain prior approval before relocating our facilities or consummating a transaction that would result in a change in control of Epolin. Our facilities are subject to inspection to ascertain whether we have complied with State environmental regulations. While we believe Epolin has complied with such regulations, there can be no assurance that we will not be required to incur expenses to remedy any future environmental violations discovered. We register all new and proprietary products with the Toxic Substances Control Agency (TSCA) which is required in order for us to offer for sale any new chemical product. No assurances can be given that such registrations will be approved for any new product.

During the years ended February 28, 2010 and February 28, 2009, we expended approximately \$40,000 and \$36,000, respectively, for compliance with environmental laws. Actual costs to be incurred in future periods may

vary from the foregoing costs, given inherent uncertainties in evaluating environmental exposures. Subject to the imprecision in estimating future environmental costs, we do not expect that any sum we may have to pay in connection with environmental matters would have a materially adverse effect on our financial condition or results of operations in any one year.

Sources and Availability of Raw Materials

We purchase chemicals from several large chemical manufacturers and then further processes them into our saleable products. Although we limit ourselves to a relatively small number of suppliers, we are not restricted to such suppliers, and Management believes the availability to such raw materials is widespread. During the year ended February 28, 2010, no significant difficulties were encountered in obtaining adequate supplies of raw materials. We typically purchase materials in large quantities and volumes to provide up to a two year supply of certain raw materials.

Research and Development

Our research and development efforts are devoted to (i) developing new or improved products to satisfy defined market needs, (ii) providing quality technical services to assure the success of our products for our customers' applications, (iii) providing technology for improvements to our products, processes and applications, and (iv) providing support to our manufacturing plant for cost reduction, productivity and quality improvement programs.

We have committed resources to research and development of new dyes and to our capability to provide technical services to customers. New applications are supported by a Director of Research with contributions from his staff including Murray S. Cohen, Ph.D., our Chief Scientist.

During the years ended February 28, 2010 and February 28, 2009, the amounts spent on research and development activities were approximately \$374,000 and 461,000, respectively. All research and development costs are borne by Epolin.

Sales and Distribution

Our internal sales team sells directly to customers on a worldwide basis. We also hire independent distributors and have sales agents in North America, Europe and Asia. In total, we currently sell to customers in twenty nations. We also use our customer-centric website to develop new customers and marketing opportunities at www.epolin.com.

Competition

We experience, in management's opinion, limited competition in all areas of our business. Management believes that other dye companies do not offer the broad range of dyes nor provide the level of technical service as provided by Epolin. We believe that our extensive product portfolio, technical expertise and customer support are the key factors in our competitiveness.

Technological Obsolescence

The major portion of our product line has been used in protective eyewear since 1976. Yet the field has proven to be an active one and we must anticipate competition to develop.

Epolin has committed itself to make capital investments to maintain its position as a key supplier in this field. There can be no assurance that our dye technology will not be rendered less competitive, or obsolete, by the development of new methods to achieve laser safety and other forms of eye protection.

Patents and Proprietary Protection

We have not generally in the past relied upon patents for protection of our dye business or to provide us with any significant competitive advantage as it relates to our existing product lines. There can be no assurance that others may not independently develop the same, similar or alternative technologies or otherwise obtain access to our proprietary technologies. However, we recently filed a patent application in the United States and Canada for a new

IR dye compound. Even if this patent application is granted, we cannot guaranty that such will be of commercial benefit to the Company or otherwise offer the Company protection from competing products.

Dependence on Certain Customers

A material portion of our business is dependent on certain domestic customers, the loss of which could have a material effect on operations. During the year ended February 28, 2010, approximately 33.4% of sales were to three customers. During the year ended February 28, 2009, approximately 31.0% of sales were to three customers.

Employees

We presently employ ten persons on a full time basis. Our employees are not represented by labor unions. We believe that relations with our employees are good.

Available Information

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission ("SEC"). Such reports, proxy statements and other information may be inspected at the public reference room of the SEC at 100 F Street, N.E., Washington D.C. 20549. Copies of such material can be obtained from the facility at prescribed rates. Please call the SEC toll free at 1-800-SEC-0330 for information about its public reference room. Because we file documents electronically with the SEC, you may also obtain this information by visiting the SEC's Internet website at <http://www.sec.gov>.

Item 1A. Risk Factors.

Our business involves a high degree of risk. In addition to other information in this report, potential investors should carefully consider the risks and uncertainties described below and the other information in this report before deciding whether to invest in shares of our common stock. Each of the following risks may materially and adversely affect our business, results of operations and financial condition. These risks may cause the market price of our common stock to decline, which may cause you to lose all or a part of the money you paid to buy our common stock.

OPERATING RESULTS MAY FLUCTUATE. Our operating results may fluctuate because of a number of factors, many of which are beyond our control. Some of these factors that affect our results but which are difficult to control or predict are: the reduction, rescheduling or cancellation of orders by customers whether as a result of slowing demand for our products, stockpiling of our products or otherwise; fluctuations in the timing and amount of customer requests for product shipments; fluctuations in product life cycles; changes in the mix of products that our customers buy; competitive pressures on selling prices; the ability of our customers to obtain products from their other suppliers; and general economic conditions.

DEPENDENCE ON KEY CUSTOMERS. Our customers are concentrated, so the loss of one or more key customers could significantly reduce our revenues. During the year ended February 28, 2010, approximately 33.4% of sales were to three customers. During the year ended February 28, 2009, approximately 31.0% of sales were to three customers.

CONCENTRATION OF CREDIT RISKS. At February 28, 2010, four of our customers represented 44.5% of our trade receivables. Such accounts receivable subject us to a significant concentration of risk. There can be no assurance that such clients will not experience financial difficulties or other problems which could delay such customers in paying for product on a timely basis or at all. Any problems with such customers can be expected to have a material adverse effect on our business.

TECHNOLOGICAL CHANGES. The major portion of our product line has been used in protective eyewear since 1976. Yet the field has proven to be an active one and we must anticipate competition to develop. Epolin has committed itself to make capital investments to maintain its position as a key supplier in this field. There can be no assurance that our dye technology will not be rendered less competitive, or obsolete, by the development of new methods to achieve laser safety and other forms of eye protection.

COMPETITION. We experience, in management's opinion, limited competition in all areas of our business. Management believes that other dye companies do not offer the broad range of dyes nor provide the level of technical service as provided by Epolin. We believe that our extensive product portfolio, technical expertise and customer support are the key factors in our competitiveness. However, as mentioned above, there can be no assurance that we will be able to maintain our competitive position in the event new methods to achieve laser safety and other forms of eye protection are developed.

ENVIRONMENTAL REGULATION. Manufacturers of chemical products are subject to extensive Federal and State environmental regulations. While we believe Epolin has complied with such regulations, there can be no assurance that we will not be required to incur expenses to remedy any future environmental violations discovered. In addition, no assurances can be given that future regulations will not be adopted, compliance with which will result in substantial expense to, and otherwise adversely affect our business.

PATENTS AND PROPRIETARY PROTECTION. We have not generally in the past relied upon patents for protection of our dye business or to provide us with any significant competitive advantage as it relates to our existing product lines. There can be no assurance that others may not independently develop the same, similar or alternative technologies or otherwise obtain access to our proprietary technologies. However, we recently filed a patent application in the United States and Canada for a new IR dye compound. Even if this patent application is granted, we cannot guaranty that such will be of commercial benefit to the Company or otherwise offer the Company protection from competing products.

SOURCES AND AVAILABILITY OF RAW MATERIALS. We purchase chemicals from several large chemical manufacturers and then further process them into its saleable products. Although we limit ourselves to a relatively small number of suppliers, we are not restricted to such suppliers, and Management believes the availability to such raw materials is widespread. Nevertheless, there can be no assurance that raw materials will continue to be easily obtainable. Any difficulty in obtaining raw materials would have a material adverse effect on our business.

THE LOSS OF OUR CHIEF EXECUTIVE OFFICER, PRESIDENT OR CHAIRMAN OF THE BOARD WOULD DISRUPT OUR BUSINESS. Our success depends in substantial part upon the services our three principal executive officers. Although our Chairman of the Board presently works only on a part-time basis, a loss of one or more of our current officers could severely and negatively impact our operations. In addition, we do not maintain key-man life insurance on any of our three principal executive officers and we have no plans to obtain this insurance.

WE ARE DEPENDENT ON KEY PERSONNEL. Due to the specialized nature of our business, our success depends in part upon attracting and retaining the services of qualified managerial and technical personnel. The market for such persons remains competitive and the relative small size of Epolin may make it more difficult for us to recruit and retain qualified persons.

DIVIDENDS. During fiscal 2007, Epolin approved the adoption of a dividend policy under which Epolin will issue a regular annual cash dividend on shares of its Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. As a result, any such future dividends will depend on earnings, other financial requirements and other factors, many of which may be beyond the control of Epolin.

MAINTAINING AND IMPROVING OUR FINANCIAL CONTROLS MAY STRAIN OUR RESOURCES AND DIVERT MANAGEMENT'S ATTENTION. We are subject to the requirements of the Securities Exchange Act of 1934, including the requirements of the Sarbanes-Oxley Act of 2002. The requirements of these rules and regulations have increased, and we expect will continue to increase, our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. This can be difficult to do. As a result of this and similar activities, management's attention may be diverted from other business concerns, which could have a material adverse effect on our business, financial condition and results of operations.

THE ONGOING ECONOMIC SLOWDOWN MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS AND FINANCIAL CONDITION THAT WE CURRENTLY CANNOT PREDICT. The ongoing global economic slowdown has caused disruptions and extreme volatility in global financial markets, increased rates of default and bankruptcy, and declining consumer and business confidence. While the ultimate outcome of these

events cannot be predicted, they could materially adversely affect our business and financial condition. For example, the consequences of the economic crisis could result in interruptions or delays in our suppliers' or customers' performance of any contracts, reductions and delays in customer purchases, delays in or the inability of customers to obtain financing to purchase our products, and bankruptcy of customers. Any of these events may materially adversely affect our business.

OUR STOCK PRICE MAY EXPERIENCE VOLATILITY. The market price of the Common Stock, which currently is listed in the OTC Bulletin Board, has, in the past, fluctuated over time and may in the future be volatile. We believe that there are a small number of market makers that make a market in our Common Stock. The actions of any of these market makers could substantially impact the volatility of our Common Stock.

POTENTIAL FUTURE SALES PURSUANT TO RULE 144. Many of the shares of Common Stock presently held by management and others are "restricted securities" as that term is defined in Rule 144, promulgated under the Securities Act. Under Rule 144, a person (or persons whose shares are aggregated) who has satisfied a certain holding period, may, under certain circumstances sell such shares or a portion of such shares. Effective as of February 15, 2008, the holding period for the resale of restricted securities of reporting companies was shortened from one year to six months. Additionally, the SEC substantially simplified Rule 144 compliance for non-affiliates by allowing non-affiliates of reporting companies to freely resell restricted securities after satisfying a six-month holding period (subject only to the Rule 144(c) public information requirement until the securities have been held for one year) and by allowing non-affiliates of non-reporting companies to freely resell restricted securities after satisfying a 12-month holding period. Therefore, actual sales or the prospect of sales of such shares under Rule 144 in the future may depress the prices of the Company's securities.

OUR COMMON STOCK IS A PENNY STOCK. Our Common Stock is classified as a penny stock, which is traded on the OTCBB. As a result, an investor may find it more difficult to dispose of or obtain accurate quotations as to the price of the shares of the Common Stock. In addition, the "penny stock" rules adopted by the Securities and Exchange Commission subject the sale of the shares of the Common Stock to certain regulations which impose sales practice requirements on broker-dealers. For example, broker-dealers selling such securities must, prior to effecting the transaction, provide their customers with a document that discloses the risks of investing in such securities. Furthermore, if the person purchasing the securities is someone other than an accredited investor or an established customer of the broker-dealer, the broker-dealer must also approve the potential customer's account by obtaining information concerning the customer's financial situation, investment experience and investment objectives. The broker-dealer must also make a determination whether the transaction is suitable for the customer and whether the customer has sufficient knowledge and experience in financial matters to be reasonably expected to be capable of evaluating the risk of transactions in such securities. Accordingly, the Commission's rules may result in the limitation of the number of potential purchasers of the shares of the Common Stock. In addition, the additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in the Common Stock, which could severely limit the market of our Common Stock.

LIMITATIONS OF THE OTCBB CAN HINDER COMPLETION OF TRADES. Trades and quotations on the OTCBB involve a manual process that may delay order processing. Price fluctuations during a delay can result in the failure of a limit order to execute or cause execution of a market order at a price significantly different from the price prevailing when an order was entered. Consequently, one may be unable to trade in our Common Stock at optimum prices.

THE OTCBB IS VULNERABLE TO MARKET FRAUD. OTCBB securities are frequent targets of fraud or market manipulation, both because of their generally low prices and because OTCBB reporting requirements are less stringent than those of the stock exchanges or NASDAQ.

INCREASED DEALER COMPENSATION COULD ADVERSELY AFFECT STOCK PRICE. OTCBB dealers' spreads (the difference between the bid and ask prices) may be large, causing higher purchase prices and less sale proceeds for investors.

Except as required by the Federal Securities Law, Epolin does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Form 10-K or for any other reason.

Item 1B. Unresolved Staff Comments.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 2. Properties.

We presently occupy approximately 19,500 square feet of manufacturing, warehouse and administrative space in Newark, New Jersey which property the Company has occupied since June 1989. The property is currently owned by Epolin Holding Corp. (“Epolin Holding”), our wholly-owned subsidiary. We presently occupy the property pursuant to a lease, effective November 1, 1996, which was for an initial term of five years with three five years options with annual rent of \$97,740, subject to annual adjustments based on increases in the Consumer Price Index which adjustments have been waived by Epolin Holding. Such rent includes real estate taxes and insurance expenses. Generally, we expect that the lease will be renewed in the normal course of business. We believe that the current facility is adequate for the foreseeable future.

We entered into a sublease with a non-related party effective September 2005 for an initial term ending October 31, 2007 pursuant to which we were subleasing approximately 2,500 square feet of our space for the subtenant to operate a laboratory at an annual rental of \$18,000. Following the end of the initial term, the subtenant remained in the premises on a month-to-month basis until May 2009 at which time the premises were abandoned by the subtenant.

Item 3. Legal Proceedings.

There are no material pending legal proceedings to which the Company is a party or to which any of its property is subject.

Item 4. Reserved.**PART II****Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Market Information**

The Company’s Common Stock is presently being traded in the over-the-counter market under the symbol “EPLN” and is listed on the OTC Bulletin Board. The following chart sets forth the range of the high and low sales prices per share for the Company’s Common Stock for each period indicated. The quotations represent prices between dealers and do not include retail markups, markdowns, commissions or other adjustments and may not represent actual transactions.

Fiscal year ended February 28, 2010	High	Low
March 1, 2009 to May 31, 2009	\$0.66	\$0.35
June 1, 2009 to Aug. 31, 2009	\$0.65	\$0.45
Sept. 1, 2009 to Nov. 30, 2009	\$0.52	\$0.30
Dec. 1, 2009 to Feb. 28, 2010	\$0.48	\$0.30
Fiscal year ended February 28, 2009:	High	Low
March 1, 2008 to May 31, 2008	\$0.64	\$0.57
June 1, 2008 to Aug. 31, 2008	\$0.65	\$0.54
Sept. 1, 2008 to Nov. 30, 2008	\$0.63	\$0.27
Dec. 1, 2008 to Feb. 28, 2009	\$0.50	\$0.27

Holders

As of May 18, 2010, there were approximately 262 stockholders of record of the Company's Common Stock. This does not reflect persons or entities that hold their stock in nominee or "street name".

Dividends

Subsequent to the end of fiscal 2006, the Board of Directors approved the adoption of a dividend policy under which we will issue a regular annual cash dividend on shares of our Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. In accordance with the new dividend policy, a regular annual cash dividend of \$0.02 per share was paid in each of May 2006, May 2007 and May 2008. In addition, since of the adoption of the dividend policy in fiscal 2007, a special cash dividend of \$0.02 per share was paid in each of January 2007 and January 2008, and a supplemental special cash dividend of \$0.04 per share was paid in August 2008. No further dividends have been paid since August 2008 primarily due to the Company's decision to seek strategic alternatives. The Board determined to postpone any action regarding the declaration of the regular annual cash dividend for 2009 and beyond pending the outcome of this process.

Recent Sales of Unregistered Securities

During the fiscal years ended February 28, 2009 and February 28, 2010, we issued or sold the following equity securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

Pursuant to the Epolin, Inc. 2008 Stock Incentive Plan, each director shall receive a stock award annually of 25,000 shares of Common Stock. On September 1, 2008, a total of 100,000 shares of Common Stock were granted to the Company's four directors, and similarly, on October 21, 2009, a total of 100,000 shares of Common Stock were granted to the Company's four directors, all of which shares were issued under the 2008 Stock Incentive Plan.

All of such securities were issued in reliance upon the exemption from registration pursuant to Section 4(2) of the Securities Act for "transactions by the issuer not involving any public offering".

Equity Compensation Plan Information

2008 Stock Incentive Plan

On June 18, 2008, our Board of Directors approved and adopted the Epolin, Inc. 2008 Stock Incentive Plan (the "2008 Plan"), and authorized us to issue up to 1,500,000 shares of our Common Stock under the 2008 Plan (subject to adjustment to take account of stock dividends, stock splits, recapitalizations and similar corporate events). The 2008 Plan was approved by the stockholders on August 18, 2008. The purpose of the 2008 Plan is to provide officers, other employees and directors of, and consultants to, us an incentive to (a) enter into and remain in our service or that of our subsidiaries or to provide services to us or our subsidiaries, (b) enhance our long term performance and that of our subsidiaries, and (c) acquire a proprietary interest in us. Under the 2008 Plan, we will have the right to issue stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares or performance units, and stock or stock-based awards. Pursuant to the 2008 Plan, each director shall receive a stock award annually of 25,000 shares of Common Stock. As of February 28, 2010, 200,000 shares of Common Stock have been granted under the 2008 Plan. No options or any other awards have been granted to date under the 2008 Plan.

Prior Stock Option Plan

In December 1998, the Company adopted the 1998 Stock Option Plan (the "1998 Plan") for employees, officers, consultants or directors of the Company to purchase up to 750,000 shares of Common Stock of the Company (the "1998 Plan Option Pool"). In September 2001, the Board of Directors increased the size of the 1998 Plan Option Pool to 1,500,000 shares. Options granted under the 1998 Plan shall be non-statutory stock options which do not meet the requirements of Section 422 of the Code. Under the terms of the 1998 Plan, participants may receive options to purchase Common Stock in such amounts and for such prices as may be established by the Board of Directors or a committee appointed by the Board to administer the 1998 Plan. Options exercised through February 28, 2010 total 686,000. Options cancelled or expired for all years totaled 311,000, which under the 1998

Plan were available for future grant, and as of February 28, 2010, there are options outstanding to acquire 245,000 shares. With the approval of the 2008 Plan by our stockholders, the 1998 Plan terminated and therefore we are no longer able to grant options under it. However, options that have already been granted under the 1998 Plan will continue to be outstanding.

Information regarding equity compensations plans, as of February 28, 2010, is set forth in the table below:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average Exercise price of Outstanding options, Warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-0-	-0-	1,300,000
Equity compensation plans not approved by security holders	245,000	\$0.49	-0-
Total	245,000	\$0.49	1,300,000

Small Business Issuer Purchases of Equity Securities

In August 2001, the Board of Directors of the Company authorized a 500,000 share stock repurchase program. Pursuant to the repurchase program, the Company may purchase up to 500,000 shares of its common stock in the open market or in privately negotiated transactions from time to time, based on market prices. The Company indicated that the timing of the buyback of the Company's shares will be dictated by overall financial and market conditions and other corporate considerations. The repurchase program may be suspended without further notice. There were no repurchases made by the Company of shares of its Common Stock during the fiscal years ended February 29, 2008, February 28, 2009 and February 28, 2010. In prior years, since the adoption of the program in August 2001, a total of 331,500 shares were repurchased at a cumulative cost of \$195,766.

Item 6. Selected Financial Data.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with the audited consolidated financial statements and the notes thereto appearing elsewhere in this report and is qualified in its entirety by the foregoing.

Executive Overview

Epolin, Inc. (the "Company", "we", "us" and "our") which was incorporated in the State of New Jersey in May 1984, is a specialized chemical company primarily engaged in the manufacturing, marketing, research and development of dyes and dye formulations. Our business is heavily weighted towards the development, manufacture and sale of near infrared dyes. Applications for these dyes cover several markets that include laser protection, welding, sunglasses, optical filters, glazing and imaging and security inks and tagants. Paralleling the growth of the dye business, we maintain a level of production and sales of specialty products made on a custom basis. These include additives for plastics, thermochromic materials for use in paints as well as other specialty chemicals made in low volume to sell at prices that reflect the value of the product. However, unlike the dye business, we do not expect our specialty chemical business to grow.

We sell our products to manufacturers of plastics/resins, credit cards, electronics, glass and other basic materials. Our customers are located in all regions of the world, although a material portion of our business is

dependent on certain domestic customers, the loss of which could have a material effect on operations. During the year ended February 28, 2010, approximately 33.4% of sales were to three customers. During the year ended February 28, 2009, approximately 31.0% of sales were to three customers. The loss of one or more key customers could have a material adverse effect on the Company.

Results of Operations

The following tables set forth operations data for the year ended February 28, 2010 and year ended February 28, 2009.

	<u>2010</u>	<u>2009</u>	<u>% change</u>
Sales	\$2,944,628	\$3,091,539	-4.8%
Gross profit	1,670,860	1,647,340	1.4%
Gross profit percentage	56.7%	53.3%	3.4%
Selling, general & administrative	<u>1,118,622</u>	<u>1,251,521</u>	-10.6%
Operating income	552,238	395,819	39.5%
Other Income	<u>30,335</u>	<u>70,861</u>	-57.2%
Income before taxes	582,573	466,680	24.8%
Income taxes	<u>113,503</u>	<u>139,111</u>	-18.4%
Net income (after taxes)	<u>\$ 469,070</u>	<u>\$ 327,569</u>	43.2%

Sales

For the year ended February 28, 2010, sales were \$2,945,000 as compared to \$3,092,000 for the year ended February 28, 2009, a decrease of \$147,000 or 4.8%.

Such decrease in sales for the year ended February 28, 2010 are primarily due to decreased sales in the ink and coating market which decreased \$245,000 and the custom market which decreased \$68,000 for the year ended February 28, 2010 compared to the prior year, offset by increased sales in the eye protection market which sales increased by \$62,000 and light management market which sales increased by \$106,000 for the year ended February 28, 2010 compared to the prior year.

In both fiscal 2009 and fiscal 2010, the eye protection market represented our largest market with sales in the eye protection representing 45.4% and 50.0% of sales in fiscal 2009 and fiscal 2010, respectively. Sales in the eye protection market were \$1,467,000 for the year ended February 28, 2010 and \$1,405,000 for the year ended February 28, 2009. For the light management market, sales were \$803,000 and \$687,000 for the years ended February 28, 2010 and 2009. With regard to the ink and coating market, sales were \$576,000 for the year ended February 28, 2010 compared to \$821,000 for the year ended February 28, 2009. For the year ended February 28, 2010, sales in the custom market were \$93,000 compared to \$161,000 for the year ended February 28, 2009.

Categorized by geographic area, sales in the United States increased for the year ended February 28, 2010 while sales decreased in Asia and Europe compared to the prior year. For the year ended February 28, 2010 compared to the prior year, sales increased in the United States to \$2,402,000 from \$2,115,000, while in Asia sales decreased to \$290,000 from \$578,000, and in Europe sales decreased to \$247,000 from \$398,000.

Gross Profit

Gross profit, defined as sales less cost of sales, was \$1,671,000 or 56.7% of sales for the year ended February 28, 2010 compared to \$1,647,000 or 53.3% of sales for the year ended February 28, 2009, an increase of 3.4%. In terms of absolute dollars, gross profit increased \$24,000 in fiscal 2010 compared to the prior year, an increase of 1.4%.

Cost of sales was \$1,274,000 for the year ended February 28, 2010 which represented 43.3% of sales compared to \$1,444,000 for the year ended February 28, 2009 which represented 46.7% of sales. In terms of absolute dollars, cost of sales decreased \$170,000 for fiscal 2010 compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased to \$1,119,000 or 38.0% of sales for the year ended February 28, 2010 compared to \$1,252,000 or 40.5% of sales for the year ended February 28, 2009, a decrease of \$133,000. Such decrease in absolute dollars was primarily due to a decrease in officers' salaries and administrative salaries, and decreases in commission and consulting fees offset by increases in professional fees primarily resulting from costs associated with the potential sale of the Company as previously disclosed and described below.

Operating Income

Operating income, in terms of absolute dollars, increased to \$552,000 in fiscal 2010 from \$396,000 in fiscal 2009, an increase of \$156,000. While sales did decrease in fiscal 2010 compared to fiscal 2009, such decrease was offset by a greater decrease in selling, general and administrative expenses as well as a decrease in cost of sales to sales ratio compared to the prior year.

Other Income

Total other income for the year ended February 28, 2010 was \$30,000 compared to \$71,000 for the year ended February 28, 2009. We realize rental income of \$4,500 for fiscal 2010 compared to \$18,000 for fiscal 2009. In May 2009, our subtenant abandoned the premises which it had been subleasing since September 2005. In addition, our interest income was \$26,000 for fiscal 2010 compared to \$53,000 for fiscal 2009.

Net Income

During fiscal 2010, we reported income before taxes of \$583,000 as compared to income before taxes of \$467,000 for fiscal 2009, an increase of \$116,000. Income taxes were \$114,000 for fiscal 2010 compared to \$139,000 for fiscal 2009. Changes in income taxes are generally attributed to changes from period to period in sales and expenses. Net income after taxes was \$469,000 or \$0.04 per share for the year ended February 28, 2010 as compared to \$328,000 or \$0.03 per share for the year ended February 28, 2009. As a percentage of sales, net income after taxes was 15.9% of sales for the year ended February 28, 2010 compared to 10.6% of sales for the year ended February 28, 2009.

Net income in the future will be dependent upon our ability to maintain revenues in excess of our cost of sales and other expenses. Prior to fiscal 2007, sales had grown for a number of consecutive years. In fiscal 2007, however, sales decreased by \$91,000 compared to fiscal 2006 and, in fiscal 2008, sales decreased by \$17,000 compared to fiscal 2007. The largest reduction in sales in recent years occurred in fiscal 2009 with sales decreasing by \$501,000 compared to fiscal 2008. While sales continued to decrease in fiscal 2010 compared to fiscal 2009, such decrease was not nearly as dramatic as the prior year with sales decreasing by \$147,000 in fiscal 2010 compared to fiscal 2009. Nevertheless, we have had four consecutive years of sales having decreased compared to sales in the immediate prior year. One positive sign, however, is that net income did improve by \$142,000 in fiscal 2010 compared to the prior year. This favorably compares to net income in fiscal 2009 compared to fiscal 2008 in which net income decreased by \$396,000.

Operations Outlook

Following a period of readjustment in our business priorities, we were able to achieved \$3,701,000 in sales for fiscal 2006 which was \$821,000 or 28.5% greater than the prior fiscal year. In fiscal 2007, however, sales decreased to \$3,610,000, a decrease of 2.5% from the prior year, and in fiscal 2008, sales decreased to \$3,593,000, a decrease of 0.5% from fiscal 2007. This continued into fiscal 2009 in which sales decreased at a much greater rate to \$3,092,000 or 14.0% compared to fiscal 2008. As mentioned above, however, while sales continued to decrease in fiscal 2010 compared to fiscal 2009, such decrease was not nearly as dramatic as the prior year with sales decreasing by \$147,000 in fiscal 2010 compared to fiscal 2009. During these periods of reduced sales, we had a major decline in sales of security inks for the credit card market which had been a key area of our growth from 2005 to 2007. While this market remains a source of business for us, we will likely not be able to achieve the same level of sales in the future which we achieved from 2005 to 2007 in the security inks market. Nevertheless, we are

confident that with our core group of products, we will be able to maintain sales in our principal markets, such as the eye protection market and the light management market, while always seeking new areas for the use of our dyes.

As a result of expressions of interest received, management began in fiscal 2009 to explore strategic alternatives for the Company. In February 2009, the Company retained Millburn Capital Group as its financial advisor in connection with the Board's decision to explore strategic alternatives for the Company, including the potential sale of the Company. In May 2009, the Company announced that it has entered into a non-binding letter of intent whereby all of the outstanding capital stock of the Company would be acquired by a strategic purchaser. Pursuant to an amendment entered into in September 2009, the Company had agreed to negotiate exclusively with such strategic purchaser until December 15, 2009. In November 2009, such proposed purchaser terminated the non-binding letter of intent as a result of which the Company's obligation to negotiate exclusively with such purchaser was terminated as well. The Company is continuing to pursue strategic and financial options which it believes are in the best interests of its shareholders including but not limited to the potential sale to a third party including the above mentioned strategic purchaser. There can be no assurance that any such transaction can or will be completed. The Company does not currently intend to publicly disclose additional information about the status of this process but will publicly report all required information on a timely basis.

Liquidity and Capital Resources

Our primary source of funds is cash flow from operations in the normal course of selling products. On February 28, 2010, we had working capital of \$3,099,000, a debt to equity ratio of 0.06 to 1, and stockholders' equity of \$4,038,000 compared to working capital of \$2,561,000, a debt to equity ratio of 0.15 to 1, and stockholders' equity of \$3,549,000 on February 28, 2009. On February 28, 2010, we had \$1,909,000 in cash and cash equivalents, total assets of \$4,299,000 and total liabilities of \$261,000, compared to \$1,545,000 in cash and cash equivalents, total assets of \$4,096,000 and total liabilities of \$547,000 on February 28, 2009.

Net cash provided by operating activities for the year ended February 28, 2010 was \$403,000 which was primarily the result of net income of \$469,000, plus non-cash items including depreciation of \$104,000 and a deferred tax expense of \$14,000, plus a decrease in prepaid taxes of \$194,000, offset by increase in accounts receivable of \$98,000 and inventories of \$17,000, and a decrease in accrued expenses of \$237,000 and accounts payable of \$22,000. Net cash provided by operating activities for the year ended February 28, 2009 was \$445,000 which was primarily the result of net income of \$328,000, plus non-cash items including depreciation of \$105,000, plus a decrease in accounts receivable of \$247,000 and an increase in accounts payable of \$29,000 and accrued expenses of \$14,000, offset by increases in inventories of \$25,000, prepaid taxes of \$228,000, and decreases in taxes payable of \$37,000.

Net cash used by investing activities for year ended February 28, 2010 was \$39,000 due to property and equipment purchases of \$64,000 offset by a decrease in the cash value of a life insurance policy of \$25,000, while net cash used by investing activities for year ended February 28, 2009 was \$162,000 due to property and equipment purchases of \$150,000 and increase in cash value of a life insurance policy of \$12,000. For the year ended February 28, 2010, there was no net cash used by financing activities compared to \$718,000 in net cash used in financing activities for the year ended February 28, 2009 due to cash dividends of \$718,000 having been paid during that fiscal year.

We anticipate, based on currently proposed plans and assumptions relating to our operations, that our current cash and cash equivalents together with projected cash flows from operations and projected revenues will be sufficient to satisfy its contemplated cash requirements for more than the next 12 months. Our contemplated cash requirements for fiscal 2011 and beyond will depend primarily upon level of sales of our products, inventory levels, product development, sales and marketing expenditures and capital expenditures.

Inflation has not significantly impacted our operations.

Significant Accounting Policies

Our discussion and analysis of the Company's financial condition and results of operations are based upon our consolidated financial statements which have been prepared in conformity with U.S. generally accepted accounting principles. Our significant accounting policies are described in Note B to the consolidated financial statements included elsewhere herein. The application of our critical accounting policies is particularly important to the portrayal of our financial position and results of operations. These critical accounting policies require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and

related disclosure of contingent assets and liabilities. We believe the following critical accounting policies reflect the more significant judgments and estimates used in the preparation of the consolidated financial statements.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the status of individual accounts. This allowance is an amount estimated by management to be adequate to absorb possible losses. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories – Our inventories consist of raw materials, work in process, finished goods and supplies which we value at the lower of cost or market under the first-in, first-out method.

Plant, Property and Equipment – Our plant, property and equipment are stated at cost. We compute provisions for depreciation on the straight-line methods, based upon the estimated useful lives of the various assets. We also capitalize the costs of major renewals and betterments. Repairs and maintenance are charged to operations as incurred. Upon disposition, the cost and related accumulated depreciation are removed and any related gain or loss is reflected in earnings.

Income taxes - We account for income taxes under Statement of Financial Accounting Standards No. 109, “Accounting for Income Taxes”, in which the asset and liability method is used in accounting for income taxes. We recognize deferred taxes for temporary differences between the basis of assets and liabilities for financial statement and for income tax purposes. Temporary differences relate primarily to different accounting methods used for depreciation and amortization of property and equipment and deferred compensation.

Revenue Recognition – We recognize revenue consistent with the provisions of SEC Staff Accounting Bulletin No. 104, “Revenue Recognition”, which sets forth guidelines in the timing of revenue recognition based upon factors such as passage of title, payments and customer acceptance. Any amounts received prior to satisfying our revenue recognition criteria will be recorded as deferred revenue in the accompanying balance sheet. We recognize revenue from product sales when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and we are reasonably assured of collecting the resulting receivable. Our policy is to replace certain products that do not conform to customer specifications, however replacements are made at our discretion subject to in house product lab analysis. There are no terms or conditions set forth within our sales contracts that provide for product replacements. We expense replacement costs as incurred.

Stock-based Compensation – Effective March 1, 2006, we have adopted Statement of Financial Accounting Standards (“SFAS”) No. 123(R), “Share-Based Payment”. SFAS 123R requires companies to measure and recognize in operations the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. In accordance with the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107, we have adapted the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. We determine the fair value of stock-based compensation using the Black-Scholes option-pricing model, which requires us to make assumptions regarding future dividends, expected volatility of our stock, and the expected lives of the options. Under SFAS 123R we also make assumptions regarding the number of options and the number of shares of restricted stock and performance shares that will ultimately vest. As a result of the adoption of FAS 123R, stock-based compensation expense recognized includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of March 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation cost for all share-based payments granted on or subsequent to March 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

Recently Adopted Accounting Standards

On March 1, 2008, we adopted Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” (“FAS 157”) for financial assets and liabilities, which clarifies the meaning of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined under FAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive income when they occur. The effective date of the provisions of FAS 157 for non-financial assets and liabilities, except for items recognized at fair value on

a recurring basis, was deferred by Financial Accounting Standards Board (“FASB”) Staff Position FAS 157-2 (“FSP FAS 157-2”) and are effective for the fiscal year beginning March 1, 2009. The adoption of FAS 157 for financial assets and liabilities did not have an impact on our consolidated financial position or results of operations.

Also, effective March 1, 2008, we adopted SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” (“FAS 159”) which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. As of February 28, 2010, we have not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

In October 2008, the FASB issued Staff Position No. FAS 157-3, “Determining the Fair Value of a Financial Asset in a Market That Is Not Active (“FSP FAS 157-3”).” FSP FAS 157-3 clarifies the application of FAS 157 in a market that is not active and defines additional key criteria in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with FAS 157. FSP FAS 157-3 was effective upon issuance and the application of FSP FAS 157-3 did not have a material impact on our consolidated financial statements.

Other Information

Subsequent to the end of fiscal 2006, the Board of Directors approved the adoption of a dividend policy under which we will issue a regular annual cash dividend on shares of our Common Stock. The amount of the dividend, record date and payment date will be subject to approval every year by the Board of Directors. In accordance with the new dividend policy, a regular annual cash dividend of \$0.02 per share was paid in each of May 2006, May 2007 and May 2008. In addition, since of the adoption of the dividend policy in fiscal 2007, a special cash dividend of \$0.02 per share was paid in each of January 2007 and January 2008, and a supplemental special cash dividend of \$0.04 per share was paid in August 2008. No further dividends have been paid since August 2008 primarily due to the Company’s decision to seek strategic alternatives. The Board determined to postpone any action regarding the declaration of the regular annual cash dividend for 2009 and beyond pending the outcome of this process.

In August 2001, the Board of Directors of the Company authorized a 500,000 share stock repurchase program. Pursuant to the repurchase program, the Company may purchase up to 500,000 shares of its common stock in the open market or in privately negotiated transactions from time to time, based on market prices. The Company indicated that the timing of the buyback of the Company’s shares will be dictated by overall financial and market conditions and other corporate considerations. The repurchase program may be suspended without further notice. There were no repurchases made by the Company of shares of its Common Stock during the fiscal years ended February 29, 2008, February 28, 2009 and February 28, 2010. In prior years, since the adoption of the program in August 2001, a total of 331,500 shares were repurchased at a cumulative cost of \$195,766.

Off-Balance Sheet Arrangements

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, and results of operations, liquidity or capital expenditures.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 8. Financial Statements and Supplementary Data.

See the Financial Statements annexed to this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A(T). Controls and Procedures.

Under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that, as of February 28, 2010, these disclosure controls and procedures were effective to ensure that all information required to be disclosed by us in the reports that we file or submit under the Exchange Act is: (i) recorded, processed, summarized and reported, within the time periods specified in the Commission's rule and forms; and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no material changes in internal control over financial reporting that occurred during the fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Principal Executive Officer and Principal Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our evaluation of internal control over financial reporting includes using the COSO framework, an integrated framework for the evaluation of internal controls issued by the Committee of Sponsoring Organizations of the Treadway Commission, to identify the risks and control objectives related to the evaluation of our control environment.

Based on our evaluation under the frameworks described above, our management has concluded that our internal control over financial reporting was effective as of February 28, 2010.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation requirements by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

Set forth below are our present directors and executive officers. Note that there are no other persons who have been nominated or chosen to become directors nor are there any other persons who have been chosen to become executive officers. There are no arrangements or understandings between any of the directors, officers and other persons pursuant to which such person was selected as a director or an officer. Directors are elected to serve until the next annual meeting of stockholders and until their successors have been elected and have qualified. Officers serve at the discretion of the Board of Directors.

Name	Age	Present Position and Offices	Has Served as Director Since
Murray S. Cohen	85	Chairman of the Board, Chief Scientist, Secretary and Director	1984
James Ivchenko	70	President and Director	1993
Greg Amato	53	Chief Executive Officer	--
James R. Torpey, Jr.	60	Director	2001
Herve A. Meillat	54	Director	2005

None of the directors and officers is related to any other director or officer of the Company.

Set forth below are brief accounts of the business experience during the past five years of each director and executive officer of the Company and each significant employee of the Company.

MURRAY S. COHEN has served as Director and Chairman of the Board of the Company since June 1984 and Secretary since March 2001. From June 1984 to January 2006, Dr. Cohen was Chief Executive Officer, and from June 1984 to August 1994, he was also President. Dr. Cohen also currently serves as Chief Scientist. From January 1978 through May 1983, Dr. Cohen was the Director of Research and Development for Apollo Technologies Inc., a company engaged in the development of pollution control procedures and devices. Dr. Cohen was employed as a Vice President and Technical Director of Borg-Warner Chemicals from 1973 through January 1978, where his responsibilities included the organization, project selection and project director of a 76 person technical staff which developed materials for a variety of plastic products. He received a Bachelor of Science Degree from the University of Missouri in 1949 and a Ph.D. in Organic Chemistry from the same institution in 1953.

JAMES IVCHENKO has served as Director of the Company since September 1993, President since August 1994, and from February 1992 to August 1994, he was Technical Director and Vice President of Operations. Prior thereto, Mr. Ivchenko was employed by Ungerer & Co. as Plant Manager for the Totowa, New Jersey and Bethlehem, Pennsylvania facilities from May 1988 to May 1991. Mr. Ivchenko has over 30 years of experience in the flavor, fragrance and pharmaceutical intermediate industry. He received his Bachelor of Arts Degree, Masters of Science and Masters of Business Administration from Fairleigh Dickinson University in New Jersey.

GREG AMATO has been employed by the Company since November 2004 and has been Chief Executive Officer since January 2006. From, January 2005 to January 2006, he was Vice President of Sales and Marketing. From 1993 to 2004, Mr. Amato was with Elementis, PLC and certain of its subsidiaries, divisions and predecessors, which company is a specialty chemical manufacturer. During such period, Mr. Amato was Vice President, Specialty Markets of Elementis Specialties, Inc., located in Hightstown, New Jersey from 2000 to 2004; President and CEO of Elementis Performance Polymers, located of Belleville, New Jersey from 1998 to 2000; and from 1993 to 1998, Sales Manager of Rheox, which was acquired by Elementis in 1998. Mr. Amato received a Bachelor of Chemical Engineering from Georgia Institute of Technology in 1978.

JAMES R. TORPEY, JR. has served as Director of the Company since July 2001. Mr. Torpey is Director

of Market Development for SunPower Corporation, a major world wide supplier of solar electric equipment and systems. From 2002 to 2007, he was President of Madison Energy Consultants, a consulting firm in the energy industry. From 1995 to 2002, he was Director of Technology Initiatives at First Energy/GPU, Chairman of the Solar Electric Power Association, and President and member of the Board of Directors of GPU Solar, Inc. He was a member of the U.S. Department of Energy Solar Industry Advisory Board from 2001 to 2005. Mr. Torpey received his Masters of Business Administration from Rutgers University in 1991.

HERVE A. MEILLAT has served as Director of the Company since July 2005. Since September 2006, Mr. Meillat has been the sole owner and CEO of Christian Dalloz Sunoptics (“CDS”), a company located in France which develops, manufactures and sells worldwide non-prescription ocular lenses and shields for premium sunglasses in all market segments including luxury, fashion and sports eyewear. In February 2009, CDS filed for bankruptcy protection in France. Mr. Meillat is a former Senior Vice President of the Bacou-Dalloz Group, a world leader in the design, manufacturing and sales of personal protection equipment. While with Bacou-Dalloz, he was Senior Vice President of its eye and face business unit from 2001 to 2004, the President of Dalloz Safety Inc. from 1996 to 2001 and Chief Operating Officer of Christian Dalloz in France from 1989 to 1995.

To the knowledge of the Company, and except as described above, none of the officers or directors has been personally involved in any bankruptcy or insolvency proceedings. To the knowledge of the Company, none of the directors or officers have been convicted in any criminal proceedings (excluding traffic violations and other minor offenses) or are the subject of a criminal proceeding which is presently pending, nor have such persons been the subject of any order, judgment, or decree of any court of competent jurisdiction, permanently or temporarily enjoining them from acting as an investment advisor, underwriter, broker or dealer in securities, or as an affiliated person, director or insurance company, or from engaging in or continuing in any conduct or practice in connection with any such activity or in connection with the purchase or sale of any security, nor were any of such persons the subject of a federal or state authority barring or suspending, for more than 60 days, the right of such person to be engaged in any such activity, which order has not been reversed or suspended.

Audit Committee Financial Expert

We do not have an audit committee financial expert, as such term is defined in Item 407(d)(5) of Regulation S-K, serving on our audit committee because we have no audit committee and are not required to have an audit committee because we are not a listed security.

Compliance with Section 16(a) of the Exchange Act

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 the Company’s Common Stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes of ownership of Common Stock of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the Company’s review of such forms received by it, or written representations from certain of such persons, the Company believes that, with respect to the fiscal year ended February 28, 2010, all Section 16(a) filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with.

Code of Ethics

The Board of Directors has adopted a Code of Ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, which is designed to promote honest and ethical conduct; full, fair, accurate, timely and understandable disclosure; and compliance with applicable laws, rules and regulations. A copy of the Code of Ethics will be provided to any person without charge upon written request to the Secretary of the Company at its executive offices, 358-364 Adams Street, Newark, New Jersey 07105.

Item 11. Executive Compensation.

The following summary compensation tables set forth information concerning the annual and long-term compensation for services in all capacities to the Company for the fiscal years ended February 28, 2010 and

February 28, 2009 of those persons who were, at February 28, 2010, (i) the chief executive officer and (ii) the other most highly compensated executive officers of the Company, whose total compensation was in excess of \$100,000 (the named executive officers):

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
Greg Amato Chief Executive Officer	2010	\$165,000	\$0	\$0	\$0	\$0	\$0	\$0	\$165,000
	2009	\$165,000	\$0	\$0	\$0	\$0	\$0	\$0	\$165,000
Murray S. Cohen Chairman of the Board	2010	\$50,827	\$0	\$5,000 ⁽¹⁾	\$0	\$127,500 ⁽²⁾	\$0	\$0	\$183,327
	2009	\$50,826	\$0	\$7,000 ⁽¹⁾	\$0	\$120,000 ⁽²⁾	\$0	\$0	\$177,826
James Ivchenko President	2010	\$195,478	\$0	\$5,000 ⁽¹⁾	\$0	\$112,500 ⁽³⁾	\$32,000 ⁽⁴⁾	\$0	\$344,978
	2009	\$195,478	\$0	\$7,000 ⁽¹⁾	\$0	\$105,000 ⁽³⁾	\$32,000 ⁽⁴⁾	\$0	\$339,478

- (1) Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with SFAS 123R.
- (2) Dr. Cohen received additional compensation of \$127,500 and \$120,000 in fiscal 2010 and 2009, respectively, based upon the Company's sales for fiscal 2009 and 2008, as determined under his employment contract which expired as of February 28, 2009.
- (3) Mr. Ivchenko received additional compensation of \$112,500 and \$105,000 in fiscal 2010 and 2009, respectively, based upon the Company's sales for fiscal 2009 and 2008, as determined under his employment contract which expired as of February 28, 2009.
- (4) Represents the amount paid to Mr. Ivchenko in fiscal 2010 and 2009 pursuant to his deferred compensation agreement. See "Deferred Compensation/Employment Contracts and Change in Control Arrangements" below.

Equity Awards

The following table provides certain information concerning equity awards held by the named executive officers as of February 28, 2010.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Option Awards			Stock Awards		
	No. of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units Or Other Rights That Have Not Vested(#)
Greg Amato	-0-	-0-	N/A	N/A	-0-	-0-
Murray S. Cohen	20,000	-0-	\$0.41	2/9/2014	-0-	-0-
	50,000	-0-	\$0.54	6/20/2010	-0-	-0-
James Ivchenko	20,000	-0-	\$0.41	2/9/2014	-0-	-0-
	50,000	-0-	\$0.54	6/20/2010	-0-	-0-

Compensation of Directors

Since fiscal 2002, the Company has paid directors \$750 for each board meeting attended. Commencing in fiscal 2007, only non-employee directors are paid such amount. In addition, commencing in fiscal 2007, non-employee directors are also paid \$750 for each committee meeting attended. Directors have always been and will continue to be reimbursed for reasonable expenses incurred on behalf of the Company.

In addition to the foregoing, pursuant to Epolin, Inc. 2008 Stock Incentive Plan (the “2008 Plan”), adopted by the Board of Directors on June 18, 2008 and approved by the stockholders on August 18, 2008, each director shall receive a stock award annually of 25,000 shares of Common Stock.

The following table provides certain summary information concerning the compensation paid to non-employee directors during fiscal 2010. All compensation paid to Dr. Cohen and Mr. Ivchenko is set forth in the table under “Executive Compensation”.

Director Compensation

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	All Other Compensation (\$)	Total (\$)
James R. Torpey, Jr.	\$3,000	\$5,000 ⁽¹⁾	-0-	-0-	\$8,000
Herve A. Meillat	\$3,000	\$5,000 ⁽¹⁾	-0-	-0-	\$8,000

(1) Represents the dollar amount recognized in fiscal 2009 for financial reporting purposes of stock awarded computed in accordance with Financial Accounting Standards 123R.

Deferred Compensation/Employment Contracts and Change in Control Arrangements

Effective as of November 1, 2004, the Company entered into an employment agreement with Greg Amato. Such agreement provided that Mr. Amato would be employed “at-will” and that such employment can be terminated by either party at any time without reason or cause provided at least six months prior written notice is given. The employment agreement also provides that Mr. Amato would receive bonus compensation for 2004 based upon a formula and would be entitled to receive, following the fiscal year ending February 28, 2006, bonus compensation equal to 10% of the increase in the Company’s net income for the fiscal year ending February 28, 2006 compared to February 28, 2005. For subsequent fiscal years, Mr. Amato shall be entitled to receive annual cash bonuses as the Compensation Committee shall determine with performance objectives determined prior to the start of the applicable year. Pursuant to the employment agreement, the Company also agreed to grant Mr. Amato an option to purchase 100,000 shares of Common Stock of the Company at an exercise price equal to the fair market value of the Company’s Common Stock on November 1, 2004 which option shall be exercisable only after the completion of Mr. Amato’s second year of employment under his employment agreement. Such option expired as of November 1, 2009. In addition, pursuant to the employment agreement, the Company agreed to grant to Mr. Amato, one year from the date of his employment agreement provided he is then employed by the Company, 100,000 shares of restricted Common Stock of the Company.

Pursuant to a deferred compensation agreement, as amended, entered into with James Ivchenko, President of the Company, the Company has agreed to pay Mr. Ivchenko \$32,000 per year for ten consecutive years commencing the first day of the month following Mr. Ivchenko reaching the age of 65. The obligations to Mr. Ivchenko under his deferred compensation agreement are partially funded with a life insurance policy owned by the Company. Through February 28, 2010, six payments of \$32,000 each have been paid to Mr. Ivchenko, leaving four remaining payments owing to Mr. Ivchenko which in the aggregate amounts to \$128,000 (the “Deferred Compensation Remaining Balance”). Subsequent to the year ended February 28, 2010, and as of May 14, 2010, the Board of Directors agreed to surrender the life insurance policy for its net surrender value (approximately \$168,000) and pay Mr. Ivchenko the Deferred Compensation Remaining Balance.

Effective as of March 1, 1999, the Company entered into a ten year employment agreement with Mr. Ivchenko. Pursuant thereto, Mr. Ivchenko shall be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. In addition thereto, Mr. Ivchenko shall receive as additional compensation a certain percentage (as set forth below) of the Company’s annual gross sales up to but not exceeding annual gross sales of \$3 million. Such percentage starts at 1.50% for the fiscal year ended February 29, 2000 and increases by 0.25% per year during the term of the agreement. In the event of death or disability, the agreement provides that Mr. Ivchenko or his estate will receive 100% of his annual salary and additional compensation as described above for the fiscal year during which he died or became disabled, and 50% of his annual salary and annual additional compensation which he would have received (if not for his death or disability) for the remainder of the ten year term. Such agreement expired as of February 28, 2009.

Effective as of March 1, 1999, the Company also entered into a ten year employment agreement with

Murray S. Cohen, Chairman of the Board of the Company. Pursuant thereto, Dr. Cohen shall be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. In addition thereto, Dr. Cohen shall receive as additional compensation a certain percentage (as set forth below) of the Company's annual gross sales up to but not exceeding annual gross sales of \$3 million. Such percentage starts at 2.00% for the fiscal year ended February 29, 2000 and increases by 0.25% per year during the term of the agreement. Pursuant to an amendment to the employment agreement entered into on March 30, 2006, Dr. Cohen shall have the option to partially retire pursuant to which Dr. Cohen will devote approximately 50% of his time to the Company in which event he will be paid 50% of his annual base salary and 100% of the additional compensation for the remainder of the term. He shall also have the option to either (i) substantially retire pursuant to which Dr. Cohen will devote approximately 25% of his time to the Company in which event he will be paid 25% of his annual base salary and 100% of the additional compensation for the remainder of the term, or (ii) fully retire in which event he will be paid no annual base salary and 50% of the additional compensation for the remainder of the term. In the event of death or disability, the amendment provides that Dr. Cohen or his estate will receive 100% of his annual salary and additional compensation as described above for the fiscal year during which he died or became disabled, and 50% of his annual salary and annual additional compensation which he would have received (if not for his death or disability) for the remainder of the ten year term, provided at the time of death or disability Dr. Cohen was a full-time employee. If at the time of death or disability Dr. Cohen was fully, partially or substantially retired, then other percentage rates are provided in the amendment for the payment of the annual salary and annual additional compensation to Dr. Cohen or his estate for the balance of the term. Such agreement expired as of February 28, 2009.

The Company had previously entered into a deferred compensation agreement in June 1998 with Dr. Cohen which provided for the payment of certain funds to Dr. Cohen for a period of ten years beginning two weeks after the date of his retirement. Such agreement was terminated in connection with the execution of the employment agreement with Dr. Cohen. In addition to the foregoing, pursuant to a deferred compensation agreement entered into in January 1996 which was terminated in June 1998, there were unfunded accruals of \$79,041 (the "Deferred Compensation Accrual") due to Dr. Cohen which the parties previously agreed would be paid to Dr. Cohen upon retirement either in equal consecutive monthly payments for a period not exceeding 60 months or a single payment which will be at the discretion of the Company. Subsequent to the year ended February 28, 2010, and as of May 14, 2010, the Board of Directors agreed to pay Dr. Cohen the Deferred Compensation Accrual as soon as practicable.

The Company does not have any termination or change in control arrangements with any of its named executive officers.

Indebtedness of Management

No member of management was indebted to the Company during its last fiscal year.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth, as of May 18, 2010, certain information with regard to the record and beneficial ownership of the Company's Common Stock by (i) each stockholder owning of record or beneficially 5% or more of the Company's Common Stock, (ii) each director of the Company, (iii) the Company's Chief Executive Officer and other executive officers, if any, of the Company whose total compensation was in excess of \$100,000 (the "named executive officers"), and (iv) all officers and directors of the Company as a group:

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Murray S. Cohen ^{(1)*}	1,990,958	16.3%
James Ivchenko ^{(2)*}	1,589,587	13.0%
James R. Torpey, Jr. ^{(3)*}	147,500	1.2%
Herve A. Meillat*	54,000	**
Greg Amato*	100,000	**
Claire Bluestein*	970,155	8.0%
Santa Monica Partners, L.P. ⁽⁴⁾	825,900	6.8%
Sandra Lifschitz ⁽⁵⁾	605,000	5.0%

Hummingbird Management, LLC ⁽⁶⁾	1,029,119	8.5%
All Executive Officers and Directors as a Group (5 persons)	3,882,045	31.4%

* The address for each is 358-364 Adams Street, Newark, New Jersey 07105.

** Less than 1%.

- (1) Includes 1,895,958 shares held by Dr. Cohen and 25,000 shares held by the wife of Dr. Cohen. Also, includes 70,000 shares which Dr. Cohen has the right to acquire within 60 days pursuant to the exercise of options granted under the 1998 Plan.
- (2) Includes 1,055,000 shares held by Mr. Ivchenko and 464,587 held by Mr. Ivchenko and his wife, as joint tenants. Also, includes 70,000 shares which Mr. Ivchenko has the right to acquire within 60 days pursuant to the exercise of options granted under the 1998 Plan.
- (3) Includes 60,000 shares which Mr. Torpey has the right to acquire within 60 days pursuant to the exercise of options granted under the 1998 Plan.
- (4) This information is based solely upon information reported in filings made to the SEC on behalf of Santa Monica Partners, L.P. Its address is 1865 Palmer Avenue, Larchmont, New York.
- (5) This information is based solely upon information reported in filings made to the SEC on behalf of Sandra Lifschitz. Her address is 7 Tulane Drive, Livingston, New Jersey.
- (6) This information is based solely upon information reported in filings made to the SEC on behalf of Hummingbird Management, LLC. Its address is 145 East 57th Street, New York, New York..

The Stockholders Agreement

Pursuant to a Stockholders Agreement executed in October 2002, each of the then members of the Board of Directors (Dr. Cohen and Messrs. Ivchenko and Torpey, as well as Morris Dunkel, Claire Bluestein and Peter Kenny) has provided the Company with certain rights of refusal in the event any of such individuals desire to sell any of the shares of the Company's Common Stock which any of them hold of record or beneficially. Excluded from such restrictions are gifts in which the proposed donee agrees to be bound to the Stockholders Agreement and transfers by will or the laws of descent, provided the shares remain subject to said restrictions. In addition, shares may be transferred by such individuals with the prior approval of the Board of Directors of the Company (or any committee authorized by the Board to give such approval).

Item 13. Certain Relationships and Related Transactions, and Director Independence.

See "Deferred Compensation/Employment Contracts and Change in Control Arrangements" above for information on the transactions described therein.

Other than described therein, since March 1, 2009, there has not been, nor is there currently proposed, any transaction or series of similar transactions to which we were or will be a party: (i) in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years; and (ii) in which any director, executive officer, shareholder who beneficially owns 5% or more of our common stock or any member of their immediate family had or will have a direct or indirect material interest.

Director Independence

We have determined that two of our four directors are independent directors. Messrs. Torpey and Meillat are our independent directors. We have determined their independence using the general independence criteria set forth in the Nasdaq Marketplace Rules.

Item 14. Principal Accountant Fees and Services.

The following is a summary of the fees billed to us by the principal accountants to the Company for professional services rendered for the fiscal years ended February 28, 2010 and February 28, 2009:

Fee Category	Fiscal 2010 Fees	Fiscal 2009 Fees
Audit Fees	\$51,000	\$51,000
Audit Related Fees	\$0	\$0
Tax Fees	\$3,500	\$3,000
All Other Fees	\$4,000	\$0
Total Fees	\$58,500	\$54,000

Audit Fees. Consists of fees billed for professional services rendered for the audit of our financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided by the principal accountants in connection with statutory and regulatory filings or engagements.

Audit Related Fees. Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees”.

Tax Fees. Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

All Other Fees. Consists of fees for product and services other than the services reported above.

Pre-Approval Policies and Procedures

Prior to engaging its accountants to perform a particular service, the Company’s Board of Directors obtains an estimate for the service to be performed. All of the services described above were approved by the Board of Directors in accordance with its procedures.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

The following documents are filed as part of this report:

(1) Financial Statements

Financial Statements are listed in the Contents to Consolidated Financial Statements included with this report.

(2) Financial Statement Schedules

No financial statement schedules are included because such schedules are not applicable, are not required, or because required information is included in the financial statements or notes thereto.

(3) Exhibits

- 3.1 Epolin Inc.’s certificate of incorporation as amended⁽¹⁾
- 3.2 Epolin Inc.’s by-laws⁽¹⁾
- 4.1 Specimen certificate for common stock⁽¹⁾
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)

- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
 - 32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
-

- (1) Filed with the Company's Form S-18 Registration Statement SEC File 33-25405-NY.

SIGNATURES

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

EPOLIN, INC.
(Registrant)

By: /s/ Murray S. Cohen
Murray S. Cohen,
Chairman of the Board

Dated: May 28, 2010

Pursuant to the requirements of 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:

Signature	Title	Date
<u>/s/ Greg Amato</u> Greg Amato	Chief Executive Officer (Principal Executive Officer)	<u>May 28, 2010</u>
<u>/s/ Murray S. Cohen</u> Murray S. Cohen	Chairman of the Board, Secretary and Director	<u>May 28, 2010</u>
<u>/s/ James Ivchenko</u> James Ivchenko	President and Director (Principal Financial Officer)	<u>May 28, 2010</u>
<u>/s/ James R. Torpey, Jr.</u> James R. Torpey, Jr.	Director	<u>May 28, 2010</u>
<u>/s/ Herve A. Meillat</u> Herve A. Meillat	Director	<u>May 28, 2010</u>

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED
FEBRUARY 28, 2010 AND 2009

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INDEPENDENT AUDITOR'S REPORT
Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
EPOLIN, INC. AND SUBSIDIARY
Newark, New Jersey

We have audited the accompanying Consolidated Balance Sheets of Epolin, Inc. and its wholly owned Subsidiary as of February 28, 2010 and 2009 and the related Consolidated Statements of Income, Stockholders' Equity and Cash Flows for each of the two years in the periods ended February 28, 2010 and 2009. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Epolin Inc. and Subsidiary as of February 28, 2010 and 2009, and the results of its operations and its cash flows for each of the two years in the periods ended February 28, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Weismann Associates LLC
Weismann Associates LLC
Branchburg, NJ 08876

May 11, 2010

**EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

ASSETS

	February 28,	
	2010	2009
Current assets:		
Cash and cash equivalents	\$ 1,908,752	1,544,966
Accounts receivable	469,035	371,443
Inventories	683,995	667,184
Prepaid expenses	55,094	56,298
Prepaid taxes	33,870	228,346
Deferred tax assets-current portion	14,698	18,377
Total current assets	3,165,444	2,886,614
Plant, property and equipment - at cost:		
Land	81,000	81,000
Building and improvements	770,537	767,300
Laboratory equipment	210,555	191,549
Furniture and office equipment	273,863	233,387
Leasehold improvements	532,131	532,131
Total	1,868,086	1,805,367
Less: Accumulated depreciation and amortization	1,008,372	905,242
Net plant, property and equipment	859,714	900,125
Other assets:		
Deferred tax assets-non current portion	85,460	95,504
Cash value - life insurance policy	188,641	213,452
Total other assets	274,101	308,956
Total	\$ 4,299,259	4,095,695

The accompanying notes are an integral part of these consolidated financial statements.

**EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (CONTINUED)**

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 28,	
	2010	2009
Current liabilities:		
Accounts payable	\$ 16,777	38,698
Accrued expenses	47,145	284,424
Taxes payable:		
Payroll	2,208	2,208
Total current liabilities	66,130	325,330
Other liabilities - Deferred compensation	195,082	221,388
Total liabilities	261,212	546,718
 Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$2.50 par value; 940,000 shares authorized; none issued		
Preferred stock, series A convertible non-cumulative, \$2.50 par value; redemption price and liquidation preference; 60,000 shares authorized; 5,478 shares issued and redeemed		
Common stock, no par value; 20,000,000 shares authorized; 13,115,000 and 13,015,000 shares issued, and 12,166,355 and 12,066,355 shares outstanding at February 28, 2010 and 2009, respectively	2,364,693	2,364,693
Additional paid-in capital	124,820	104,820
Retained earnings	1,899,616	1,430,546
Total	4,389,129	3,900,059
Less: Treasury stock - at cost	351,082	351,082
Total stockholders' equity	4,038,047	3,548,977
Total	\$ 4,299,259	4,095,695

The accompanying notes are an integral part of these consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED FEBRUARY 28, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Sales	\$ 2,944,628	3,091,539
Cost of sales and expenses:		
Cost of sales	1,273,768	1,444,199
Selling, general and administrative	<u>1,118,622</u>	<u>1,251,521</u>
Total	<u>2,392,390</u>	<u>2,695,720</u>
Operating income	<u>552,238</u>	<u>395,819</u>
Other income:		
Rental income	4,500	18,000
Interest	<u>25,835</u>	<u>52,861</u>
Total	<u>30,335</u>	<u>70,861</u>
Income before taxes	582,573	466,680
Income taxes	<u>113,503</u>	<u>139,111</u>
Net income	<u>\$ 469,070</u>	<u>327,569</u>
Per share data:		
Basic earnings per common share	<u>\$ 0.04</u>	<u>0.03</u>
Fully diluted earnings per common share	<u>\$ 0.04</u>	<u>0.03</u>
Weighted average number of common shares outstanding	<u>12,101,972</u>	<u>12,015,944</u>
Fully diluted number of common shares outstanding	<u>12,104,872</u>	<u>12,056,380</u>

The accompanying notes are an integral part of these consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED FEBRUARY 28, 2010 AND 2009

	<u>Number of Shares Issued</u>	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Treasury Shares</u>	<u>Treasury Stock</u>	<u>Stockholders' Equity</u>
Balance - March 1, 2008	12,915,000	\$ 2,364,693	76,820	1,820,958	948,645	(351,082)	3,911,389
Dividends paid	-	-	-	(717,981)	-	-	(717,981)
Stock-based compensation	100,000	-	28,000	-	-	-	28,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>327,569</u>	<u>-</u>	<u>-</u>	<u>327,569</u>
Balance - February 28, 2009	<u>13,015,000</u>	<u>\$ 2,364,693</u>	<u>104,820</u>	<u>1,430,546</u>	<u>948,645</u>	<u>(351,082)</u>	<u>3,548,977</u>
Balance - March 1, 2009	13,015,000	\$ 2,364,693	104,820	1,430,546	948,645	(351,082)	3,548,977
Stock-based compensation	100,000	-	20,000	-	-	-	20,000
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,070</u>	<u>-</u>	<u>-</u>	<u>469,070</u>
Balance - February 28, 2010	<u>13,115,000</u>	<u>\$ 2,364,693</u>	<u>124,820</u>	<u>1,899,616</u>	<u>948,645</u>	<u>(351,082)</u>	<u>4,038,047</u>

The accompanying notes are an integral part of these consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED FEBRUARY 28, 2010 AND 2009

	2010	2009
Cash flows from operating activities:		
Net income	\$ 469,070	327,569
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	104,432	104,599
Deferred tax expense	13,723	6,274
Stock-based compensation	20,000	28,000
Obligation under deferred compensation agreement	(26,306)	(25,295)
(Increase) decrease in:		
Accounts receivable	(97,592)	247,002
Inventories	(16,811)	(24,655)
Prepaid expenses	1,204	4,114
Prepaid taxes	194,476	(228,346)
Increase (decrease) in:		
Accounts payable	(21,921)	29,038
Accrued expenses	(237,279)	13,669
Taxes payable	-	(37,081)
Net cash provided by operating activities	402,996	444,888
Cash flows from investing activities:		
(Increase) decrease in cash value - life insurance policy	24,811	(12,083)
Payments for plant, property and equipment	(64,021)	(150,000)
Net cash provided (used) in investing activities	(39,210)	(162,083)
Cash flows used in financing activities -		
Dividends paid	-	(717,981)
Increase (decrease) in cash	363,786	(435,176)
Cash and cash equivalents:		
Beginning	1,544,966	1,980,142
Ending	\$ 1,908,752	1,544,966
Supplemental disclosures of cash flows:		
Income taxes paid	\$ 129,700	273,398

The accompanying notes are an integral part of these consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – Organization:

The Company is engaged in the development, production and sale of near infrared dyes to the optical industry for laser protection and welding applications, and other dyes and specialty chemical products that serve as intermediates and additives used in the adhesive, plastic, aerospace, credit card security and protective documents industries to customers located in the United States and throughout the world.

The Company's wholly owned Subsidiary, Epolin Holding Corporation, was incorporated in New Jersey as a real estate holding company whose assets consist of land and a building. On January 29, 1998, the Company acquired 100% of the stock in Epolin Holding Corporation. Prior to acquisition, two officers/stockholders of the Company controlled it.

NOTE B – Summary of Significant Accounting Policies:

Basis of Presentation – The Consolidated Financial Statements presented herein reflect all normal and recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the consolidated balance sheets, consolidated operating results and consolidated cash flows for the periods presented in accordance with accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - Includes cash in bank and money market accounts for purposes of preparing the Statement of Cash Flows.

Concentrations of Credit Risks - The Company and its Subsidiary at various times of the year had cash deposits in financial institutions and a brokerage house in excess of the amount insured by the agencies of the federal government. In evaluating this credit risk, the Company periodically evaluates the stability of the financial institution and brokerage house.

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of accounts receivable. Generally, the Company does not require collateral or other securities to support its accounts receivable. Four customers represented 44.5% of the Company's trade receivables at February 28, 2010.

Source of Raw Materials – The Company purchases chemicals from several large chemical manufacturers, further processing them into its saleable products. Although the Company limits itself to a relatively small number of suppliers, it is not restricted to such suppliers, and availability of such raw materials is widespread.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (continued):

Principles of Consolidation - The accompanying Consolidated Financial Statements include the accounts of the Company and Subsidiary. Inter-company transactions and balances have been eliminated in consolidation. Condensed Consolidating Financial Statements as of February 28, 2010 and for the year then ended are:

CONDENSED CONSOLIDATING BALANCE SHEET

	Epolin Inc.	Epolin Holding, Corp.	Eliminations	Consolidated
Current assets	\$ 2,712,079	453,365	-	3,165,444
Non-current assets	1,587,180	643,688	(1,097,053)	1,133,815
Total	<u>\$ 4,299,259</u>	<u>1,097,053</u>	<u>(1,097,053)</u>	<u>4,299,259</u>
Total liabilities	\$ 261,212	24,435	(24,435)	261,212
Stockholders' equity:				
Common stock	2,364,693	-	-	2,364,693
Additional paid-in capital	124,820	-	-	124,820
Retained earnings	1,899,616	1,072,618	(1,072,618)	1,899,616
Treasury stock	(351,082)	-	-	(351,082)
Total stockholders' equity	<u>4,038,047</u>	<u>1,072,618</u>	<u>(1,072,618)</u>	<u>4,038,047</u>
Total	<u>\$ 4,299,259</u>	<u>1,097,053</u>	<u>(1,097,053)</u>	<u>4,299,259</u>

CONDENSED CONSOLIDATING STATEMENT OF INCOME

	Epolin Inc.	Epolin Holding, Corp.	Eliminations	Consolidated
Sales	\$ 2,944,628	-	-	2,944,628
Rental income	-	102,240	(97,740)	4,500
Total	<u>2,944,628</u>	<u>102,240</u>	<u>(97,740)</u>	<u>2,949,128</u>
Cost of sales	1,273,768	-	-	1,273,768
Selling, general and administrative	1,185,013	31,349	(97,740)	1,118,622
Total	<u>2,458,781</u>	<u>31,349</u>	<u>(97,740)</u>	<u>2,392,390</u>
Operating income	485,847	70,891	-	556,738
Other income - interest	19,089	6,746	-	25,835
Income before taxes	504,936	77,637	-	582,573
Income taxes	107,323	6,180	-	113,503
Net income	<u>\$ 397,613</u>	<u>71,457</u>	<u>-</u>	<u>469,070</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Summary of Significant Accounting Policies (continued):

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the status of individual accounts. This allowance is an amount estimated by management to be adequate to absorb possible losses. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Plant, Property and Equipment - Stated at cost. Provisions for depreciation are computed on the straight-line methods, based upon the estimated useful lives of the various assets.

A summary of the major categories of the Company's plant, property and equipment are as follows:

		<u>Estimated Years</u>
Building and improvements	Straight Line	39
Laboratory equipment	Straight Line	5 - 7
Furniture and office equipment	Straight Line	5 - 7
Leasehold Improvements	Straight Line	10 - 39

The costs of major renewals and betterments are capitalized. Repairs and maintenance are charged to operations as incurred. Upon disposition, the cost and related accumulated depreciation are removed and any related gain or loss is reflected in earnings.

Depreciation and amortization expense totaled \$104,432 and \$104,599 for the years ended February 28, 2010 and 2009, respectively.

Income Taxes – The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", wherein the asset and liability method is used in accounting for income taxes. Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and for income tax purposes. Temporary differences relate primarily to different accounting methods used for depreciation and amortization of property and equipment and deferred compensation.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (FIN 48), clarifies the accounting for uncertainty in income tax positions, as defined. FIN 48 requires, among other matters, that the Company recognize in its financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Company became subject to the provisions of FIN 48 as of March 1, 2007, the beginning of fiscal year ended 2008, and analyzed the filing positions in all of the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The adoption of FIN 48 had no impact on the Company's financial statements for fiscal year ended 2009. As of February 28, 2010 and 2009, the Company did not record any unrecognized tax benefits. The Company's policy, if it had unrecognized benefits, is to recognize accrued interest and penalties related to unrecognized tax benefits as interest expense and other expense, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Summary of Significant Accounting Policies (continued):

Use of Estimates – The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition – The Company recognizes revenue consistent with the provisions of SEC Staff Accounting Bulletin No. 104, “Revenue Recognition”, which sets forth guidelines in the timing of revenue recognition based upon factors such as passage of title, payments, and customer acceptance. Any amounts received prior to satisfying our revenue recognition criteria will be recorded as deferred revenue in the accompanying balance sheet. The Company recognizes revenue from product sales when there is persuasive evidence that an arrangement exists, when title has passed, the price is fixed or determinable, and the Company is reasonably assured of collecting the resulting receivable. The Company’s policy is to replace certain products that are in nonconformity with customer specifications; however, replacements are made at the discretion of the Company subject to in house product lab analysis. There are no terms or conditions set forth within the Company’s sales contracts that provide for product replacements. Replacement costs are expensed as incurred.

Regulations – The Company expended approximately \$40,312 and \$36,331 through February 28, 2010 and 2009, respectively, to maintain compliance with certain Federal, State and City government regulations relative to the production of near infrared dyes and specialty chemicals.

Net Income Per Share - Basic net income per share is calculated on the basis of the weighted average number of shares outstanding during the period, excluding dilution. Diluted net income per share is computed on the basis of the weighted average number of shares plus potentially dilutive common shares arising from the assumed exercise of stock options.

Inventories - Consists of raw materials, work in process, finished goods and supplies valued at the lower of cost or market under the first-in, first-out method.

Advertising Costs – Advertising costs, included in operating expenses, are expensed as incurred. Advertising expenses amounted to \$19,031 and \$19,905 for the years ended February 28, 2010 and 2009, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Summary of Significant Accounting Policies (continued):

Stock-Based Compensation – Effective March 1, 2006, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment". SFAS 123R requires companies to measure and recognize in operations the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value. In accordance with the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No. 107, the Company has adapted the modified-prospective transition method. Prior periods were not restated to reflect the impact of adopting the new standard. The Company determines the fair value of stock-based compensation using the Black-Scholes option-pricing model, which requires the Company to make assumptions regarding future dividends, expected volatility of its stock, and the expected lives of the options. Under SFAS 123R the Company also makes assumptions regarding the number of options and the number of shares of restricted stock and performance shares that will ultimately vest. As a result of the adoption of FAS 123R, stock-based compensation expense recognized includes compensation expense for all share-based payments granted on or prior to, but not yet vested as of March 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of FAS 123, and compensation cost for all share-based payments granted on or subsequent to March 1, 2006, based on the grant date fair value estimated in accordance with the provisions of FAS 123R.

Prior to the adoption of FAS 123R and for the year ended February 28, 2007, no tax benefits from the exercise of stock options have been recognized. Any future excess tax benefits derived from the exercise of stock options will be recorded prospectively and reported as cash flows from financing activities in accordance with FAS 123R.

Deferred charges for options granted to non-employees are determined in accordance with FAS No. 123 and EITF 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" as the fair value of the consideration or the fair value of the equity instruments issued, whichever is more reliably measured.

The weighted average Black-Scholes value of options granted under the stock plans during the years ended February 28, 2010 and 2009 was \$.18, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants:

	February 28,	
	2010	2009
Weighted average expected life in years	2	2
Dividends per share	-	0.06
Volatility	7.0%	7.0%
Risk-free interest rate	2.8%	4.0%

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – Summary of Significant Accounting Policies (continued):

Recently Adopted Accounting Standards - On March 1, 2008, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements" ("FAS 157") for financial assets and liabilities, which clarifies the meaning of fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined under FAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in earnings or other comprehensive income when they occur. The effective date of the provisions of FAS 157 for non-financial assets and liabilities, except for items recognized at fair value on a recurring basis, was deferred by Financial Accounting Standards Board ("FASB") Staff Position FAS 157-2 ("FSP FAS 157-2") and are effective for the fiscal year beginning March 1, 2009. The adoption of FAS 157 for financial assets and liabilities did not have an impact on the Company's consolidated financial position or results of operations. For additional information on the fair value of financial assets and liabilities, see Note N – Fair Value Measurements.

Also, effective March 1, 2008, the Company adopted SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159") which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. As of February 28, 2010, the Company has not elected the fair value option for any additional financial assets and liabilities beyond those already prescribed by accounting principles generally accepted in the United States.

In October 2008, the FASB issued Staff Position No. FAS 157-3, "Determining the Fair Value of a Financial Asset in a Market That Is Not Active ("FSP FAS 157-3")." FSP FAS 157-3 clarifies the application of FAS 157 in a market that is not active and defines additional key criteria in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with FAS 157. FSP FAS 157-3 was effective upon issuance and the application of FSP FAS 157-3 did not have a material impact on our consolidated financial statements.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE C – Income Taxes:

1. Federal and State deferred tax assets include:

	February 28,	
	<u>2010</u>	<u>2009</u>
Temporary differences:		
Accelerated amortization	\$ 219	2,629
Deferred compensation	83,885	95,198
Stock-based compensation	<u>16,054</u>	<u>16,054</u>
Total	100,158	113,881
 Less: Current portion	 <u>14,698</u>	 <u>18,377</u>
 Non-current portion	 <u>\$85,460</u>	 <u>95,504</u>

2. Income tax:

	February 28,	
	<u>2010</u>	<u>2009</u>
Current:		
Federal	\$79,000	108,635
State	<u>20,780</u>	<u>24,202</u>
Total current	<u>99,780</u>	<u>132,837</u>
 Deferred:		
Federal	10,140	3,718
State	<u>3,583</u>	<u>2,556</u>
Total deferred	<u>13,723</u>	<u>6,274</u>
Total	<u>\$113,503</u>	<u>139,111</u>

3. Reconciliation of income tax at the statutory rate to the Company's effective rate:

	February 28,	
	<u>2010</u>	<u>2009</u>
Computed at the statutory rate	\$198,075	158,671
State income taxes (net)	20,780	24,202
(Increase) Decrease in deferred tax asset	13,723	6,274
General business credits	(12,740)	(29,944)
Other reconciling items	<u>(106,335)</u>	<u>(20,092)</u>
Effective tax	<u>\$113,503</u>	<u>139,111</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – Treasury Stock:

Consists of 948,645 shares at a net cost of \$351,082 as of February 28, 2010 and 2009, respectively. There were no purchases of treasury shares made during the years ended February 28, 2010 and 2009, respectively.

NOTE E – Economic Dependency:

A material portion of the Company's business is dependent on certain domestic customers, the loss of which could have a material effect on operations. During the years ended February 28, 2010, approximately 33.4% of sales were to three customers. During the years ended February 28, 2009, approximately 31.0% of sales were to three customers.

NOTE F – Rental Income Under Sublease:

The Company entered into an agreement with a non-related party effective September 1, 2005 for a term ending October 31, 2007, and continuing on a month-to-month basis thereafter through May 31, 2009. Under the terms of the agreement, the tenant is to pay a base rent of \$18,000 per year. On May 31, 2009, the tenant abandoned the property.

NOTE G – Research and Development:

The Company has developed substantial research and development capability. The Company's efforts are devoted to (i) developing new products to satisfy defined market needs, (ii) providing quality technical services to assure the continued success of its products for its customers' applications, (iii) providing technology for improvements to its products, processes and applications, and (iv) providing support to its manufacturing plant for cost reduction, productivity and quality improvement programs. Expenditures for Company sponsored product research and product development of \$373,948 and \$460,682 were included in cost of sales for the years ended February 28, 2010 and 2009, respectively. Expenditures for the fiscal year ended 2011 are projected to remain at approximately the same level as in fiscal 2010.

NOTE H – Employee Benefits:

Simplified Employee Pension Plan – Effective June 1, 1994, the Company provides a SAR/SEP plan to its employees as a retirement and income tax reduction facility. Full time employees are eligible to participate immediately. Employees may make pre-tax and after-tax contributions subject to Internal Revenue Service limitations. Company contributions range from three to five percent. Employer contributions totaled \$47,503 and \$42,915 for the years ended February 28, 2010 and 2009, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – Employee Benefits (continued):

Stock Option Plan – The Company adopted the 1998 Stock Option Plan on December 1, 1998. Under the terms of the plan, the Company reserved 750,000 shares of common stock for issuance pursuant to the exercise of options to be granted under the Plan, which do not meet the requirements of Section 422 of the Code. On September 15, 2001, the Board of Directors increased the reserve to 1,500,000. Options granted expire five or ten years after the date granted and are subject to various vesting periods as follows: (1) none exercisable prior to the first anniversary of the date of grant, and (2) certain options become exercisable as to 50% of the shares underlying the option on each of the first and second anniversaries of the date granted (3) certain options become exercisable as to 50% of the shares underlying the option on each of the second and fourth anniversaries of the date granted. From inception through February 28, 2010, options granted totaled 1,242,000, options exercised totaled 686,000; options cancelled or expired for all years totaled 311,000.

A summary of the status of the Company's 1998 stock option plan as of February 28, 2010, and the changes during the years ended February 28, 2010 and 2009 is presented below:

<u>Fixed Options:</u>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Balance – February 28, 2009	<u>316,000</u>	\$.50
Balance – February 28, 2010	<u>245,000</u>	\$.49
Exercisable at February 28, 2010	<u>245,000</u>	\$.49

Stock Option Plans - The following table summarizes information about fixed stock options outstanding at February 28, 2010:

<u>Range of Exercise Price</u>	<u>Outstanding Options</u>		<u>Exercisable Options</u>	
	<u>Number Outstanding at 02/28/10</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Number Exercisable at 02/28/10</u>	<u>Weighted-Average Exercise Price</u>
\$.41	95,000	4.0	95,000	.32
.54	150,000	0.3	150,000	.68

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – Employee Benefits (continued):

Stock Option and Stock-Based Compensation Plan - On June 18, 2008, the Company's Board of Directors approved and adopted the Epolin, Inc. 2008 Stock Incentive Plan (the "2008 Plan"), and authorized us to issue up to 1,500,000 shares of our Common Stock under the 2008 Plan (subject to adjustment to take account of stock dividends, stock splits, recapitalizations and similar corporate events). Under the 2008 Plan, the Company will have the right to issue stock options, stock appreciation rights, restricted stock, Common Stock or convertible securities that may or may not be subject to restrictions or forfeiture, restricted stock units, performance shares and performance units. With the adoption of the new 2008 Plan, the 1998 Plan terminated, and the Company will no longer be able to grant options under it. However, options that have already been granted under the 1998 Plan will continue to be outstanding. As of February 28, 2010, 200,000 shares of Common Stock have been granted and 1,300,000 shares remain to be granted.

The purpose of the Plan is to provide officers, other employees and directors of, and consultants to, the Company, an incentive to (a) enter into and remain in the Company's service or to provide services to the Company, (b) enhance the Company's long-term performance, (c) acquire a proprietary interest in the Company.

The Compensation Committee or another committee of our Board of Directors (or if there is no committee, the Board of Directors itself) will administer the Plan. It will determine the persons to whom awards will be made, the types of awards that will be made to particular persons, the numbers of shares to which awards will relate, the dates when awards will vest in whole or in part and the other terms of awards, including the payments, if any, that participants will have to make to benefit from awards.

The 2008 Plan provides that each year, commencing September 1, 2008, each person who serves as a Director during the current year shall automatically receive a stock award of 25,000 shares of Common Stock. The dollar value of the shares of Common Stock granted each year is calculated based upon the fair market value of our Common Stock at the date of grant. Stock-based compensation in the amount of \$20,000 and \$28,000 was charged to selling, general and administrative expenses were for the years ended February 28, 2010 and 2009, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE I – Segment Reporting:

The Company currently operates in a single operating segment. In addition, financial results are prepared and reviewed by management as a single operating segment. The Company continually evaluates its operating activities and the method utilized by management to evaluate such activities and will report on a segment basis if and when appropriate to do so.

Sales by geographic area are as follows:

	Years Ended	
	February 28,	
	2010	2009
United States	\$ 2,402,128	2,114,706
Asia	290,358	578,060
Europe	246,731	398,173
Other nations	5,411	600
Total	\$ 2,944,628	3,091,539

One customer, located in the United States, accounted for more than 10% of revenues from continuing operations. This customer accounted for 14.0% of sales of infrared dies.

Long-lived assets include net plant, property and equipment. The Company had long-lived assets of \$859,714 and \$900,125 located in the United States at February 28, 2010 and February 28, 2009, respectively.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - Accrued Expenses:

Accrued expenses consisted of the following as of February 28, 2010 and 2009, respectively:

	February 28,	
	2010	2009
Purchases	\$ 3,455	10,980
Commissions	10,545	8,444
Rent	8,145	-
Employment agreement	-	240,000
Professional fees	25,000	25,000
	<hr/>	<hr/>
Total accrued expenses	\$ 47,145	284,424

NOTE K - Inventories:

	February 28,	
	2010	2009
Raw materials and supplies	\$ 160,387	138,730
Work in process	92,421	117,314
Finished goods	431,187	411,140
	<hr/>	<hr/>
Total	\$ 683,995	667,184

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - Earnings Per Share:

Basic earnings per share are computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options. The components of basic and diluted earnings per share are as follows:

	Years Ended February 28,	
	2010	2009
Basic Earnings Per Common Share:		
Net income	469,070	327,569
Average common shares outstanding	12,101,972	12,015,944
Basic earnings per common share	0.04	0.03
Diluted Earnings Per Common Share:		
Net income	469,070	327,569
Average common shares outstanding	12,101,972	12,015,944
Common shares issuable with respect to options issued to employees with a dilutive effect	2,900	40,436
Total diluted common shares outstanding	12,104,872	12,056,380
Diluted earnings per common share	0.04	0.03

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M – Commitments and Contingencies:

Losses for contingencies such as litigation and environmental matters are recognized in income when they are probable and can be reasonably estimated. Gain contingencies are not recognized in income.

Lease Obligations - The Company leases its real estate under an operating lease with a related party. The lease effective November 1, 1996 was for a term of five (5) years with three (3) five (5) year options at annual rentals of \$97,740. The Cost of Living Index adjustment effective with the second year has been waived by the subsidiary. Rent includes reimbursed insurance costs. Generally, management expects that the lease will be renewed in the normal course of business.

Rental expense charged to operations, eliminated in consolidation, amounted to \$97,740 for the years ended February 28, 2010 and 2009, respectively.

Future minimum payments for the current option period:

<u>Fiscal Years Ending February:</u>	
2011	\$65,160

Deferred Compensation – On December 29, 1995, the Company entered into a deferred compensation agreement with James Ivchenko, President, whose additional annual compensation of \$19,645 plus interest is deferred until he reaches age 65 or is terminated. The obligation is funded by the cash value in a life insurance policy. Commencing on December 2005, annual payments will be made to the officer in the amount of \$32,000 for ten consecutive years. Subsequent to the year ended February 28, 2010, as of May 14, 2010, the Board of Directors agreed to surrender the life insurance policy and pay the remaining balance due in a lump sum payment during the current year.

In connection with this agreement, deferred compensation in the amount of \$5,694 and \$6,706 was charged to selling, general and administrative expenses for the years ended February 28, 2010 and 2009, respectively.

On January 1, 1996, the Company entered into a deferred compensation agreement with Dr. Murray S. Cohen, PhD, Chairman of the Board, wherein \$25,000 per year was accrued. This agreement, with unfunded accruals of \$79,041, terminated on June 25, 1998. Subsequent to the year ended February 28, 2010, as of May 14, 2010, the Board of Directors agreed to pay the balance due during the current year.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE M – Commitments and Contingencies (continued):

Employment Agreements – Effective March 1, 1999, the Company entered into ten-year employment agreements with officers/directors:

Murray S. Cohen, PhD, Chairman of the Board - To be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. Dr. Cohen is to receive 2.00% on gross annual sales of no more than \$3,000,000, effective with the year ended February 28, 2000, increasing by 0.25% a year during the term of the agreement. In the event of partial retirement, (50% employment), Dr. Cohen will receive fifty percent salary and 100% additional compensation. In the event of substantial retirement, (25% employment), Dr. Cohen will receive 25% percent salary and 100% additional compensation. In the event of full retirement, Dr. Cohen will receive 50% additional compensation. In the event of death or disability, while fully employed during the fiscal year, Dr. Cohen or his estate will receive 100% of his annual salary plus additional compensation as described above, and 50% of his annual salary plus additional compensation each subsequent year for the remainder of the ten-year term. If at the time of death or disability Dr. Cohen was retired, then other percentage rates are provided for based upon his retirement status.

James Ivchenko, President - To be paid an annual salary of not less than the greater of his annual base salary in effect immediately prior to the effective date of the agreement or any subsequently established annual base salary. He is to receive 1.5% on gross annual sales of no more than \$3,000,000, effective with the year ended February 28, 2000, increasing by 0.25% a year during the term of the agreement. In the event of death or disability during the fiscal year, Mr. Ivchenko or his estate will receive 100% of his annual salary plus additional compensation as described above, and 50% of his annual salary plus additional compensation each subsequent year for the remainder of the ten-year term.

Accrued compensation included in selling, general and administrative as of February 28, 2009 was \$240,000.

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N - Fair Value Measurements:

Effective March 1, 2008, the Company adopted FAS 157, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

All financial assets that are measured at fair value on a recurring basis (at least annually) have been segregated into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date. These assets measured at fair value on a recurring basis are summarized below:

	<u>February 28, 2010</u>		<u>February 28, 2009</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Assets:</u>				
Cash and cash equivalents	\$1,908,752	1,908,752	1,544,966	1,544,966
Other assets:				
Cash value – life insurance	<u>188,641</u>	<u>188,641</u>	<u>213,452</u>	<u>213,452</u>
Total assets at fair value	<u>\$2,097,393</u>	<u>2,097,393</u>	<u>1,758,418</u>	<u>1,758,418</u>
<u>Liabilities:</u>				
Deferred compensation	<u>\$ 195,082</u>	<u>195,082</u>	<u>221,388</u>	<u>221,388</u>

EPOLIN, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE N – Dividends:

In July 2008, the Company's Board of Directors declared a cash dividend of \$0.04 per share on all common shares outstanding. The dividend, in the amount of \$478,654 was paid on August 7, 2008 to shareholders of record at the close of business on July 24, 2008.

In April 2008, the Company's Board of Directors declared a cash dividend of \$0.02 per share on all common shares outstanding. The dividend, in the amount of \$239,327 was paid on May 14, 2008 to shareholders of record at the close of business on April 30, 2008.

NOTE O – Environmental Matters

The Company's past and present daily operations include activities, which are subject to extensive federal, and state environmental and safety regulations. Compliance with these regulations has not had, nor does the Company expect such compliance to have, any material effect upon expected capital expenditures, net income, financial condition, or competitive position of the Company. The Company believes that its current practices and procedures comply with applicable regulations. The Company's policy is to accrue environmental and related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

CERTIFICATION

I, Greg Amato, certify that:

1. I have reviewed this annual report on Form 10-K of Epolin, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 28, 2010

By: /s/ Greg Amato
Greg Amato,
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, James Ivchenko, certify that:

1. I have reviewed this annual report on Form 10-K of Epolin, Inc.;
2. Based on my knowledge, this report does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 28, 2010

By: /s/ James Ivchenko
James Ivchenko,
President
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Epolin, Inc. (the “Company”) on Form 10-K for the period ended February 28, 2010, as filed with the Securities and Exchange Commission (the “Report”), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of the undersigned’s knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 28, 2010

By: /s/ Greg Amato
Greg Amato,
Chief Executive Officer
(Principal Executive Officer)

Dated: May 28, 2010

By: /s/ James Ivchenko
James Ivchenko,
President
(Principal Financial Officer)