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

FORM 10-K

/x/ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1999
or
/ / Transition Report pursuant to Section 13 of 15 (d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 0-9314

ACCESS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	83-0221517
(State of Incorporation)	(I.R.S. Employer I.D. No.)

2600 Stemmons Freeway, Suite 176, Dallas, TX	75207
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (214) 905-5100

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, One Cent ($0.01) Par Value Per Share	American Stock Exchange
(Title of Class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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 /x/ 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 the 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. _____

The aggregate market value of the outstanding voting stock held by non-affiliates of the registrant as of March 28, 2000 was approximately $68,387,000.

As of March 28, 2000 there were 10,946,433 shares of Access Pharmaceuticals, Inc. Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of Registrant's Definitive Proxy Statement filed with the Commission pursuant to Regulation 14A in connection with the 2000 Annual Meeting are incorporated herein by reference into Part III of this report. Other references incorporated are listed in the exhibit list in Part IV of this report.

PART I

ITEM 1. BUSINESS

Access Pharmaceuticals is a Delaware corporation in the development stage. We are an emerging pharmaceutical company focused on

developing both novel low development risk product candidates and technologies with longer-term major product opportunities. We have proprietary patents or rights to five technology platforms: synthetic polymers, bioerodible hydrogels, Residerm TM, carbohydrate targeting technology, and agents for the prevention and treatment of viral disease, including HIV. In addition, our partner Block Drug Company, or Block, is marketing in the United States Aphthasol TM, the first FDA-approved product for the treatment of canker sores. We are developing new formulations and delivery forms to evaluate this product in additional clinical indications. We have licensed the rights to amlexanox for the treatment of canker sores from Block for certain countries excluding the U.S. and the worldwide rights for certain additional indications including mucositis and oral diseases.

Recent Developments

On March 28, 2000, our application for listing on the American Stock Exchange, or AMEX was approved and we began trading on AMEX on March 30, 2000 under the symbol AKC.

On March 1, 2000, with the assistance of an investment bank, we completed the closing of a private offering, receiving gross proceeds of $12.0 million, less issuance costs of approximately $89,500, at a per share price of $2.50, from the private placement of 4,800,000 shares of common stock. The placement agent for the offering received warrants to purchase 459,806 shares of common stock at $2.50 per share, in accordance with the offering terms and elected to receive approximately 520,000 shares of common stock in lieu of certain sales commissions and expenses.

On February 25, 2000, we signed licensing agreements granting Mipharm S.p.A. marketing and manufacturing rights for amlexanox for numerous indications including the prevention and treatment of canker sores and mucositis, oral lichen planus and atopic dermatitis. These agreements cover Italy, Switzerland, Turkey and Lebanon. Under the terms of these agreements, Mipharm will make an equity investment in us, pay upfront licensing fees, make milestone payments and we will receive a percentage of the product sales made in the territory. Mipharm will have the option to license other product developments in the fields of dermatology and gynecology in the territory.

On July 20, 1999, Access Holdings, a Delaware corporation and our wholly-owned subsidiary, merged with and into Virologix Corporation, a privately held Delaware corporation focused on the development of product candidates for the prevention and treatment of viral diseases, including HIV. Upon the consummation of the merger, the separate existence of Access Holdings ceased, Virologix became our wholly-owned subsidiary and each outstanding share of Virologix' common stock was converted into 0.231047 shares of our common stock, representing 999,963 shares of our common stock.

Business

We are an emerging pharmaceutical company developing drug delivery systems and advanced polymer technology for application in cancer treatment, dermatology and oral diseases. In addition, we have developed a drug to treat canker sores that was sold to Block and which Block currently is marketing in the United States under the name Aphthasol TM, subject to a royalty agreement with us. Our lead compounds and the potential markets for those compounds are as follows.

Marketed Product

Amlexanox 5% Paste (Aphthasol TM)

This product currently is the only compound approved by the FDA for the treatment of canker sores. Independent market research sponsored by us indicates that more than 7 million patients visit doctors or dentists per year in the United States with complaints of canker sores. Current estimates indicate that approximately 20% of the U.S. adult population suffers from canker sores, of which 15 million patients claim that their canker sores recur.

Currently, we are conducting a study in Ireland to determine if the application of amlexanox 5% paste at the first sign or symptom of canker sores can abort ulcer formation or further accelerate healing. If these results confirm that early application of the product can improve treatment, this will provide a major marketing opportunity to expand usage of the product and to attract sufferers of canker sores to contact medical practitioners to request the product.

In 1995, we sold our rights to amlexanox to Block, subject to a retained royalty. On June 8, 1998, we entered into an agreement to license these rights back from Block for certain international markets. Pursuant to this agreement, we announced on August 18, 1998 that we signed a License Agreement for the United Kingdom and Ireland with Strakan Limited, or Strakan, to license amlexanox for the treatment of canker sores. Under the terms of this agreement, Strakan will be responsible for and will bear all costs associated with the regulatory approval process for amlexanox in the United Kingdom and the European Union, will pay milestones based on cumulative sales revenue and will pay a royalty on sales of amlexanox. We also announced that Strakan has filed a product license application for amlexanox 5% paste for treatment of canker sores with regulatory authorities in the United Kingdom. We anticipate that the amlexanox 5% paste product will be registered throughout Europe in early 2000. Product registrations have been submitted in additional markets including Canada.

An international outlicensing program for amlexanox is ongoing. In addition to the agreement with Strakan, licensing agreements have been signed with Meda for Scandinavia, the Baltic states and Iceland; Laboratorios Esteve for Spain, Portugal and Greece; Mipharm for Italy, Switzerland, Turkey and Lebanon; and, a letter of intent has been signed with Paladin Laboratories for Canada.

Products in Development Status

Polymer Platinate (AP 5280)

Chemotherapy, surgery and radiation are the major components in the clinical management of cancer patients. Chemotherapy is usually the primary treatment of hematologic malignancies, which cannot be excised by surgery. Chemotherapy is increasingly used as an adjunct to radiation and surgery to improve their effectiveness and serves as the primary therapy for some solid tumors and metastases. For chemotherapeutic agents to be effective in treating cancer patients, however, the agent must reach the target cells in effective quantities with minimal toxicity in normal tissues.

The current optimal strategy for chemotherapy involves exposing patients to the most intensive cytotoxic regimens that they can tolerate and clinicians attempt to design a combination of chemotherapeutic drugs, a dosing schedule and a method of administration to increase the probability that cancerous cells will be destroyed while minimizing the harm to healthy cells. Notwithstanding clinicians' efforts, most current chemotherapeutic drugs have significant limitations that limit the efficacy of chemotherapy. For example, certain cancers are inherently unresponsive to chemotherapeutic agents. Alternatively, other cancers may initially respond, but subgroups of cancer cells acquire resistance to the drug during the course of therapy and the resistant cells may survive and cause a relapse. Serious toxicity, including bone marrow suppression or irreversible cardiotoxicity, is another limitation of current anti-cancer drugs that can prevent their administration in curative doses.

Currently, platinum compounds are one of the largest selling categories of chemotherapeutic agents, with annual sales in excess of $800 million. As is the case with all chemotherapeutic drugs, the use of such compounds is associated with serious systemic side effects. The drug delivery goal therefore is to enhance delivery of the drug to the tumor and minimize the amount of drug affecting normal organs in the body.

Polymer Platinate is a chemotherapeutic agent that we believe has the potential to have significantly superior effectiveness in treating numerous cancers compared to existing platinum compounds. Our patented

Polymer Platinate product seeks to achieve this goal by attaching a large polymer to a small platinum molecule. This method exploits the usually leaky or hyperpermeable nature of the cells that line the walls of blood vessels that feed tumors by allowing the large Polymer Platinate molecule to enter the tumor in preference to other tissue, which do not have leaky or hyperpermeable blood vessels. In addition, the capillary/lymphatic drainage system of tumors is not well developed and limited, so the drug gets trapped in the tumor. This dual effect is called enhanced permeability and retention, or EPR. In addition, the polymer is designed to shield the platinum from interactions with normal cells while the drug circulates within the body, thereby reducing toxicity. The proposed mechanism of how

Polymer Platinate is taken up by tumor cells bypasses known membrane-associated mechanisms for development of tumor resistance, a common cause of failure of chemo-therapeutic drugs over the course of treatment.

In animal models, our Polymer Platinate has delivered up to 70 times the amount of platinum to tumors compared with cisplatin, the standard platinum formulation, at the maximum tolerated dose. Our Polymer Platinate was approximately as effective in inhibiting tumor growth as cisplatin alone at doses up to 10 times less toxic. In terms of dosing, in animal studies, up to 70 times more platinum has been injected using our Polymer Platinate, which could be clinically significant as platinum has a steep dose response curve. Consequently, clinical outcome could be greatly improved as a result of the ability to deliver additional amounts of the drug to the tumor.

We have developed the Polymer Platinate AP5280 clinical formulation, defined the manufacturing and analytical methods and commenced the production of Good Manufacturing Practice, or GMP, material for clinical trials. We are aggressively moving this project toward clinical development, with GLP toxicology studies initiated, which is the major preclinical activity remaining to be completed. We plan to commence human clinical trials for our Polymer Platinate in the second quarter 2000.

OraDisc TM (Amlexanox)

We, in conjunction with Atrix Laboratories, are working to develop a mucoadhesive disc that adheres to the canker sores and slowly erodes over time locally releasing the drug.

The OraDisc TM formulation is potentially an improved delivery vehicle for the oral delivery of amlexanox which potentially overcomes the difficulties encountered in using conventional paste and gel formulations for conditions in the mouth, that is, applying the drug and keeping it in place over time.

The first GMP production of the amlexanox disc has been completed. A clinical study to evaluate this product in oral wound healing was completed in early December with positive results.

A significantly larger GMP production batch to produce material for the planned clinical studies, to evaluate this formulation for both the prevention and treatment of canker sores has been completed. The prevention study has commenced in Europe and the treatment study will commence in the second quarter 2000. We have developed two clinical trial protocols for the OraDisc TM development program and engaged the clinical site that will perform the major portion of the clinical trials.

Utilizing this technology, we anticipate that higher drug concentrations will be achieved at the disease site increasing the effectiveness of the product.

An Investigational New Drug Application has been filed with the FDA and clinical studies are scheduled to commence in the United States in the second quarter 2000.

OraRinse TM (Amlexanox)

We signed in 1998 a license agreement with Block for the rights to

develop amlexanox for use in chemotherapy and radiation induced mucositis. Mucositis is a debilitating condition involving extensive inflammation of mouth tissue that affects an estimated 400,000 cancer patients in the United States undergoing chemotherapy and radiation treatment. Any treatment that would accelerate healing and/or diminish the rate of appearance would have a significant beneficial impact on the quality of life of these patients and may allow for more aggressive chemotherapy. We believe amlexanox could provide a clinical benefit in treating and preventing this condition because of the clinical similarities of mucositis to canker sores for which amlexanox has proven efficacy and the positive results achieved in the oral wound healing study.

An IND has been filed with the FDA and a Phase II protocol developed to investigate a mouthwash formulation for the prevention and treatment of mucositis in head and neck cancer patients treated with radiation and chemotherapy. This study has commenced in the first quarter of 2000. Over 90% of head and neck cancer patients treated with radiation and chemotherapy experience mucositis. We plan to enroll approximately 60 patients in the initial study which will be performed at multiple sites throughout the United States. Results of this study will direct the future clinical development plans for OraRinse TM.

Amlexanox Cream

We are currently generating and assembling the data for an IND submission to the FDA for amlexanox cream for the treatment of atopic dermatitis, a condition which is prevalent in 3% of the adult population and 10% of the pediatric population. We anticipate that this filing will be made in the second quarter 2000. We plan to commence a Phase II clinical study in the first half of 2000, and we anticipate completion of this study by year-end 2000.

Amlexanox Gel

Development work on formulating a mucoadhesive gel is currently ongoing. The objective of this project is to develop an aqueous based mucoadhesive gel. Alcohol based products cause local irritation and stinging which is undesirable for the indication being evaluated. A pilot formulation has been developed and we anticipate that this work will be concluded in the second quarter 2000.

During the first half of 2000, manufacture of clinical trials material and the filing of an IND are expected to be completed. We plan to evaluate this formulation for the treatment of oral lichen planus, a chronic condition afflicting up to 2% of the population. The clinical study is planned to commence in the second half of 2000.

Residerm RTM A (Zinc Clindamycin)

The complexing of zinc to a drug has the effect of enhancing the penetration of the drug into the skin and the retention of the drug in the skin. This phenomenon is called the "reservoir effect," and it makes zinc potentially effective for the delivery of dermatological drugs. We have a broad patent covering the use of zinc for such purposes.

The first zinc drug that we are developing, in conjunction with Strakan, our licensing partner, is Zinc Clindamycin for the treatment of acne. This drug is currently in a pivotal Phase III study in Europe. Topical acne drugs constitute an approximately $700 million per year market and Clindamycin is a widely prescribed drug for the treatment of acne. We believe that the addition of zinc potentially could increase the effectiveness of Clindamycin through the reservoir effect of zinc, the activity of zinc and Clindamycin, the improved stability of the product and the potential for zinc to overcome certain bacterial resistance.

The Phase III study of Residerm RTM A is designed to determine whether Residerm RTM A is superior to treatment with the market leading Clindamycin containing product. A sub-group of the study will be evaluated to determine if Residerm RTM A is effective in overcoming bacterial resistance to standard Clindamycin therapy, and whether this factor contributes to a favorable clinical outcome. In the Phase II study

of Residerm RTM A, the drug was significantly superior to standard Clindamycin therapy with respect to the development of oily skin, a benefit which will be further examined in Phase III.

We anticipate that the European Phase III clinical trial program will be completed in 2000. The successful completion of the Phase III trial will be the basis for a Product License Application to be filed with a European Regulatory Authority. This filing is scheduled to occur within 12 months, which may result in a product approval in 2001.

We believe that our zinc technology could provide a broad development platform for improved delivery of many topically applied products. We are currently evaluating zinc complexed with vitamin D and retanoids.

We have entered into a license agreement with Strakan relating to our zinc technology. Strakan has agreed to fund the development costs of Zinc clindamycin and any additional compounds developed utilizing the zinc patent, and we will share equally in all milestone payments received from the sublicensing of the compound. In addition, we will receive a royalty on sales of products based on this technology.

Bioerodeable Hydrogel Technology

We have submitted a patent application for our bioerodeable hydrogel technology, which will be our internal development focus once Polymer Platinate AP5280 has entered clinical development. A number of possible drug delivery systems can be developed using the Access bioerodible hydrogel technology, ranging from nanoparticles for intravenous administration, to larger devices which may be taken orally or implanted.

Viral Disease Technology

We acquired our viral disease technology through our acquisition of Virologix. This technology is targeted for the prevention and treatment of viral diseases, including HIV. These compounds target a critical enzyme involved in viral infection and replication. Analogous to reverse transcriptase and protease inhibitors that have shown effectiveness against HIV. A Phase I/II study will be designed to study this product candidate in HIV patients. Positive clinical data would provide important validation for this new class of HIV therapeutics. We also have development programs in HTLV type I and II infection, and other applications of the proprietary technology being used in the HIV therapeutic program. We acquired a part of this technology through a licensing agreement with the National Institutes of Health.

Other Technology

We own additional patented advanced polymer technologies designed to deliver drug in response to specific diseases or take advantage of biological mechanisms. These technologies are designed to provide our next advanced drug delivery product development candidates.

Drug Development Strategy

A part of our integrated drug development strategy is to form creative alliances with centers of excellence in order to obtain alternative lead compounds while minimizing the overall cost of research. We have signed agreements with The University of Kentucky for the formulation of an amlexanox gel, Strakan for the delivery of topical therapeutic agents which exploit our zinc patent and Atrix Laboratories for mucoadhesive polymer formulations of amlexanox. Additionally, our polymer platinate technology has resulted in part from a research collaboration with The School of Pharmacy, University of London.

Our strategy is to initially focus on utilizing our technology in combination with approved drug substances to develop novel patentable formulations of existing therapeutic and diagnostic products. We believe that this will expedite product development, both preclinical and clinical, and ultimately product approval. To reduce financial risk and equity financing requirements, we are directing our resources to the preclinical and early clinical phases of development and plan to outlicense to, or

co-develop with, marketing partners our current product candidates to finance the later clinical development phases.

We will continue to expand our internal core capabilities of chemistry, formulation, analytical methods development, initial process scale up and project management to maximize product opportunities in a timely manner. We will, however, contract the manufacturing scaleup, preclinical testing and product production to research organizations, contract manufacturers and strategic partners. Given the current cost containment and managed care environment both in the United States and overseas and the difficulty for a small company to effectively market its products, we do not currently plan to become a fully integrated pharmaceutical company.

Consequently, we expect to form strategic alliances for product development and to outlicense the commercial rights to development partners. By forming strategic alliances with major pharmaceutical and diagnostic companies, we believe that our technology can be more rapidly developed and successfully introduced into the marketplace.

Scientific Background

The ultimate criterion of effective drug delivery is to control and optimize the localized release of drug at the target site and rapidly clear the non-targeted fraction. Conventional drug delivery systems such as controlled release, sustained release, transdermal systems, and others are based on a physical erosion process for delivering active product into the systemic circulation over time with the objective of improving patient compliance. These systems

do not address the biologically relevant issues such as site targeting, localized release and clearance of drug. The major factors that impact the achievement of this ultimate drug delivery goal are the physical characteristics of the drug and the biological characteristics of the disease target sites. The physical characteristics of the drug affect solubility in biological systems, its biodistribution throughout the body, and its interactions with the intended pharmacological target sites and undesired areas of toxicity. The biological characteristics of the diseased area impact the ability of the drug to selectively interact with the intended target site to allow the drug to express the desired pharmacological activity.

We believe that our drug delivery technology platforms are differentiated from conventional drug delivery systems in that they seek to apply a disease specific approach to improve the drug delivery process with polymer carrier formulations to significantly enhance the therapeutic efficacy and reduce toxicity of a broad spectrum of products. This is achieved by utilizing Bio Responsive TM Polymers as novel drug delivery solutions to match the specific physical properties of each drug with the biological characteristics of each disease and targeting sites of disease activity. We believe that the ability to achieve physiological triggering of drug release at the desired site of action could enable our Bio~Responsive TM Polymers to potentially have broad therapeutic applications in the site specific delivery of chemotherapeutic agents in cancer, infection, inflammation, drugs for other autoimmune diseases, proteins, peptides and gene therapy.

Bio~Responsive TM Polymers mimic the natural transport mechanisms in the body which are involved in the localized delivery of biological mediators and cellular trafficking. We use a multi-faceted approach through the use of both natural carbohydrates and synthetic polymers. Access' central focus is to use Bio~Responsive TM Polymer systems that can respond to normal biochemical or disease-induced signals to localize drug carrier and release drug in a highly selective fashion. These polymeric drug carriers can be applied to a wide range of drug molecules including proteins and nucleotides and can be engineered to control pharmacokinetics and body distribution, site-selectivity, site-release of drug and drug clearance from non-target sites.

Core Drug Delivery Technology Platforms

Our current drug delivery technology platforms take advantage of the

following biological mechanisms to improve drug delivery:

* disease specific carbohydrate recognition by vascular endothelial cells and underlying tissue; and

* enhanced permeability and retention in tumors.

Carbohydrate Polymer Drug Delivery Technology

Our carbohydrate polymer drug delivery technology exploits specific changes in the vascular endothelium that occur during disease processes. These carriers mimic disease-specific, carbohydrate recognition by vascular endothelium cells and underlying tissue. It has been well established that white blood cells can recognize, target and permeate disease sites by means of surface carbohydrates which bind to cytokine-induced endothelium plus underlying tissue and cells. A number of receptors on the endothelium and on underlying tissue are known to bind sulfated glycosaminoglycans, such as heparin and dermatan sulfate. We have developed glycosaminoglycan carriers to selectively image and treat diseases involving the neovascular endothelium. We believe that our glycosaminoglycan technology has broad potential in a number of therapeutic applications including cancer, inflammation and infection.

Synthetic Soluble Polymer Drug Delivery Technology

In collaboration with The School of Pharmacy, University of London, we have developed a synthetic polymer, hydroxypropylmethacrylamide, designed to be used to exploit enhanced permeability and retention, or EPR, in tumor cells and control drug release. Many solid tumor cells possess vasculature that is hyperpermeable, or leaky, to macromolecules. In addition to this enhanced permeability, tumors usually lack effective lymphatic and/or capillary drainage. Consequently tumors selectively accumulate circulating macromolecules, including, for example, up to 10% of an intravenous dose per gram in mice. This effect has been termed EPR, and is thought to constitute the mechanism of action of styrene-maleic/anhydride-neocarzinostatin, or SMANCS, which is in regular clinical use in Japan for the treatment of hepatoma. These polymers take advantage of endothelial permeability as the drug carrying polymers are trapped in tumors and then taken up by tumor cells. Linkages between the polymer and drug can be designed to be cleaved extracellularly or intracellularly. The drug is released inside the tumor mass while

polymer/drug not trapped in tumors is renally cleared from the body. Data generated in animal studies have shown that the polymer/drug complexes are far less toxic than free drug alone and that greater efficacy can be achieved. Thus, these polymer complexes have demonstrated significant improvement in the therapeutic index of anti-cancer drugs, including, for example, cisplatin.

Topical Delivery Technology

We have granted a license to Strakan for the development of compounds that utilize our zinc technology. The use of zinc ions produces a reservoir of drug in the skin to increase the effectiveness of topically applied products and to reduce toxicity. There are many localized disease conditions, which are effectively treated by topical application of suitable pharmaceutical agents. In order for such treatments to be maximally effective, it is necessary that as much of the active agent as possible be absorbed into the skin where it can make contact with the disease condition in the dermal tissue without being lost by rubbing off on clothing or evaporation. At the same time, the agent must not penetrate so effectively through the skin that it is absorbed into the systemic circulation. This latter factor is especially important in order to minimize unwanted side-effects of the pharmacologically active agent. The ideal vehicle for topically applied pharmaceuticals is one which can rapidly penetrate the skin and produce a "reservoir effect" in the skin or mucous membranes. Such a reservoir effect can be produced by complexing of suitable pharmaceutical agents with zinc ions, by an as yet unknown mechanism. This "reservoir effect" is defined as an enhancement of the skin or membrane's ability to both absorb and retain pharmacological agents, that is:

* to increase skin or membrane residence time;

* to decrease drug transit time; and

* to reduce transdermal flux.

A number of compounds are known to enhance the ability of pharmacologically active agents to penetrate the skin, but have the disadvantage of allowing rapid systemic dispersion away from the site of disease. Many topical agents, such as the retinoids used in the treatment of acne, and methotrexate, used in the treatment of psoriasis, are systemically toxic. There is, therefore, a need for a method of enhancing the ability of such agents to penetrate the skin so that a lesser total dosage may be used, while at the same time their ability to move from the skin to the systemic circulation is minimized.

Bioerodeable Hydrogels

Our scientists have developed a novel series of bioerodeable hydrogels which have the potential to be utilized in a number of drug delivery applications as well as several non-pharmaceutical applications. Hydrogels are very large molecules with complex three-dimensional structures capable of storing either small molecule drugs or much larger peptide and protein therapeutics. These molecules are stored within the matrix of the hydrogel. Most hydrogels are not bioerodeable, therefore they deliver their payload of drug by diffusion of these molecules through the interconnecting chambers of the hydrogel. Once all the drug has been delivered, non-bioerodible hydrogels remain in the body (unless surgically removed) as they cannot be broken down and eliminated. By comparison, the Access hydrogels possess bioerodeable linking groups with well defined rates of degradation in biological systems, and so release their payload of drugs by both diffusion and erosion of the gel. By selecting linkers with appropriate degradation rates, much greater control of drug release rates can be achieved. Once the drug has been released, erosion of the hydrogel continues until no solid hydrogel remains, eliminating the need to use an additional procedure to remove the drug delivery device. The hydrogel erodes to form much smaller water-soluble fractions which are readily eliminated from the body.

A number of possible drug delivery systems can be made using the Access bioerodible hydrogel technology, ranging from nanoparticles for intravenous administration, to larger devices which may be taken orally or implanted. We have filed a U.S. patent application relating to this technology.

Research Projects, Products and Products in Development

ACCESS DRUG PORTFOLIO

<TABLE>
<CAPTION>

Compound	Originator	Indication	FDA Filing	Clinical Stage (1)
Cancer				
<S>	<C>	<C>	<C>	<C>
Polymer Platinate (AP5280)(9)	Access	Anti-tumor	Development	Pre-Clinical
OraRinse TM Amlexanox (2)	Takeda	Mucositis	IND	Phase II
Topical Delivery				
Amlexanox (3)(CHX-3673)	Takeda	Oral ulcers	FDA Approved	Completed
OraDisc TM Amlexanox (6) Biodegradable Polymer Disc	Takeda	Oral Ulcers	CTX (5)	Phase II/III
Residerm RTM A Zinc Compound (4)	Access	Enhancing drug	CTX (5)	Phase III

		penetration and retention in the skin (acne)		
Amlexanox Cream (6)	Takeda	Atopic Dermatitis	Development	Pre-Clinical
Amlexanox Gel (6)	Takeda	Oral Lichen Planus	Development	Pre-Clinical
Antiviral - ---------				
Anti viral compound (7)(8)	NIH	HIV	Development	Pre-Clinical
Anti viral compound (8)	Access	HTLV type I and II infection	Development	Pre-Clinical

</TABLE>

(1) For more information, see "Government Regulation" for description of clinical stages.

(2) Licensed from Block subject to milestone payments.

(3) Sold to Block. Subject to a Royalty Agreement. International rights (except Japan and Israel) licensed from Block subject to royalty and milestone payments.

(4) Licensed to Strakan.

(5) United Kingdom equivalent of an IND.

(6) Licensed from Block subject to royalty and milestone payments.

(7) Licensed from NIH subject to royalty and milestone payments.

(8) Licensed from The Rockefeller University

(9) Licensed from the London School of Pharmacy, The University of London

We begin the product development effort by screening and formulating potential product candidates, selecting an optimal active and formulation approach and developing the processes and analytical methods. Pilot stability, toxicity and efficacy testing are conducted prior to advancing the product candidate into formal preclinical development. Specialized skills are required to produce these product candidates utilizing our technology. We have a core internal development capability with significant experience in these formulations.

Once the product candidate has been successfully screened in pilot testing, our scientists, together with external consultants, assist in designing and performing the necessary preclinical efficacy, pharmacokinetic and toxicology studies required for IND submission. External investigators and scaleup manufacturing facilities are selected in conjunction with our consultants. We do not plan to have an extensive clinical development organization as we plan to have this process conducted by a development partner.

With all of our product development candidates, we cannot assure you that the results of the in vitro or animal studies are or will be indicative of the results that will be obtained if and when these product candidates are tested in humans. We cannot assure you that any of these projects will be successfully completed or that regulatory approval of any product will be obtained.

We expended approximately $1,608,000, $1,756,000 and $2,433,000 on research and development during the years 1999, 1998 and 1997, respectively.

Patents

We believe that the value of technology both to us and to our potential corporate partners is established and enhanced by our broad intellectual property positions. Consequently, we have already been issued and seek to obtain additional U.S. and foreign patent protection for products under development and for new discoveries. Patent applications are filed with the U.S. Patent and Trademark Office and, when appropriate, with the Paris Convention's Patent Cooperation Treaty (PCT) Countries (most major countries in Western Europe and the Far East) for our inventions and prospective products.

One U.S. and two European patents have issued and one European patent is pending for the use of zinc as a pharmaceutical vehicle for enhancing the penetration and retention of drug in the skin. These patents cover the method of inducing a reservoir effect in skin and mucous membranes to enhance penetration and retention of topically applied therapeutic and cosmetic pharmacologically active agents. These patents also relate to topical treatment methods including such reservoir effect enhancers and to pharmaceutical compositions containing them.

We acquired in 1998 the license to one U.S. and one European patent application for polymer platinum compounds through our acquisition of Tacora. This patent and application are the result of a collaboration with The School of Pharmacy, University of London, from which the technology has been licensed. This patent and application includes a synthetic polymer, hydroxypropylmethacrylamide, that can be used to exploit enhanced permeability and retention in tumors and control drug release. This patent and application include a pharmaceutical composition for use in tumor treatment comprising a polymer-platinum compound through linkages which are designed to be cleaved under selected conditions to yield a platinum which accumulates at a tumor site. This patent and application also include methods for improving the pharmaceutical properties of platinum compounds. Recently a provisional patent application has been filed to cover additional discoveries related to the linking of polymers to platinum compounds.

We hold U.S. and European patents with broad composition of matter claims encompassing glycosaminoglycan, acidic saccharide, carbohydrate and other endothelial binding and targeting carriers in combination with drugs and diagnostic agents formulated by both physical and chemical covalent means. Nine patents have issued commencing in 1990, eight U.S. and one European, and an additional four patent applications are pending, one U.S. and three European. These patents and applications relate to the in vivo medical uses of drugs and diagnostic carrier formulations which bind and cross endothelial and epithelial barriers at sites of disease, including but not limited to treatment and medical imaging of tumor, infarct, infection and inflammation. They further disclose the body's induction of endothelial, epithelial, tissue and blood adhesins, selectins, integrins, chemotaxins and cytotaxins at sites of disease as a mechanism for selective targeting, and they claim recognized usable carrier substances which selectively bind to these induced target determinants.

We have filed one U.S. patent application for our bioerodeable hydrogel technology. A number of possible drug delivery systems can be made using the Access bioerodeable hydrogel technology, ranging from nanoparticles for intravenous administration, to larger devices which may be taken orally or implanted.

Through our Virologix subsidiary, we have two patents licensed from the National Institute of Health, or NIH, and four additional U.S. patent applications licensed from the Rockefellar University for our viral disease technology for the prevention and treatment of viral diseases including HIV. The licensed patents' compounds target a critical enzyme involved in viral infection and replication. The other patents include vaccines in HTLV type I and II infection, and other applications of the proprietary technology being used in the HIV therapeutic program.

Under our various license agreements with Block, we have the worldwide rights for the use of amlexanox for the treatment of mucositis in patients undergoing chemotherapy and radiation treatment for cancer, and the worldwide

rights excluding Japan, the United States and Israel for the use of amlexanox for oral and dermatological use. Block has the rights to market any product developed for oral or dermatological use in the U.S.

We have a strategy of maintaining an ongoing line of continuation applications for each major category of patentable carrier and delivery technology. By this approach, we are extending the intellectual property protection of our basic targeting technology and initial agents to cover additional specific carriers and agents, some of which are anticipated to carry the priority dates of the original applications.

Government Regulation

We are subject to extensive regulation by the federal government, principally by the FDA, and, to a lesser extent, by other federal and state agencies as well as comparable agencies in foreign countries where registration of products will be pursued. Although a number of our formulations incorporate extensively tested drug substances, because the resulting formulations make claims of enhanced efficacy and/or improved side effect profiles, they are expected to be classified as new drugs by the FDA.

The Federal Food, Drug and Cosmetic Act and other federal, state and foreign statutes and regulations govern the testing, manufacturing, safety, labeling, storage, shipping and record keeping of our products. The FDA has the authority to approve or not approve new drug applications and inspect research and manufacturing records and facilities.

Among the requirements for drug approval and testing is that the prospective manufacturer's facilities and methods conform to the FDA's Code of Good Manufacturing Practices regulations, which establish the minimum requirements for methods to be used in, and the facilities or controls to be used during, the production process. Such facilities are subject to ongoing FDA inspection to insure compliance.

The steps required before a pharmaceutical product may be produced and marketed in the U.S. include preclinical tests, the filing of an IND with the FDA, which must become effective pursuant to FDA regulations before human clinical trials may commence, and the FDA approval of a NDA prior to commercial sale.

Preclinical tests are conducted in the laboratory, usually involving animals, to evaluate the safety and efficacy of the potential product. The results of preclinical tests are submitted as part of the IND application and are fully reviewed by the FDA prior to granting the sponsor permission to commence clinical trials in humans. Clinical trials typically involve a three-phase process. Phase I, the initial clinical evaluations, consists of administering the drug and testing for safety and tolerated dosages as well as preliminary evidence of efficacy in humans. Phase II involves a study to evaluate the effectiveness of the drug for a particular indication and to determine optimal dosage and dose interval and to identify possible adverse side effects and risks in a larger patient group. When a product is found effective in Phase II, it is then evaluated in Phase III clinical trials. Phase III trials consist of expanded multi-location testing for efficacy and safety to evaluate the overall benefit or risk index of the investigational drug in relationship to the disease treated. The results of preclinical and human clinical testing are submitted to the FDA in the form of an NDA for approval to commence commercial sales.

The process of doing the requisite testing, data collection, analysis and compilation of an IND and an NDA is labor intensive and costly and may take a protracted time period. In some cases, tests may have to be redone or new tests instituted to comply with FDA requests. Review by the FDA may also take a considerable time period and there is no guarantee that an NDA will be approved. Therefore, we cannot estimate with any certainty the length of the approval cycle.

We are also governed by other federal, state and local laws of general applicability, such as laws regulating working conditions, employment practices, as well as environmental protection.

Competition

The pharmaceutical and biotechnology industry is characterized by intense competition, rapid product development and technological change. Competition is intense among manufacturers of prescription pharmaceuticals and other product areas where we may develop and market products in the future. Most of our potential competitors are large, well established pharmaceutical, chemical or healthcare companies with considerably greater financial, marketing,

sales and technical resources than are available to us. Additionally, many of our potential competitors have research and development capabilities that may allow such competitors to develop new or improved products that may compete with our product lines. Our potential products could be rendered obsolete or made uneconomical by the development of new products to treat the conditions to be addressed by our developments, technological advances affecting the cost of production, or marketing or pricing actions by one or more of our potential competitors. Our business, financial condition and results of operation could be materially adversely affected by any one or more of such developments. We cannot assure you that we will be able to compete successfully against current or future competitors or that competition will not have a material adverse effect on our business, financial condition and results of operations. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or with the assistance of major health care companies in areas where we are developing product candidates. We are aware of certain development projects for products to treat or prevent certain diseases targeted by us, the existence of these potential products or other products or treatments of which we are not aware, or products or treatments that may be developed in the future, may adversely affect the marketability of products developed by us.

We believe that the principal current competitors to our polymer targeting technology fall into two categories: monoclonal antibodies and liposomes. We believe that our technology potentially represents a significant advance over these older technologies because our technology provides a system with a favorable pharmacokinetic profile which has been shown to effectively bind and cross neovascular barriers and to penetrate the major classes of deep tissue and organ disease, which remain partially inaccessible to other technologies.

A number of companies are developing or may in the future engage in the development of products competitive with the Access delivery system. Currently, liposomal formulations being developed by Nexstar, The Liposome Company and Sequus Pharmaceuticals, a subsidiary of Alza Corporation, are the major competing intravenous drug delivery formulations which deliver similar drug substances. A number of companies are developing or evaluating enhanced drug delivery systems. We expect that technological developments will occur at a rapid rate and that competition is likely to intensify as various alternative delivery system technologies achieve similar if not identical advantages.

Products developed from the Residerm R technology will compete for a share of the existing market with numerous products which have become standard treatments recommended or prescribed by dermatologists. Residerm A, which is the first product being developed utilizing the Residerm RTM technology, would compete with products including Benzamycin, marketed by a subsidiary of Rhone-Poulenc Rorer; Cleocin-T and a generic topical clindamycin, marketed by Pharmacia & Upjohn; Benzac, marketed by a subsidiary of L'Oreal; and Triaz, marketed by Medicis Pharmaceutical Corp.

Even if our products are fully developed and receive required regulatory approval, of which there can be no assurance, we believe that our products can only compete successfully if marketed by a company having expertise and a strong presence in the therapeutic area. Consequently, we do not currently plan to establish an internal marketing organization. By forming strategic alliances with major and regional pharmaceutical companies, management believes that our development risks should be

minimized and that the technology potentially could be more rapidly developed and successfully introduced into the marketplace.

Employees

As of March 28, 2000, we had 13 full time employees, five of whom have advanced scientific degrees. We believe that we maintain good relations with our personnel. In addition, to complement our internal expertise, we have contracts with scientific consultants, contract research organizations and university research laboratories that specialize in various aspects of drug development including regulatory affairs, toxicology, process scale-up and preclinical testing.

Risk Factors

With the exception of the historical information contained herein, the discussions herein contain forward-looking statements within the meaning of Section 27a of the Securities Act of 1933, as amended, that involve risks and uncertainties. Our actual results could differ from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, risks discussed below as well as those discussed elsewhere herein and in documents incorporated herein by reference.

We have experienced a history of losses and we expect to incur future losses.

We have recorded minimal revenue to date and we have incurred a cumulative operating loss of approximately $26.5 million through December 31, 1999. Our losses have resulted principally from costs incurred in research and development activities related to our efforts to develop target candidates and from the associated administrative costs. We expect to incur significant additional operating losses over the next several years. We also expect cumulative losses to increase substantially due to expanded research and development efforts and preclinical and clinical trials.

We do not have significant operating revenue and we may never attain profitability.

Our ability to achieve significant revenue or profitability depends upon our ability to successfully complete the development of drug candidates, to develop and obtain patent protection and regulatory approvals for our drug candidates and to manufacture and commercialize the resulting drugs. We have not received significant royalties for sales of our amlexanox products to date and we may not receive significant revenues or profits from the sale of these products in the future. Furthermore, we may not be able to ever successfully identify, develop, commercialize, patent, manufacture, market and obtain required regulatory approvals for any additional products. Moreover, even if we do identify, develop, commercialize, patent, manufacture, market and obtain required regulatory approvals for additional products, we may not receive revenues or royalties from commercial sales of these products for a significant number of years, if at all. Therefore, our proposed operations are subject to all the risks inherent in the establishment of a new business enterprise. In the next few years, our revenues may be limited to any amounts that we receive under strategic partnerships and research or drug development collaborations that we may establish and we cannot assure you that we will be able to establish any such relationships on terms acceptable to us. We cannot assure you that we will achieve or maintain profitability in the future and our failure to receive significant revenues or to achieve profitable operations would impair our ability to sustain operations.

We may not successfully commercialize our drug candidates.

Our drug candidates are subject to the risks of failure inherent in the development of pharmaceutical products based on new technologies. These risks include the possibilities that some or all of our drug candidates will be found to be unsafe or ineffective or otherwise fail to meet applicable regulatory standards or receive necessary regulatory

clearances; that these drug candidates, if safe and effective will be difficult to develop into commercially viable drugs or to manufacture on a large scale or will be uneconomical to market; that proprietary rights of third parties will preclude us from marketing such drugs; or that third parties will market superior or equivalent drugs. Our failure to develop safe, commercially viable drugs would have a material adverse effect on our business, operating results and financial condition.

The success of our research and development activities, upon which we primarily focus, is uncertain.

Our primary focus is on our research and development activities and the commercialization of compounds covered by proprietary biopharmaceutical patents. Research and development activities, by their nature, preclude definitive statements as to the time required and costs involved in reaching certain objectives. Actual research and development costs, therefore, could exceed budgeted amounts and estimated time frames may require extension. Cost overruns, unanticipated regulatory delays or demands, unexpected adverse side effects or insufficient therapeutic efficacy will prevent or substantially slow the research and development effort and our business could ultimately suffer. We anticipate that we will remain principally engaged in research and development activities for an indeterminate, but substantial, period of time.

We may be unable to obtain necessary additional capital to fund operations in the future.

We require substantial capital for our development programs and operating expenses, to pursue regulatory clearances and to prosecute and defend our intellectual property rights. Although we believe that our existing capital resources, interest income and revenue from possible licensing agreements and collaborative agreements will be sufficient to fund our currently expected operating expenses and capital requirements for up to three years, we may need to raise substantial additional capital during that period because our actual cash requirements may vary materially from those now planned and will depend upon numerous factors, including the results of our research and development and collaboration programs, the timing and results of preclinical trials, our ability to maintain existing and establish new collaborative agreements with other companies to provide funding to us, the technological advances and activities of competitors and other factors. We intend to seek additional funding through additional equity offerings or collaborative or other arrangements with corporate partners. We cannot assure you, however, that any such equity offerings will occur, or that additional financing will be available from any of these sources or, if available, will be available on acceptable or affordable terms. If we do raise additional funds by issuing equity securities, further dilution to existing stockholders may result and future investors may be granted rights superior to those of existing stockholders. Alternatively, we may seek to raise additional funds through borrowing. As a non-revenue producing company, however, we are unable to obtain standard credit arrangements, and it is therefore likely that if we were to raise additional funds through borrowing, we would be forced to accept unfavorable terms. Furthermore, there can be no assurance that any credit arrangement would be available at all. If adequate funds are not available to us through additional equity offerings or borrowing, we may be required to delay, reduce the scope of or eliminate one or more of our research and development programs or to obtain funds by entering into arrangements with collaborative partners or others that require us to issue additional equity securities or to relinquish rights to certain technologies or drug candidates that we would not otherwise issue or relinquish in order to continue independent operations.

The success of our business may depend, in part, upon relationships with other companies.

Our strategy for the research, development and commercialization of our potential pharmaceutical products may require us to enter into various arrangements with corporate and academic collaborators, licensors, licensees and others, in addition to our existing relationships with other parties. Specifically, if we successfully develop any commercially

marketable pharmaceutical products, we may seek to enter joint venture, sublicense or other marketing arrangements with parties that have an established marketing capability or we may choose to pursue the commercialization of such products on our own. We may, however, be unable to establish additional collaborative arrangements or license agreements as we may deem necessary to develop and commercialize our potential pharmaceutical products on acceptable terms, and our collaborative arrangements or license agreements may be unsuccessful. Furthermore, if we maintain and establish arrangements or relationships with third parties, our business may depend upon the successful performance by these third parties of their responsibilities under those arrangements and relationships.

We may depend upon contract manufacturers to assist us with the commercialization of any new products that we may develop.

We have no experience in the manufacture of pharmaceutical products in clinical quantities or for commercial purposes and we may not be able to manufacture any new pharmaceutical products that we may develop, so we intend to establish arrangements with contract manufacturers to supply sufficient quantities of products to conduct clinical trials and for the manufacture, packaging, labeling and distribution of finished pharmaceutical products if any of our potential products are approved for commercialization. If we are unable to contract for a sufficient supply of our potential pharmaceutical products on acceptable terms, our preclinical and human clinical testing schedule may be delayed, resulting in the delay of our submission of products for regulatory approval and initiation of new development programs, which could cause our business to suffer. Delays or difficulties in establishing relationships with manufacturers to produce, package, label and distribute our finished pharmaceutical or other medical products, if any, market introduction and subsequent sales of such products could cause our business to suffer. Moreover, contract manufacturers that we may use must adhere to current Good Manufacturing Practices, as required by the U.S. Food and Drug Administration, or FDA. In this regard, the FDA will not issue a pre-market approval or product and establishment licenses, where applicable, to a manufacturing facility for the products until after the manufacturing facility passes a pre-approval plant inspection. If we are unable to obtain or retain third party manufacturing on commercially acceptable terms, we may not be able to commercialize our products as planned.

Our potential dependence upon third parties for the manufacture of our products may adversely affect our profit margins and our ability to develop and deliver such products on a timely and competitive basis.

We are subject to extensive governmental regulation which increases our cost of doing business and may affect our ability to commercialize any new products that we may develop.

The FDA and comparable agencies in foreign countries impose substantial requirements upon the introduction of pharmaceutical products through lengthy and detailed laboratory, preclinical and clinical testing procedures and other costly and time-consuming procedures to establish their safety and efficacy. All of our drug candidates will require governmental approvals for commercialization, none of which have been obtained. Preclinical and clinical trials and manufacturing of our drug candidates will be subject to the rigorous testing and approval processes of the FDA and corresponding foreign regulatory authorities. Satisfaction of these requirements typically takes a significant number of years and can vary substantially based upon the type, complexity and novelty of the product. We cannot assure when we, independently or with our collaborative partners, might submit a New Drug Application, or NDA, for FDA or other regulatory review. Government regulation also affects the manufacturing and marketing of pharmaceutical products.

Government regulations may delay marketing of our potential drugs for a considerable or indefinite period of time, impose costly procedural requirements upon our activities and furnish a competitive advantage to larger companies or companies more experienced in regulatory affairs. Delays in obtaining governmental regulatory approval could adversely affect our marketing as well as our ability to generate significant

revenues from commercial sales. We cannot assure you that the FDA or other regulatory approvals for any drug candidates will be granted on a timely basis or at all. Moreover, if regulatory approval of a drug candidate is granted, such approval may impose limitations on the indicated use for which such drug may be marketed. Even if initial regulatory approvals for our drug candidates are obtained, we, or our drugs and our manufacturing facilities would be subject to continual review and periodic inspection, and later discovery of previously unknown problems with a drug, manufacturer or facility may result in restrictions on the marketing or manufacture of such drug, including withdrawal of the drug from the market. The regulatory standards are applied stringently by the FDA and other regulatory authorities and failure to comply can, among other things, result in fines, denial or withdrawal of regulatory approvals, product recalls or seizures, operating restrictions and criminal prosecution.

Our ability to successfully commercialize new products will be subject to the uncertainty associated with preclinical and clinical testing.

Before obtaining regulatory approvals for the commercial sale of any of our potential drugs, the drug candidates will be subject to extensive preclinical and clinical trials to demonstrate their safety and efficacy in humans. We cannot assure you that preclinical or clinical trials of any future drug candidates will demonstrate the safety and efficacy of such drug candidates at all or to the extent necessary to obtain regulatory approvals. In this regard, for example, adverse side effects can occur during the clinical testing of a new drug on humans or animals which may delay ultimate FDA approval or even lead us to terminate our efforts to develop the drug for commercial use. Companies in the biotechnology industry have suffered significant setbacks in advanced clinical trials, even after demonstrating promising results in earlier trials. The failure to adequately demonstrate the safety and efficacy of a drug candidate under development could delay or prevent regulatory approval of the drug candidate and could cause our business, operating results and financial condition to suffer. For more information, see "Business-Government Regulation."

We may incur substantial product liability expenses due to the use or misuse of our products for which we may be unable to obtain complete insurance coverage.

Our business exposes us to potential liability risks that are inherent in the testing, manufacturing and marketing of pharmaceutical products. These risks will expand with respect to our drug candidates, if any, that receive regulatory approval for commercial sale and we may face substantial liability for damages in the event of adverse side effects or product defects identified with any of our products that are used in clinical tests or marketed to the public. We have product liability insurance for drug candidates that are undergoing human clinical trials. Product liability insurance for the biotechnology industry is generally expensive, however, if available at all, and we cannot assure you that in the future we will be able to obtain insurance coverage at acceptable costs or in a sufficient amount, if at all. We may be unable to satisfy any claims for which we may be held liable as a result of the use or misuse of

products which we have developed, manufactured or sold and any such product liability claim could adversely affect our business, operating results or financial condition.

We may incur significant liabilities if we fail to comply with stringent environmental regulations or if we did not comply with these regulations in the past.

Our research and development processes involve the controlled use of hazardous materials. We are subject to a variety of federal, state and local governmental laws and regulations related to the use, manufacture, storage, handling and disposal of such material and certain waste products. Although we believe that our activities and our safety procedures for storing, using, handling and disposing of such materials comply with the standards prescribed by such laws and regulations, the risk of accidental contamination or injury from these materials cannot be

completely eliminated. In the event of such accident, we could be held liable for any damages that result and any such liability could exceed our resources. In addition, although we believe that we are in compliance in all material respects with applicable environmental laws and regulations and currently do not expect to make material capital expenditures for environmental control facilities in the near-term, we cannot assure you that we will not be required to incur significant costs to comply with environmental laws and regulations in the future, or that our operations, business or assets will not be materially adversely affected by current or future environmental laws or regulations.

Intense competition may limit our ability to successfully develop and market commercial products.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. Our competitors in the United States and elsewhere are numerous and include, among others, major multinational pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions. Many of these competitors have and employ greater financial and other resources, including larger research and development staffs and more effective marketing and manufacturing organizations, than us or our collaborative partners. We cannot assure you that our competitors will not succeed in developing technologies and drugs that are more effective or less costly than any which are being developed by us or which would render our technology and future products obsolete and noncompetitive.

In addition, some of our competitors have greater experience than us in conducting preclinical and clinical trials and obtaining FDA and other regulatory approvals. Accordingly, our competitors may succeed in obtaining FDA or other regulatory approvals for drug candidates more rapidly than us. Companies that complete clinical trials, obtain required regulatory agency approvals and commence commercial sale of their drugs before their competitors may achieve a significant competitive advantage. We cannot assure you that drugs resulting from our research and development efforts or from our joint efforts with collaborative partners will be able to compete successfully with our competitors' existing products or products under development.

Our ability to successfully develop and commercialize our drug candidates will substantially depend upon the availability of reimbursement funds for the costs of the resulting drugs and related treatments.

The successful commercialization of, and the interest of potential collaborative partners to invest in, the development of our drug candidates will depend substantially on reimbursement of the costs of the resulting drugs and related treatments at acceptable levels from government authorities, private health insurers and other organizations, including health maintenance organizations, or HMOs. We cannot assure you that reimbursement in the United States or elsewhere will be available for any drugs that we may develop or, if available, will not be decreased in the future, or that reimbursement amounts will not reduce the demand for, or the price of, our drugs, thereby adversely affecting our business. If reimbursement is not available or is available only to limited levels, we cannot assure you that we will be able to obtain collaborative partners to commercialize our drugs, or be able to obtain a sufficient financial return on our own manufacture and commercialization of any future drugs.

Any pharmaceutical products that we successfully develop may not be accepted by the market.

The drugs that we are attempting to develop will compete with a number of well-established drugs manufactured and marketed by major pharmaceutical companies. The degree of market acceptance of any drugs developed by us will depend on a number of factors, including the establishment and demonstration of the clinical efficacy and safety of our drug candidates, the potential advantage of our drug candidates over existing therapies and the reimbursement policies of government and third-party payers. Physicians, patients or the medical community in general may not

accept or use any drugs that we may develop independently or with our collaborative partners and if they do not, our business could suffer.

Trends toward managed health care and downward price pressures on medical products and services may limit our ability to profitably sell any drugs that we may develop.

Lower prices for pharmaceutical products may result from:

* third-party payers' increasing challenges to the prices charged for medical products and services;

* the trend toward managed health care in the United States and the concurrent growth of HMOs and similar organizations that can control or significantly influence the purchase of healthcare services and products; and

* legislative proposals to reform healthcare or reduce government insurance programs.

The cost containment measures that healthcare providers are instituting, including practice protocols and guidelines and clinical pathways, and the effect of any health care reform, could limit our ability to profitably sell any drugs that we may successfully develop. Moreover, any future legislation or regulation, if any, relating to the healthcare industry or third-party coverage and reimbursement, may cause our business to suffer.

We may not be successful in protecting our intellectual property and proprietary rights.

Our success depends, in part, on our ability to obtain U.S. and foreign patent protection for our drug candidates and processes, preserve our trade secrets and operate our business without infringing the proprietary rights of third parties. Although Access is either the owner or licensee of technology to 13 U.S. patents and to 7 U.S. patent applications now pending, we cannot assure you that any additional patents will issue from any of the patent applications owned by, or licensed to, us. Furthermore, we cannot assure you that any rights we may have under issued patents will provide us with significant protection against competitive products or otherwise be commercially viable. Legal standards relating to the validity of patents covering pharmaceutical and biotechnological inventions and the scope of claims made under such patents are still developing and there is no consistent policy regarding the breadth of claims allowed in biotechnology patents. The patent position of a biotechnology firm is highly uncertain and involves complex legal and factual questions. We cannot assure you that any existing or future patents issued to, or licensed by, us will not subsequently be challenged, infringed upon, invalidated or circumvented by others. In addition, patents may have been granted to third parties or may be granted covering products or processes that are necessary or useful to the development of our drug candidates. If our drug candidates or processes are found to infringe upon the patents or otherwise impermissibly utilize the intellectual property of others, our development, manufacture and sale of such drug candidates could be severely restricted or prohibited. In such event, we may be required to obtain licenses from third parties to utilize the patents or proprietary rights of others. We cannot assure you that we will be able to obtain such licenses on acceptable terms, if at all. If we become involved in litigation regarding our intellectual property rights or the intellectual property rights of others, the potential cost of such litigation, regardless of the strength of our legal position, and the potential damages that we could be required to pay could be substantial.

Our business could suffer if we lose the services of, or fail to attract, key personnel.

We are highly dependent upon the efforts of our senior management and scientific team, including our President and Chief Executive Officer. The loss of the services of one or more of these individuals could seriously impede our success. We do not maintain any "key-man" insurance

policies on any of our key employees and we do not intend to obtain such insurance. In addition, due to the specialized scientific nature of our business, we are highly dependent upon our ability to attract and retain qualified scientific and technical personnel. In view of the stage of our development and our research and development programs, we have restricted our hiring to research scientists and a small administrative staff and we have made no investment in manufacturing, production, marketing, product sales or regulatory compliance resources. If we develop pharmaceutical products that we commercialize ourselves, however, we will need to hire additional personnel skilled in the clinical testing and regulatory compliance process and in marketing and product sales. There is intense competition among major pharmaceutical and chemical companies, specialized biotechnology firms and universities and other research institutions for qualified personnel in the areas of our activities, however, and we may be unsuccessful in attracting and retaining these personnel.

Ownership of our shares is concentrated, to some extent, in the hands of a few individual investors.

Howard P. Milstein and Richard Stone currently beneficially own approximately 5.7% and 6.5% respectively, of our issued and outstanding common stock. Mr. Milstein and Mr. Stone have signed lock-up agreements for 71,922 and 81,877 shares, respectively, and have agreed not to sell any of these shares of our common stock until July 20, 2000. The remainder of their shares are subject to Rule 144. For more information, see "Certain Relationships and Related Transactions."

Provisions of our charter documents could discourage an acquisition of our company that would benefit our stockholders.

Provisions of our Certificate of Incorporation and By-laws may make it more difficult for a third party to acquire control of our company, even if a change of in control would benefit our stockholders. In particular, shares of our preferred stock may be issued in the future without further stockholder approval and upon such terms and conditions, and having such rights, privileges and preferences, as our Board of Directors may determine, including, for example, rights to convert into our common stock. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any of our preferred stock that may be issued in the future. The issuance of our preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire control of us. This could limit the price that certain investors might be willing to pay in the future for shares of our common stock and discourage these investors from acquiring a majority of our common stock.

Substantial sales of our common stock could lower our stock price.

The market price for our common stock could drop as a result of sales of a large number of our presently outstanding shares. Currently, a significant percentage of the outstanding shares of our common stock are unrestricted and freely tradable or tradable under Rule 144. Shareholders holding approximately 650,000 shares of our common stock will become eligible to sell such shares on January 11, 2001 and additional shareholders holding approximately 533,000 shares of our common stock will become eligible to sell such shares on July 20, 2000.

Special Note Regarding Forward-Looking Statements

This Form 10-K contains forward-looking statements that involve risks and uncertainties. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may, " "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors," that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity,

performance or achievements expressed or implied by such forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this confidential private placement memorandum to conform such statements to actual results.

ITEM 2. PROPERTIES

We maintain one facility of approximately 9,100 square feet for administrative offices and laboratories in Dallas, Texas. We have a lease agreement for the facility, which terminates in November 2002. However, we have an option for early termination. Adjacent space is available for expansion which we believe would accommodate growth for the foreseeable future.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material legal proceedings.

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

None

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Price Range of Common Stock and Dividend Policy

On March 28, 2000, our application for listing on the American Stock Exchange, or AMEX was approved and we began trading on AMEX on March 30, 2000 under the symbol AKC. From February 1, 1996 through March 29, 2000, our common stock traded on the OTC Bulletin Board under the trading symbol AXCS. The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by the OTC Bulletin Board for our past two fiscal years. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<TABLE>
<CAPTION>

	Common Stock	
	High	Low
<S>	<C>	<C>
Fiscal Year Ended December 31, 1999		
First quarter	$ 3-5/8	$ 2-17/64
Second quarter	4-1/16	1-7/8
Third quarter	2-5/16	1-7/16
Fourth quarter	2-3/8	1-1/8
Fiscal Year Ended December 31, 1998		
First quarter	$14-1/16	$ 5-0/0
Second quarter	5-5/8	3-1/16
Third quarter	3-25/64	1-11/64
Fourth quarter	3-37/64	1-5/8

</TABLE>

We have never declared or paid any cash dividends on our preferred stock or common stock and we do not anticipate paying any cash dividends in the foreseeable future. The payment of dividends, if any,

in the future is within the discretion of our board of directors and will depend on our earnings, capital requirements and financial condition and other relevant facts. We currently intend to retain all future earnings, if any, to finance the development and growth of our business.

The number of record holders of Access Common Stock at March 24, 2000 was approximately 4,800. On March 28, 2000, the closing price for the Common Stock as quoted on the OTC Bulletin Board was $7.25. There were 10,946,433 shares of Common Stock outstanding at March 28, 2000.

Recent Sales of Unregistered Securities

On March 1, 2000, with the assistance of an investment bank, we completed the closing of a private offering to individual accredited investors, receiving gross proceeds of $12.0 million, less issuance costs of approximately $89,500, at a per share price of $2.50, from the private placement of 4,800,000 shares of common stock. The placement agent for the offering received warrants to purchase 459,806 shares of common stock at $2.50 per share, in accordance with the offering terms and elected to receive approximately 520,000 shares of common stock in lieu of certain sales commissions and expenses. The shares issued in the Private Placement have not been registered; however, a registration statement for the resale of such shares is required to be filed within 90 days after the final closing of the Private Placement. The Company relied on Section 4(2) and/or 3(b) of the 1933 Securities Act of 1933 and the provisions of Regulation D as exemptions from the registration thereunder. The proceeds of the offering will be used to fund

research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes.

ITEM 6. SELECTED FINANCIAL DATA
(Thousands, Except for Net Loss Per Share) (1,2)

The following data, insofar as it relates to each of the years in the five year period ended December 31, 1999, has been derived from the audited consolidated financial statements of Access and notes thereto appearing elsewhere herein. The data should be read in conjunction with the Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10K.

<TABLE>
<CAPTION>

	For the Year Ended December 31,				
	1999	1998	1997	1996	1995
<S>	<C>	<C>	<C>	<C>	<C>
Consolidated Statement of Operations Data:					
Total revenues	$ 15	$ -	$ 435	$ 167	$ 690
Operating loss	(3,364)	(3,433)	(4,524)	(11,613)	(1,046)
Other income	53	58	119	196	5
Interest expense	12	22	36	45	58
Net loss	(3,308)	(3,397)	(4,441)	(11,462)	(1,099)
Common Stock Data:					
Net loss per basic and diluted common share	$ (0.72)	$ (1.28)	$ (2.80)	$ (7.68)	$ (1.86)
Weighted average basic and diluted common shares outstanding	4,611	2,650	1,584	1,492	592

	December 31,				
	1999	1998	1997	1996	1995
Consolidated Balance Sheet Data:					

Total assets	$ 4,600	$ 2,351	$ 1,447	$ 4,928	$ 424
Deferred revenue	155	-	-	110	110
Total liabilities	986	556	848	868	773
Stockholders' equity (deficit)	3,614	1,795	599	4,060	(349)

</TABLE>

(1) Reflects Company data for 1999, 1998, 1997 and 1996 and API data for the year 1995. The 1995 Net Loss Per Basic and Diluted Common Share and Weighted Average Basic and Diluted Common Shares Outstanding are adjusted by the conversion factor 3.824251 used for the merger of API with the Company.

(2) All share and per share amounts have been adjusted to reflect the one for twenty reverse stock split in June 1998.

On July 20, 1999, our wholly-owned subsidiary Access Holdings, Inc. merged with and into Virologix Corporation, a Delaware corporation ("Virologix"). As a result, Virologix became a wholly-owned subsidiary and each outstanding share of Virologix' common stock was converted into 0.231047 shares of our common stock, representing 999,963 shares of common stock. The transaction has been accounted for as a purchase. We assumed total assets of $107,000 and trade and accrued payables of $469,000. The aggregate purchase price has been allocated to the net assets acquired based on management's estimates of the fair values of assets acquired and liabilities assumed. The excess purchase price over the fair value of Virologix' net identifiable liabilities of $2,464,000 was recorded as goodwill and is being amortized over ten years. Operations have been included in our consolidated financial statements since the date of acquisition.

On December 9, 1997, a wholly-owned subsidiary of the Company merged with Tacora Corporation ("Tacora"), a privately-held pharmaceutical company based in Seattle, Washington; Tacora became a wholly-owned subsidiary of the Company. The Company used the purchase method of accounting for the purchase of Tacora. The aggregate purchase price was $739,000, payable $124,000 in cash, $192,000 in stock (representing 20,900 shares of Company common stock) and assumption of $239,000 in trade and accrued payables and $184,000 of Tacora's capital lease

obligations, plus up to 55,910 shares in additional Common Stock if certain milestones are met. The share price to be used will range between $50.00 and $130.00 per share (range of value of shares is $2,796,000 to $7,268,000), depending on when the milestones are met. All milestone conditions expire in June 2000. The aggregate purchase price has been allocated to the net assets acquired based on management's estimates of the fair values of assets acquired and liabilities assumed. The excess purchase price over the fair value of Tacora's net identifiable assets of $579,544 was recorded and written off in the fourth quarter of 1997 due to an impairment of the excess purchase price based on estimated future cash flows.

On January 25, 1996, the Company shareholders, at a Special Meeting, approved the merger with Access Pharmaceuticals, Inc. ("API"), a Texas corporation. Under the terms of the agreement, API was merged into the Company, Chemex Pharmaceuticals, Inc. ("Chemex") with Chemex as the surviving entity. Chemex changed its name to Access Pharmaceuticals, Inc. and the operations of the consolidated company are now based in Dallas, Texas. Shareholders of both companies approved the merger.

As a result of the merger, and at time of the merger, the former API stockholders owned approximately 60% of the issued and outstanding shares of the Company. Generally accepted accounting principles require that a company whose stockholders retain the controlling interest in a combined business be treated as the acquiror for accounting purposes. As a consequence, the merger was accounted for as a "reverse acquisition" for financial reporting purposes and API was deemed to have acquired an approximate 60% interest in Chemex. Despite the financial reporting requirement to account for the acquisition as a "reverse acquisition", the Company remains the continuing legal entity

and registrant for Securities and Exchange Commission reporting purposes.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our consolidated financial statements and related notes included in this Form 10-K.

Overview

We are an emerging pharmaceutical company focused on developing both novel low development risk product candidates and technologies with longer-term major product opportunities. We were incorporated in Wyoming in 1974 as Chemex Corporation, and in 1983 changed our name to Chemex Pharmaceuticals, Inc. We changed our state of incorporation from Wyoming to Delaware on June 30, 1989. In 1996, we merged with Access Pharmaceuticals, Inc. and changed our name to Access Pharmaceuticals, Inc. We have proprietary patents or rights to five technology platforms: synthetic polymers, bioerodible hydrogels, Residerm TM, carbohydrate targeting technology and agents for the prevention and treatment of viral disease, including HIV. In addition, our partner Block Drug Company, or Block, is marketing in the United States a product named Aphthasol TM, the first FDA approved product for the treatment of canker sores. New formulations and delivery forms are being developed to evaluate this product in additional clinical indications. We have licensed the rights for amlexanox from Block for additional indications including mucositis and oral diseases.

Since our inception, we have devoted our resources primarily to fund our research and development programs. We have been unprofitable since inception and to date have received limited revenues from the sale of products. We cannot assure you that we will be able to generate sufficient product revenues to attain profitability on a sustained basis or at all. We expect to incur losses for the next several years as we continue to invest in product research and development, preclinical studies, clinical trials and regulatory compliance. As of December 31, 1999, our accumulated deficit was $26,453,000, of which $8,894,000 was the result of the write-off of purchased research.

Recent Developments

On March 28, 2000, our application for listing on the American Stock Exchange, or AMEX was approved and we began trading on AMEX on March 30, 2000 under the symbol AKC.

On March 1, 2000, with the assistance of an investment bank, we completed the closing of an offering, receiving gross proceeds of $12.0 million, less issuance costs of $89,500, at a per share price of $2.50, from the private

placement of 4,800,000 shares of common stock. The placement agent for the offering received warrants to purchase 459,806 shares of common stock at $2.50 per share, in accordance with the offering terms and elected to receive 520,000 shares of common stock in lieu of certain sales commissions and expenses.

On February 25, 2000 we signed licensing agreements granting Mipharm S.p.A. marketing and manufacturing rights for amlexanox for numerous indications including the prevention and treatment of canker sores and mucositis, oral lichen planus and atopic dermatitis. These agreements cover Italy, Switzerland, Turkey and Lebanon.

The licensing agreements include the 5% paste formulation, approved in the United States for the treatment of canker sores, which is in the regulatory process in Europe; the OraDisc TM formulation which is in Phase III clinical development for the prevention and treatment of canker sores; OraRinse TM which has commenced Phase II clinical evaluation for the prevention and treatment of mucositis; the 5% amlexanox cream formulation which is scheduled to commence Phase II studies for the treatment for atopic dermatitis mid year; and a 5% amlexanox gel for the

treatment of oral lichen planus, which is planned to commence Phase II clinical studies in the second half of this year. Additionally, we granted manufacturing rights for Europe to Mipharm for the products covered by the agreements.

Under the terms of the agreements, Mipharm will make an equity investment in Access, pay upfront licensing fees, make milestone payments and Access will receive a percentage of the product sales made in the territory. Mipharm has the option to license other Access product developments in the fields of Dermatology and Gynecology in the territory.

Other Developments

On July 20, 1999 and October 18, 1999, respectively, with the assistance of an investment bank, we completed the first and second closing of an offering, receiving gross proceeds of $3.1 million, less issuance costs of $271,000, at a per share price of $2.00, from the private placement of 1,551,000 shares of common stock. The placement agent for the offering received warrants to purchase 165,721 shares of common stock at $2.00 per share, in accordance with the offering terms and elected to receive 106,217 shares of common stock in lieu of certain sales commissions and expenses.

On July 20, 1999, our wholly-owned subsidiary Access Holdings, Inc. merged with and into Virologix Corporation, a Delaware corporation ("Virologix"). As a result, Virologix became a wholly-owned subsidiary and each outstanding share of Virologix' common stock was converted into 0.231047 shares of our common stock, representing 999,963 shares of common stock. The transaction has been accounted for as a purchase. We assumed total assets of $107,000 and trade and accrued payables of $469,000. The aggregate purchase price has been allocated to the net assets acquired based on management's estimates of the fair values of assets acquired and liabilities assumed. The excess purchase price over the fair value of Virologix' net identifiable liabilities of $2,464,000 was recorded as goodwill and amortized over ten years. Operations have been included in our consolidated financial statements since the date of acquisition.

On June 18, 1998, in connection with the first closing of a private equity placement, we effected a recapitalization through a one-for-twenty reverse stock split of our common stock, $0.04 par value per share, which decreased the number of authorized shares of common stock from 60.0 million, at $0.04 par value per share, to 20.0 million shares, $0.01 par value per share, and decreased the authorized shares of our preferred stock from 10.0 million to 2.0 million. This recapitalization decreased the number of outstanding shares of our common stock from approximately 41.5 million to 2.1 million. All share numbers and prices referenced herein have been adjusted to reflect the June 18, 1998 recapitalization.

In 1998, assisted by an investment bank, we raised an aggregate of $1,200,000 from the sale of units consisting of 399,984 shares of common stock and warrants to purchase 399,984 shares of common stock at an exercise price of $3.00 per share. The placement agent received warrants to purchase 44,527 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 45,277 shares of common stock in lieu of certain sales commissions and expenses.

On June 18, 1998, assisted by the same investment bank, we raised an aggregate of $2.9 million from the first closing of a private placement of 953,573 shares of common stock at $3.00 per share. The placement agent for such

offering received warrants to purchase 101,653 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 62,949 shares of common stock in lieu of certain sales commissions and expenses.

On July 30, 1998, again assisted by the same investment bank, we raised an aggregate of $900,000 from the second closing of a private placement

of 300,000 shares of common stock at $3.00 per share. The placement agent for such offering received warrants to purchase 33,445 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 34,450 shares of common stock in lieu of certain sales commissions and expenses.

Issuance costs for the above placements totaled $405,000. The proceeds of the offerings were used to fund research and development, working capital and general corporate purposes.

In December 1998 we signed a license agreement with Block for the rights to develop amlexanox for use in chemotherapy and radiation induced mucositis. Mucositis is a debilitating condition involving extensive inflammation of mouth tissue that affects an estimated 400,000 cancer patients in the United States undergoing chemotherapy and radiation therapy.

On June 8, 1998, we entered into an agreement to license from Block Drug Company the rights to "Amlexanox oral paste 5%" for certain international markets. We jointly developed Amlexanox with Block Drug Company, and Amlexanox was subsequently purchased by Block Drug Company with us receiving an up front fee and future royalty payments. Amlexanox is currently marketed in the United States by Block Drug under the trademark Aphthasol TM. Aphthasol TM was launched to the dental market in December 1997, and was launched to the general practice physician market in June 1998.

We have announced agreements or letters of intent with the following international partners to market Amlexanox oral 5% paste:

* We signed a license agreement in July 1999 with Laboratoios Dr. Esteve, for licensing rights in Spain, Portugal and Greece. Esteve made an up-front license payment and will pay milestone payments and royalty on sales.

* We signed a license agreement in January 1999 with Meda AB of Sweden for licensing rights in Sweden, Finland, Norway, Denmark, Latvia, Estonia, Lithuania and Iceland. Under the terms of the agreement, Meda made an up-front license payment and will pay milestone payments and a royalty on sales.

* On August 20, 1998 we signed a Letter of Intent with Paladin Labs, Inc. for marketing rights for amlexanox in Canada. Paladin will bear all costs associated with gaining regulatory approval in Canada, and will pay milestones based on cumulative sales revenue and a royalty on sales. Paladin is a subsidiary of PharmaScience, Inc.

* On August 18, 1998, we signed an agreement with Strakan Limited for marketing rights for the UK and Ireland. Under the terms of the agreement, Strakan will bear all costs associated with the regulatory process in the UK and the European community, and will pay milestones based on cumulative sales and a royalty on sales.

We signed an agreement on August 25, 1998 with Atrix Laboratories, Inc. to incorporate amlexanox in the proprietary mucoadhesive technologies being developed by Atrix. Atrix is developing an innovative bioerodiable mucoadhesive, BEMA, delivery system, which is a thin film that adheres to the oral mucosa and erodes over time delivering the drug into the tissue. A product from this collaboration has entered clinical testing. We intend to fund the Atrix project development activities; however, Block Drug Company will share in the development costs through a reduction in the royalty we will pay Block for international sales. The international rights to any product resulting from the collaboration with Atrix will be out-licensed to our amlexanox licensing partners.

Liquidity and Capital Resources

As of March 28, 2000 our principal source of liquidity is $13,405,000 of cash and cash equivalents. Working capital as of December 31, 1999 was $238,000, representing a decrease in working capital of $771,000 as compared to the working capital as of December 31, 1998 of

$1,009,000. The decrease in working capital at December 31, 1999 was due to losses from operations of 1999 offset by the money raised in the 1999 offering.

Since inception, our expenses have significantly exceeded revenues, resulting in an accumulated deficit of $26,453,000 as of December 31, 1999. We have funded our operations primarily through private sales of equity securities, contract research payments from corporate alliances and the 1996 merger of Access Pharmaceuticals, Inc. and Chemex Pharmaceuticals, Inc.

We have incurred negative cash flows from operations since inception, and have expended, and we expect to continue to expend in the future, substantial funds to complete our planned product development efforts. We expect that our existing capital resources will be adequate to fund our current level of operations through the Year 2002. We are dependent on raising additional capital to fund the development of our technology and to implement our business plan. Such dependence will continue at least until we begin marketing products resulting from our technologies.

We will require substantial funds to conduct research and development programs, preclinical studies and clinical trials of potential products, including research and development with respect to the newly acquired technology from the acquisition of Virologix. Our future capital requirements and adequacy of available funds will depend on many factors, including:

* the successful commercialization of amlexanox;

* the ability to establish and maintain collaborative arrangements for research, development and commercialization of products with corporate partners;

* continued scientific progress in our research and development programs;

* the magnitude, scope and results of preclinical testing and clinical trials;

* the costs involved in filing, prosecuting and enforcing patent claims;

* competing technological developments;

* the cost of manufacturing and scale-up; and

* the ability to establish and maintain effective commercialization arrangements and activities.

Results of Operations

Comparison of Years Ended December 31, 1999 and 1998

Revenues. We had $15,000 in revenues for 1999 as compared to no revenues in 1998. 1999 revenues were for a twelve month option payment on our carbohydrate polymer drug technology as applied to the field of selectively replicating viruses.
Research Spending. Total research spending for 1999 was $1,608,000 as compared to $1,756,000 for the same period in 1998, a decrease of $148,000. The decrease in expenses was due to:

* $354,000 less external development costs due to the completion of university research contracts in 1998.

This decrease was partially offset by:

* $94,000 more scientific consulting costs;

* $64,000 more salary and related costs;

* $40,000 more clinical development costs, and

* other net increases totaling $8,000.

We expect increases in research spending in 2000 due to expenses associated with hiring additional staff, product development and clinical trials.

General and administrative expenses. General and administrative expenses were $1,471,000 for 1999, an increase of $7,000 as compared to the same period in 1998. The increase was primarily due to the following:

* $249,000 increased business consulting expense due to the issuance of warrants issued in connection with consulting agreements;

* $41,000 more shareholder expenses due primarily to increased investor relation expenses; and

* other net increases totaling $17,000.

These increases were partially offset by:

* $119,000 less patent expenses due to the filing of four patents and the prosecution of European patents in 1998 compared with one patent filing in 1999;

* $81,000 less salary and related expenses due primarily to our Vice President of Business Development leaving in the third quarter of 1998 and not being replaced;

* $69,000 less other professional costs; and

* $31,000 less travel and entertainment expenses.

Depreciation and amortization. Depreciation and amortization for 1999 was $285,000 as compared to $213,000 for the same period in 1998, an increase of $72,000. The increase in amortization is due to amortization of goodwill of $103,000 recorded as a result of the purchase of Virologix Corporation offset by lower depreciation reflecting that some major assets have been fully depreciated.

Interest income. Decreased to $53,000 in 1999 from $58,000 in 1998 due to lower average cash balances in 1999. Interest expense decreased to $12,000 in 1999 from $22,000 in 1998 due to lower average obligations under capital leases during 1999.

Accordingly, these expenses resulted in a loss for the twelve months ended December 31, 1999 of $3,308,000, or a $0.72 basic and diluted loss per common share compared with a loss of $3,397,000, or a $1.28 basic and diluted loss per common share for the twelve months ended December 31, 1998.

Comparison of Years Ended December 31, 1998 and 1997

Revenues. Net revenues for 1997 were $435,000 as compared to no revenues in 1998. 1997 revenues were comprised of licensing income from an ongoing agreement with an emerging pharmaceutical company which made certain milestone payments and will make royalty payments in the future if a product is developed from the technology. In addition, $110,000 of option income was recorded in 1997 from an agreement with a pharmaceutical company. This agreement is no longer in effect.

Research spending. Total research and development spending for 1998 was $1,756,000 as compared to $2,433,000 for the same period in 1997, a decrease of $677,000. The decrease in expenses was due to:

* $427,000 less external contract research costs; associated with The School of Pharmacy, University of London and Duke University.

* $149,000 less salary and related costs;

* $94,000 less equipment rent;

* $47,000 less travel expenses; and

* other net decreases totaling $116,000.

These decreases were partially offset by costs incurred in 1998 of $145,000 to scale-up the manufacture of our polymer platinate product for testing.

General and administrative expenses. General and administrative expenses were $1,464,000 for 1998, a decrease of $320,000 as compared to the same period in 1997. The decrease was primarily due to the following:

* $331,000 less general business consulting fees and expenses;

* $56,000 less director and officer insurance costs due to a lower policy premium; and

* other net decreases totaling $18,000.

These decreases were partially offset by $29,000 higher patent expenses and $56,000 higher shareholder expenses relating to an additional shareholder meeting and administrative costs relating to the reverse stock split.

Depreciation and amortization. For 1998 was $213,000 as compared to $162,000 for the same period in 1997 reflecting additional depreciation for assets acquired in the Tacora merger and a full year of amortization of licenses.

Other income/expense. Interest and miscellaneous income was $58,000 for 1998 as compared to $119,000 for the same period in 1997, a decrease of $61,000. The decrease was due to lower cash balances in 1998.

Interest expense was $22,000 for 1998 as compared to $36,000 for the same period in 1997, a decrease of $14,000. The decrease was due to the pay down of equipment leases.

Accordingly, these expenses resulted in a loss for the twelve months ended December 31, 1998 of $3,397,000, or a $1.28 basic and diluted loss per common share compared with a loss of $4,441,000, or a $2.80 basic and diluted loss per common share for the twelve months ended December 31, 1997.

New Accounting Standards Not Adopted

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities", which was amended by FAS 137 which is effective for financial statements prepared for fiscal years beginning after June 15, 2000, and which will apply to us beginning January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. We do not believe that the new standard will have any significant effect on our future results of operations.

Year 2000 Issue

As of March 28, 2000 we have experienced no Y2K problems. Total Y2K related expenditures were approximately $6,000. We do not expect to incur any further Y2K related expenses.

ITEM 7(a). MARKET RISK

The Company does not believe that it is exposed to any market risks, as defined.

ITEM 8. FINANCIAL AND SUPPLEMENTARY DATA

Financial statements are included at Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL

DISCLOSURE

KPMG LLP was previously the principal accountants for Access Pharmaceuticals, Inc. On October 22, 1998, that firm resigned.

In connection with the audit of fiscal year ended December 31, 1997, and the subsequent interim period through October 22, 1998, there were no disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement.

KPMG LLP's independent auditors' report on the consolidated financial statements of Access Pharmaceuticals, Inc. and subsidiary as of and for the year ended December 31, 1997, contained a separate paragraph stating that "the Company has suffered recurring losses from operations and has a net capital deficiency, that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in the footnotes to the 1997 financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty."

Effective December 15, 1998, the Company engaged Grant Thornton LLP, independent certified public accountants, as its principal accountants. During the prior two fiscal years, the Company did not consult with Grant Thornton LLP regarding any of the matters or events set forth in Item 304 (a) (2) (i) and (ii) of Regulation S-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The information requested by this item will be contained in the Company's definitive Proxy Statement ("Proxy Statement") for its 2000 Annual Meeting of Stockholders to be held on June 26, 2000 and is incorporated by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 1999.

ITEM 11. EXECUTIVE COMPENSATION

The information requested by this item will be contained in the Company's definitive Proxy Statement and is incorporated by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 1999.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information requested by this item will be contained in the Company's definitive Proxy Statement and is incorporated by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 1999.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information requested by this item will be contained in the Company's definitive Proxy Statement and is incorporated by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days subsequent to December 31, 1999.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

a. Financial Statements and Exhibits Page

1. Financial Statements. The following financial statements are submitted as part of this report:

2. Financial Statement Schedules

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

Exhibits

Exhibit Number

2.1 Amended and Restated Agreement of Merger and Plan of Reorganization between Access Pharmaceuticals, Inc. and Chemex Pharmaceuticals, Inc., dated as of October 31, 1995 (Incorporated by reference to Exhibit A of the our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

2.2 Agreement of Merger and Plan of Reorganization, dated May 23, 1997 among us, Access Holdings, Inc and Tacora Corporation (Incorporated by reference to Exhibit 10.11 of the Company's Form 10-K for the year ended December 31, 1997)

2.3 Agreement of Merger and Plan of Reorganization, dated as of February 23, 1999 among us, Access Holdings, Inc. and Virologix Corporation (Incorporated by reference to Exhibit 2.2 of the Company's Form 8-K filed on August 3, 1999)

3.0 Articles of incorporation and bylaws:

3.1 Certificate of Incorporation (Incorporated by Reference to Exhibit 3(a) of our Form 8-B dated July 12, 1989, Commission File Number 9-9134)

3.2 Certificate of Amendment of Certificate of Incorporation filed August 21, 1992

3.3 Certificate of Merger filed January 25, 1996. (Incorporated by reference to Exhibit E of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

3.4 Certificate of Amendment of Certificate of Incorporation filed January 25, 1996. (Incorporated by reference to Exhibit E of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

3.5 Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 of our Form 10-Q for the quarter ended June 30, 1996)

3.6 Certificate of Amendment of Certificate of Incorporation filed July 18, 1996. (Incorporated by reference to Exhibit 3.8 of our Form 10-K for the year ended December 31, 1996)

3.7 Certificate of Amendment of Certificate of Incorporation filed June 18, 1998. (Incorporated by reference to Exhibit 3.8 of our Form 10-Q for the quarter ended June 30, 1998)

10.0 Material contracts:

10.1 Irrevocable Assignment of Proprietary Information with Dr. Charles G. Smith (Incorporated by reference to Exhibit 10.6 of our Form 10-K for the year ended December 31, 1991)

10.2 Asset Purchase and Royalty Agreement between Block Drug Company, Inc. and us dated June 7, 1995 (Incorporated by reference to Exhibit 10.28 of our Form 10-Q for the quarter ended June 30, 1995)

*10.3 1995 Stock Option Plan (Incorporated by reference to Exhibit F of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

10.4 Stockholder's Agreement dated October 1995 between us and Dr. David F. Ranney (Incorporated by reference to Exhibit A of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031).

10.5 Patent Purchase Agreement dated April 5, 1994 between David F. Ranney and Access Pharmaceuticals, Inc. (Incorporated by reference to Exhibit 10.16 of the our Form 10-K for the year ended December 31, 1995)

10.6 First Amendment to Patent Purchase Agreement dated January 23, 1996 between David F. Ranney and us (Incorporated by reference to Exhibit 10.17 of our Form 10-K for the year ended December 31, 1995)

10.7 Lease Agreement between Pollock Realty Corporation and us dated July 25, 1996 (Incorporated by reference to Exhibit 10.19 of our Form 10-Q for the quarter ended September 30, 1996)

10.8 Platinate HPMA Copolymer Royalty Agreement between The School of Pharmacy, University of London and the Company dated November 19, 1996 (Incorporated by reference to Exhibit 10.19 of our Form 10-Q for the quarter ended September 30, 1996)

10.9 License Agreement between The Dow Chemical Company and us dated June 30, 1997. (Certain portions are subject to a grant of confidential treatment) (Incorporated by reference to Exhibit 10.12 of our Form 10-Q for the quarter ended September 30, 1997)

10.10 License Agreement between Strakan Limited and us dated February 26, 1998 (Certain portions are subject to a grant of confidential treatment) (Incorporated by reference to Exhibit 10.12 of our Form 10Q for the quarter ended March 31, 1998)

3.0 Exhibits (continued)

Exhibit Number

10.11 Agreement between us and Block Drug Company, Inc. (Certain portions are subject to a grant of confidential treatment) (Incorporated by reference to Exhibit 10.13 of our Form 10Q for the quarter ended June 30, 1998)

10.12 Sales Agency Agreement. (Incorporated by reference to Exhibit 10.14 of our Form 10Q for the quarter ended June 30, 1998)

10.13 Registration Rights Agreement. (Incorporated by reference to Exhibit 10.15 of our Form 10Q for the quarter ended June 30, 1998)

*10.14 Employment Agreement of Mr. Kerry P. Gray (Incorporated by reference to our Registration Statement on Form SB-2 dated January 11, 1999, Commission File No. 333-62463)

10.15 Letter Agreement between us and David F. Ranney (Incorporated by reference to our Registration Statement on Form SB-2 dated January 11, 1999, Commission File No. 333-62463)

10.16 License Agreement between Block Drug Company and us dated December 21, 1998 (Certain portions are subject to a grant of confidential treatment) (Incorporated by reference to Exhibit 10.11 of

our Form 10-K for the year ended December 31, 1998)

10.17 Sales Agency Agreement (Incorporated by reference to Exhibit 10.18 of our Form 10Q for the quarter ended September 30, 1999)

10.18 Registration Rights Agreement (Incorporated by reference to Exhibit 10.18 of our Form 10Q for the quarter ended September 30, 1999)

*10.19 Employment Agreement of David P. Nowotnik, Ph.D

*10.20 401(k) Plan

21. Subsidiaries of the registrant

23.0 Consent of Experts and Counsel

23.1 Consent of Grant Thornton LLP

23.2 Consent of KPMG LLP

23.3 Consent of Smith, Anglin & Co.

27.1 Financial Data Schedule

* Management contract or compensatory plan required to be filed as an Exhibit to this Form pursuant to Item 14(c) of the report

(b) Reports on Form 8-K

None

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.

ACCESS PHARMACEUTICALS, INC.

Date March 28, 1999 By: /s/ Kerry P. Gray

Kerry P. Gray
President and Chief Executive Officer, Treasurer

Date March 28, 1999 By: /s/ Stephen B. Thompson

Stephen B. Thompson
Chief Financial Officer

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 Company and in the capacities and on the dates indicated.

Date March 28, 1999 By: /s/ Kerry P. Gray

Kerry P. Gray
President and Chief Executive Officer, Treasurer, Director

Date March 28, 1999 By: /s/ J. Michael Flinn

J. Michael Flinn, Director

Date March 28, 1999 By: /s/ Stephen B. Howell

Stephen B. Howell, Director

Date March 28, 1999 By: /s/ Max Link

Max Link, Director

Date March 28, 1999 By: /s/ Herbert H. McDade, Jr.

Herbert H. McDade, Jr., Director

Date March 28, 1999 By: /s/ Howard P. Milstein

Howard P. Milstein, Director

Date March 28, 1999 By: /s/ Richard B. Stone

Richard B. Stone, Director

Date March 28, 1999 By: /s/ Preston Tsao

Preston Tsao, Director

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Access Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Access Pharmaceuticals, Inc. and Subsidiaries (a development stage company) as of December 31, 1999 and 1998, the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the years then ended and the consolidated statements of operations and cash flows for the period February 24, 1988 (inception) to December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The cumulative statements of operations, and cash flows for the period February 24, 1988 (inception) to December 31, 1999 include amounts for the period from February 24, 1988 to December 31, 1988 and for each of the nine years in the period ended December 31, 1997, which were audited by other auditors whose reports have been furnished to us and are included herein. Our opinion, insofar as it relates to the amounts included for the period February 24, 1988 through December 31, 1997, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors included herein, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Access Pharmaceuticals, Inc. and Subsidiaries as of December 31, 1999 and 1998, and the consolidated results of their operations and their consolidated cash flows for the years then ended and for the period February 24, 1988 to December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ Grant Thornton LLP
- ---
GRANT THORNTON LLP

Dallas, Texas

March 3, 2000

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Access Pharmaceuticals, Inc.

We have audited the accompanying consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year ended December 31, 1997 and for the period February 24, 1988 (inception) to December 31, 1997 of Access Pharmaceuticals, Inc. and Subsidiaries (a development stage company). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The cumulative statements of operations, stockholders' equity (deficit), and cash flows for the period February 24, 1988 (inception) to December 31, 1997 include amounts for the period from February 24, 1988 (inception) to December 31, 1988 and for each of the years in the six-year period ending December 31, 1994, which were audited by other auditors whose report has been furnished to us and is included herein, and our opinion, insofar as it relates to the amounts included for the period February 24, 1988 (inception) through December 31, 1994, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and report of the other auditors included herein, the 1997 consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Access Pharmaceuticals, Inc. and Subsidiaries (a development stage company) for the year ended December 31, 1997 and for the period February 24, 1988 (inception) to December 31, 1997, in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the notes to the 1997 consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plan's in regard to these matters are also described in the notes to the 1997 consilidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ KPMG LLP
- ----------
KPMG LLP

Dallas, Texas
March 24, 1998

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
Access Pharmaceuticals, Inc.

We have audited the accompanying statements of operations, stockholders' equity and cash flows of Access Pharmaceuticals, Inc. (a development stage company) for the period February 24, 1988 (inception) through December 31, 1994. 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the period February 24, 1988 (inception) through December 31, 1994, in conformity with generally accepted accounting principles.

/s/ Smith, Anglin & Co.
- ----------
Smith, Anglin & Co.

Dallas, Texas
September 21, 1995

Access Pharmaceuticals, Inc. and Subsidiaries
(a development stage company)

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	December 31, 1999	1998
<S>	<C>	<C>
Current assets		
Cash and cash equivalents	$ 869,000	$1,487,000
Accounts receivable	88,000	-
Prepaid expenses and other current assets	117,000	54,000
Total current assets	1,074,000	1,541,000
Property and equipment, net (Note 5)	108,000	227,000
Licenses, net (Note 1)	899,000	425,000
Investments	150,000	150,000
Goodwill, net (Note 1)	2,361,000	-
Other assets (Note 1)	8,000	8,000
Total assets	$4,600,000	$2,351,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 728,000	$ 395,000
Accrued insurance premiums	77,000	38,000
Deferred revenues	155,000	-
Current portion of obligations under capital leases (Note 7)	26,000	99,000

Total current liabilities	986,000	532,000
Obligations under capital leases, net of current portion (Note 7)	-	24,000
Total liabilities	986,000	556,000
Commitments and contingencies (Notes 7 and 11)	-	-
Stockholders' equity (Note 8)		
Preferred stock - $.01 par value; authorized 2,000,000 shares; none issued or outstanding	-	-
Common stock - $.01 par value; authorized 20,000,000 shares; issued and outstanding, 6,089,763 at December 31, 1999 and 3,429,402 at December 31,1998	61,000	34,000
Additional paid-in capital	30,006,000	24,906,000
Deficit accumulated during the development stage	(26,453,000)	(23,145,000)
Total stockholders' equity	3,614,000	1,795,000
Total liabilities and stockholders' equity	$4,600,000	$2,351,000

</TABLE>

The accompanying notes are an integral part of this statement.

Access Pharmaceuticals, Inc. and Subsidiaries
(a development stage company)

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Year ended December 31,			February 24, 1988 (inception) to December 31,
	1999	1998	1997	1999
<S>	<C>	<C>	<C>	<C>
Revenues				
Research and development	$ -	$ -	$ -	$ 2,711,000
Option income	15,000	-	110,000	2,164,000
Licensing revenues	-	-	325,000	325,000
Total revenues	15,000	-	435,000	5,200,000
Expenses				
Research and development	1,608,000	1,756,000	2,433,000	11,973,000
General and administrative	1,471,000	1,464,000	1,784,000	9,798,000
Depreciation and amortization	285,000	213,000	162,000	1,554,000
Write-off of excess purchase price	-	-	580,000	8,894,000
Total expenses	3,364,000	3,433,000	4,959,000	32,219,000
Loss from operations	(3,349,000)	(3,433,000)	(4,524,000)	(27,019,000)
Other income (expense)				
Interest and miscellaneous income	53,000	58,000	119,000	885,000
Interest expense	(12,000)	(22,000)	(36,000)	(192,000)
	41,000	36,000	83,000	693,000
Loss before income taxes	(3,308,000)	(3,397,000)	(4,441,000)	(26,326,000)
Provision for income taxes	-	-	-	127,000

Net loss	$(3,308,000)	$(3,397,000)	$(4,441,000)	$(26,453,000)
Basic and diluted loss per common share	$(0.72)	$(1.28)	$(2.80)	
Weighted average basic and diluted common shares outstanding	4,611,315	2,650,168	1,583,785	

</TABLE>

The accompanying notes are an integral part of this statement.

Access Pharmaceuticals, Inc. and Subsidiaries
(a development stage company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

<TABLE>
<CAPTION>

	Common stock		Additional paid-in capital	Deficit accumulated during the development stage
	Shares	Amount		
<S>	<C>	<C>	<C>	<C>
Balance, February 24, 1988	-	$ -	$ -	$ -
Common stock issued, $6.60 per share	15,000	-	97,000	-
Common stock issued, $1.60 per share	8,000	-	12,000	-
Net loss for the period February 24, 1988 to December 31, 1988	-	-	-	(30,000)
Balance, December 31, 1988	23,000	-	109,000	(30,000)
Common stock issued, $6.60 per share	4,000	-	29,000	-
Common stock issued, $33.00 per share	4,000	-	124,000	-
Common stock issued, $0.20 per share	97,000	1,000	8,000	-
Net loss for the year	-	-	-	(191,000)
Balance, December 31, 1989	128,000	1,000	270,000	(221,000)
Common stock issued, $60.00 per share	4,000	-	218,000	-
Common stock issued, $156.40 per share	14,000	-	2,225,000	-
Net loss for the year	-	-	-	(219,000)
Balance, December 31, 1990	146,000	1,000	2,713,000	(440,000)
Common stock issued, $60.00 per share	-	-	6,000	-
Contribution of equipment by shareholder	-	-	468,000	-
Net income for the year	-	-	-	413,000
Balance, December 31, 1991	146,000	1,000	3,187,000	(27,000)
Contribution of equipment by shareholder	-	-	89,000	-
Net loss for the year	-	-	-	(859,000)
Balance, December 31, 1992	146,000	1,000	3,276,000	(886,000)
Net loss for the year	-	-	-	(1,384,000)
Balance, December 31, 1993	146,000	1,000	3,276,000	(2,270,000)
Net loss for the year	-	-	-	(476,000)
Balance, December 31, 1994	146,000	1,000	3,276,000	(2,746,000)

</TABLE>

Access Pharmaceuticals, Inc. and Subsidiaries
(a development stage company)

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) - CONTINUED

<TABLE>
<CAPTION>

	Common stock		Additional paid-in capital	Deficit accumulated during the development stage
	Shares	Amount		
<S>	<C>	<C>	<C>	<C>
Common stock issued, $40.00 per share	1,000	$ -	$ 50,000	$ -
Exercise of stock options between $5.00 and $25.00 per share	31,000	1,000	168,000	-
Common stock grants	4,000	-	-	-
Net loss for the year	-	-	-	(1,099,000)
Balance, December 31, 1995	182,000	2,000	3,494,000	(3,845,000)
Merger	951,000	10,000	9,991,000	-
Common stock issued, $14.00 share	429,000	4,000	5,499,000	-
Exercise of stock options/SAR's between $0.00 and $17.60 per share	8,000	-	23,000	-
Warrants issued at $20.00 per share for consulting services	-	-	344,000	-
Net loss for the year	-	-	-	(11,462,000)
Balance, December 31, 1996	1,570,000	16,000	19,351,000	(15,307,000)
Common stock issued, $15.00 share	40,000	-	600,000	-
Common stock issued, $9.20 share	20,000	192,000	-	-
Warrants issued at $12.00 and $18.00 per share for financial consulting services	-	-	188,000	-
Net loss for the year	-	-	-	(4,441,000)
Balance, December 31, 1997	1,630,000	16,000	20,331,000	(19,748,000)
Common stock issued, $3.00 per share, net of costs of $405,000	1,795,000	18,000	4,538,000	-
Common stock issued, $3.50 per share	4,000	-	-	-
Warrants issued at $4.00 per share for financial consulting services	-	-	37,000	-
Net loss for the year	-	-	-	(3,397,000)
Balance, December 31, 1998	3,429,000	34,000	24,906,000	(23,145,000)
Common stock issued, $2.00 per share, net of costs of $271,000	1,658,000	17,000	2,814,000	-
Common stock issued, Virologix Corporation merger, $2.00 per share	1,000,000	10,000	1,990,000	-
Common stock issued, $3.50 per share	3,000	-	-	-
Warrants issued at $3.00 and $2.93 per share for financial consulting services	-	-	296,000	-
Net loss for the year	-	-	-	(3,308,000)
Balance, December 31, 1999	6,090,000	$ 61,000	$30,006,000	$(26,453,000)

</TABLE>

The accompanying notes are an integral part of this statement.

Access Pharmaceuticals, Inc. and Subsidiaries
(a development stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year ended December 31,		February 24, 1988 (inception) to December 31,
	1999	1998	
<S>	<C>	<C>	<C>

	1999	1998	1997	1999
<S>	<C>	<C>	<C>	<C>
Cash flows from operating activities:				
Net loss	$(3,308,000)	$(3,397,000)	$(4,441,000)	$(26,453,000)
Adjustments to reconcile net loss to net cash used in operating activities:				
Write off of excess purchase price	-	-	580,000	8,894,000
Warrants issued in payment of consulting expenses	296,000	37,000	188,000	865,000
Research expenses related to common stock granted	-	-	100,000	100,000
Depreciation and amortization	285,000	213,000	162,000	1,554,000
Deferred revenue	155,000	-	(110,000)	45,000
Licenses	(425,000)	-	-	(425,000)
Change in operating assets and liabilities:				
Accounts receivable	(88,000)	1,000	(1,000)	(89,000)
Prepaid expenses and other current assets	(63,000)	(3,000)	139,000	(118,000)
Other assets	-	2,000	(1,000)	(6,000)
Accounts payable and accrued expenses	(97,000)	(92,000)	(244,000)	43,000
Net cash used in operating activities	(3,245,000)	(3,239,000)	(3,628,000)	(15,590,000)
Cash flows from investing activities:				
Capital expenditures	(5,000)	(4,000)	(16,000)	(1,173,000)
Sales of capital equipment	-	9,000	6,000	15,000
Purchase of Virologix	(102,000)	-	-	(102,000)
Purchase of Tacora, net of cash acquired	-	-	(124,000)	(124,000)
Other investing activities	-	(100,000)	(50,000)	(150,000)
Net cash used in investing activities	(107,000)	(95,000)	(184,000)	(1,534,000)
Cash flows from financing activities:				
Proceeds from notes payable	-	-	-	721,000
Payments of principal on obligations under capital leases	(97,000)	(173,000)	(178,000)	(724,000)
Cash acquired in merger with Chemex	-	-	-	1,587,000
Proceeds from stock issuances, net	2,831,000	4,556,000	-	16,409,000
Net cash provided by (used in) financing activities	2,734,000	4,383,000	(178,000)	17,993,000
Net increase (decrease) in cash and cash equivalents	(618,000)	1,049,000	(3,990,000)	869,000
Cash and cash equivalents at beginning of period	1,487,000	438,000	4,428,000	-
Cash and cash equivalents at end of period	$ 869,000	$ 1,487,000	$ 438,000	$ 869,000
Cash paid for interest	$ 12,000	$ 22,000	$ 34,000	$ 189,000
Cash paid for income taxes	-	-	-	127,000
Supplemental disclosure of noncash transactions				
Payable accrued for fixed asset purchase	$ -	$ -	$ -	$ 47,000
Elimination of note payable to Chemex Pharmaceuticals due to merger	-	-	-	100,000
Stock issued for license on patents	-	-	500,000	500,000
Equipment purchases financed through capital leases	-	-	82,000	82,000
Net liabilities assumed in acquisition of Tacora Corporation	-	-	455,000	455,000
Acquisition of Virologix Corporation				
Assets acquired including goodwill	2,571,000	-	-	2,571,000
Liabilities assumed	(469,000)	-	-	(469,000)
Stock issued	(2,000,000)	-	-	(2,000,000)

</TABLE>

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Three years ended December 31, 1999

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Access Pharmaceuticals, Inc. is a diversified emerging pharmaceutical company engaged in the development of novel therapeutics based primarily on the adaptation of existing therapeutic agents using its proprietary drug delivery platforms. We operate in a single industry segment. We are in the development stage and its efforts have been principally devoted to research and development, resulting in significant losses since inception on February 24, 1988.

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The consolidated financial statements include the financial statements of Access Pharmaceuticals, Inc. and our wholly-owned subsidiaries. All significant intercompany balances have been eliminated in consolidation.

Cash and Cash Equivalents

We consider all highly liquid instruments with an original maturity of three months or less to be cash equivalents for purposes of the statements of cash flows. Cash and cash equivalents consist primarily of cash in banks and money market funds.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over estimated useful lives ranging from three to seven years. Assets acquired pursuant to capital lease arrangements are amortized over the shorter of the estimated useful lives or the lease terms.

Patents and Applications

We expense patent and application costs as incurred because, even though we believe the patents and underlying processes have continuing value, the amount of future benefits to be derived therefrom are uncertain.

Licenses

We recognize the purchase cost of licenses and amortize them over their estimated useful lives.

* In 1997, we acquired a license to certain patents for $500,000 by issuing 40,000 shares of our common stock. The license is amortized over ten years.

* In 1999, we acquired a license from the National Institutes of Health for $330,000. The license is amortized over ten years.

* In 1999, we also acquired the rights to develop amlexanox for other indications for $200,000 and future milestone payments and royalties. The amortization of this license will commence in 2000.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

In 1997, we signed an agreement with CepTor Corporation ("CepTor"), a privately held biotechnology company. Under the terms of the agreement, which is now terminated, we purchased an aggregate of 25,000 shares of common stock for $150,000.

Revenue Recognition

Sponsored research and development revenues are recognized as research and development activities are performed under the terms of research contracts. Advance payments received are recorded as unearned revenue until the related research activities are performed. Option revenues are recognized when the earnings process is completed pursuant to the terms of the respective contract.

Research and Development Expenses

Research and development costs are expensed as incurred.

Income Taxes

Tax credits related to research and development and to investments in equipment and improvements are reported as a reduction of income tax expense in the year realized. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Loss Per Share

In accordance with the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" we have presented basic loss per share, computed on the basis of the weighted average number of common shares outstanding during the year, and diluted loss per share, computed on the basis of the weighted average number of common shares and all dilutive potential common shares outstanding during the year. Dilutive potential common shares result from stock options and warrants. However, for all years presented, stock options and warrants are anti-dilutive.

Use of Estimates

We have made a number of estimates and assumptions relative to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

Stock Option Plans

We account for our stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. On January 1, 1996, we adopted the disclosure provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, which recognizes the fair value of all stock-based awards on the date of grant.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of, requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Fair Value of Financial Instruments

The carrying value of current assets and current liabilities approximates fair value due to the short maturity of these items.

New Accounting Pronouncements

In December 1999, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). The bulletin draws on existing accounting rules and provides specific guidance on how those accounting rules should be applied, and specifically addresses revenue recognition for non-refundable technology access fees in the biotechnology industry. SAB 101 is effective for fiscal years beginning after December 15, 1999. We are evaluating SAB 101 and the effect it may have on our financial statements. At this time, we believe that SAB 101 will not have a material impact on our financial position or results of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 2 - ACQUISITIONS

On July 20, 1999, our wholly-owned subsidiary Access Holdings, Inc. merged with and into Virologix Corporation, a Delaware corporation ("Virologix"). As a result, Virologix became a wholly-owned subsidiary and each outstanding share of Virologix' common stock was converted into 0.231047 shares of our common stock, representing 999,963 shares of common stock. The transaction has been accounted for as a purchase. The aggregate purchase price has been allocated to the net assets acquired based on management's estimates of the fair values of assets acquired and liabilities assumed. The excess purchase price over the fair value of Virologix' net identifiable liabilities of $2,464,000 was recorded as goodwill and is being amortized over ten years. Operations have been included in our consolidated financial statements since the date of acquisition.

Pro forma disclosure relating to the Virologix acquisition reflects our operating results combined with the operating results of Virologix:

* for the year ended December 31, 1999 as if the Virologix acquisition occurred on January 1, 1999, and

* for the year ended December 31, 1998 as if the Virologix acquisition occurred on January 1, 1998.

This pro forma information does not purport to be indicative of what would have occurred had the acquisition been made as of those dates, or of results which may occur in the future.

<TABLE>
<CAPTION>

	For the year ended December 31, 1999	1998
<S>	<C>	<C>
Total revenue	$ -	$ -
Net loss	$(3,565,000)	$(4,175,000)
Net loss per common share	$ (0.59)	$ (0.79)

</TABLE>

On December 9, 1997, our wholly-owned subsidiary merged with Tacora Corporation ("Tacora"), a privately-held pharmaceutical company based in Seattle, Washington; Tacora became a wholly-owned subsidiary. We used the purchase method of accounting for the purchase of Tacora. The aggregate purchase price was $739,000, payable $124,000 in cash, $192,000 in stock (representing 20,900 shares of our common stock) and assumption of $239,000 in trade and accrued payables and $184,000 of Tacora's capital lease obligations, plus up to an additional 55,910 shares of our additional common stock if certain milestones are met. The share price to be used will range between $50.00 and $130.00 per share (range of value of shares is $2,796,000 to $7,268,000), depending on when the milestones are met. All milestone conditions expire in June 2000. The aggregate purchase price has been allocated to the net assets acquired based on management's estimates of the fair values of assets acquired and liabilities assumed. The excess purchase price over the fair value of Tacora's net identifiable assets of $579,544 was recorded and written off in the fourth quarter of 1997 due to an impairment of the excess purchase price based on estimated future cash flows. Operations have been included in our consolidated financial statements since the date of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 3 - RELATED PARTY TRANSACTIONS

Under a consulting agreement between Thoma Corporation ("Thoma") and us, Thoma receives payments for consulting services and reimbursement of direct expenses. Herbert H. McDade, Jr., our Chairman of the Board of Directors, is an owner of Thoma Corp. Thoma received payments for consulting services and was also reimbursed for expenses as follows:

<TABLE>
<CAPTION>

Year	Consulting Fees	Expense Reimbursement
<S>	<C>	<C>
1999	$72,000	$ 9,000
1998	72,000	11,000
1997	72,000	6,000

</TABLE>

Stephen B. Howell, M.D., our Director, receives payments for consulting services and reimbursement of direct expenses. Dr. Howell received payments for consulting services and was also reimbursed for expenses as follows:

<TABLE>
<CAPTION>

Year	Consulting Fees	Expense Reimbursement
<S>	<C>	<C>
1999	$62,000	$18,000
1998	8,000	4,000
1997	2,000	1,000

</TABLE>

Richard B. Stone, our Director, is a managing director of Sunrise Securities Corp., which acted as a placement agent in the private placements of our common stock. Mr. Stone received the following shares and warrants:

<TABLE>
<CAPTION>

Year	Shares	Exercise Warrants	Price
<S>	<C>	<C>	<C>
1999	101,225	86,499	$2.00
1998	109,904	98,474	$3.00

</TABLE>

Preston Tsao, our Director, is Managing Director for Corporate Finance of Sunrise Securities Corp., which acted as a placement agent in the private placements of our common stock. Mr. Tsao received the following warrants:

<TABLE>
<CAPTION>

Year	Exercise Warrants	Price
<S>	<C>	<C>
1999	15,310	$2.00
1998	11,015	$3.00

</TABLE>

Until August 1, 2001, Sunrise has the right to designate one individual for election to our board of directors and, if Sunrise exercises their right, we are required to use our best efforts to cause their nominee to be elected. In addition, if Sunrise does not exercise their right, we shall permit a representative of Sunrise to attend and observe all board of directors meetings.

We have a "Patent Purchase Agreement" dated April 5, 1994, as amended on January 23, 1996, with Dr. David F. Ranney, a major shareholder. Under terms of the agreement, Dr. Ranney was entitled to yearly cash royalty payments as consideration for the assignment of patents to us. As of May 31, 1998, Dr. Ranney signed an agreement whereby all rights, title and interest in and to all inventions and confidential information became our sole and exclusive property.

NOTE 4 - RESEARCH AND DEVELOPMENT AGREEMENTS

On August 1, 1997, we entered into an agreement with The Dow Chemical Company ("Dow Chemical") for the development of products incorporating Dow Chemical's chelation technology and Access' Bio Responsive TM polymer systems. The collaboration will focus on the development of MRI contrast agents and radiopharmaceutical diagnostics and therapeutics. The advancement of the Access developments in these areas are dependent on securing chelation technology, which encapsulates metals to avoid adverse effects in the body.

We entered into a technology evaluation option agreement with a pharmaceutical company. We recognized revenue under the agreement as certain milestones were achieved and amounted to $110,000 in 1997. This agreement has been terminated.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

<TABLE>
<CAPTION>

	December 31,	
	1999	1998
<S>	<C>	<C>
Laboratory equipment	$ 808,000	$ 808,000
Laboratory and building improvements	31,000	27,000
Furniture and equipment	177,000	172,000
	1,016,000	1,007,000
Less accumulated depreciation and amortization	908,000	780,000
Net property and equipment	$ 108,000	$ 227,000

</TABLE>

Depreciation and amortization on property and equipment was $121,000, $161,000, and $137,000 for the years ended December 31, 1999, 1998 and 1997, respectively.

NOTE 6 - 401(k) PLAN

We have implemented a tax-qualified employee savings and retirement plan (the "401(k) Plan") on January 1, 1999 covering all our employees. Pursuant to the 401(k) Plan, employees may elect to reduce their current compensation by up to the statutorily prescribed annual limit ($10,000 in 1999) and to have the amount of such reduction contributed to the 401(k) Plan. Effective May 1, 1999, we implemented a 401(k) matching program whereby we contribute for each dollar a participant contributes, with a maximum contribution of 2% of a participant's earnings. The 401(k) Plan is intended to qualify under Section 401 of the Internal Revenue Code so that contributions by employees or by us to the 401(k) Plan, and income earned on 401(k) Plan contributions, are not taxable to employees until withdrawn from the 401(k) Plan, and so that contributions by us, if any, will be deductible by us when made. At the direction of each participant, we invest the assets of the 401(k) Plan in any of 23 investment options. Company contributions under the 401(k) Plan were approximately $13,000 in 1999.

NOTE 7 - COMMITMENTS

At December 31, 1999, future minimum lease payments under capital lease obligations and commitments under noncancelable operating leases

were as follows:

<TABLE>
<CAPTION>

	Capital leases	Operating leases
<S>	<C>	<C>
2000	$ 27,000	$ 89,000
2001	-	94,000
2002	-	86,000
Total future minimum lease payments	27,000	$269,000
Less amount representing interest	1,000	
Present value of minimum capital lease payments	26,000	
Less current portion	26,000	
Obligations under capital leases, excluding current portion	$ -	

</TABLE>

We lease certain office and research and development facilities under an operating lease. Rent expense for the years ended December 31, 1999, 1998 and 1997 was $81,000, $77,000 and $74,000, respectively.

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

On July 20, 1999 and October 18, 1999, respectively, with the assistance of an investment bank, we completed the first and second closing of an offering of common stock at a per share price of $2.00, receiving gross proceeds of $3.1 million in this closing, less issuance costs of $271,000, from the private placement of 1,551,000 shares of common stock. The placement agent for the offering received warrants to purchase 165,721 shares of common stock at $2.00 per share, in accordance with the offering terms and elected to receive 106,217 shares of common stock in lieu of certain sales commissions and expenses.

On July 20, 1999, and simultaneously with the first closing of the offering, our wholly-owned subsidiary Access Holdings, Inc. merged with and into Virologix Corporation, a Delaware corporation. As a result, Virologix became our wholly-owned subsidiary and each outstanding share of Virologix' common stock was converted into 0.231047 shares of our common stock, representing 999,963 shares of common stock. The transaction has been accounted for as a purchase.

On June 18, 1998, in connection with the first closing of a private equity placement, we effected a recapitalization through a one-for-twenty reverse stock split of our common stock, $0.04 par value per share, which decreased the number of authorized shares of common stock from 60.0 million, at $0.04 par value per share, to 20.0 million shares, $0.01 par value per share, and decreased the authorized shares of our preferred stock from 10.0 million to 2.0 million. This recapitalization decreased the number of outstanding shares of our common stock from approximately 41.5 million to 2.1 million. All share numbers and prices referenced in this registration statement have been adjusted to reflect the June 18, 1998 recapitalization.

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) - Continued

In 1998, assisted by an investment bank, we raised an aggregate of $1,200,000 from the sale of 399,984 shares of common stock and warrants to purchase 399,984 shares of common stock at an exercise price of $3.00 per share. The placement agent received warrants to purchase 44,527 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 45,277 shares of common stock in lieu of certain sales commissions and expenses.

On June 18, 1998, assisted by the same investment bank, we raised an aggregate of $2.9 million from the first closing of a private placement of 953,573 shares of common stock at $3.00 per share. The placement agent for such offering received warrants to purchase 101,653 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 62,949 shares of common stock in lieu of certain sales commissions and expenses.

On July 30, 1998, again assisted by the same investment bank, we raised an aggregate of $900,000 from the second closing of a private placement of 300,000 shares of common stock at $3.00 per share. The placement agent for such offering received warrants to purchase 33,445 shares of common stock at $3.00 per share, in accordance with the offering terms and elected to receive 34,450 shares of common stock in lieu of certain sales commissions and expenses.

For 1998, issuance costs for all placements totaled $1,466,000, consisting of $405,000 cash payments for offering and legal expenses and the issuance of 142,676 shares of Common Stock valued at $385,000 and 179,625 warrants. The proceeds of the offerings were used to fund research and development, working capital and general corporate purposes.

Warrants

There were warrants to purchase a total of 991,689 shares of common stock outstanding at December 31, 1999. All the warrants were exercisable at December 31, 1999. The warrants had various prices and terms as follows:

In connection with the aforementioned offerings of common stock in 1999, warrants to purchase a total of 165,622 shares of common stock were issued. All of the warrants are exercisable immediately at $2.00 per share and expire five years from date of issuance.

In connection with the aforementioned merger with Virologix, we assumed warrants to purchase 27,145 shares of common stock. Virologix warrants were converted into 0.231047 Access warrants. All of the warrants are exercisable immediately at $12.98 per share and expire between March 24, 2002 and November 1, 2002.

During 1999, a financial advisor received warrants to purchase 100,000 shares of common stock at an exercise price of $2.93 per share at any time from March 26, 1999 until March 26, 2004, for financial consulting services rendered in 1999. The fair value of the warrants was $2.48 per share on the date of the grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 5.42%, expected volatility 122% and an expected life of 5 years. Total fair value of the warrants relating to the consulting services ($249,000) has been recorded as general and administrative expense and an increase to additional paid-in capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 8 - STOCKHOLDERS' EQUITY (DEFICIT) - Continued

During 1999, a scientific advisor received warrants to purchase 30,000 shares of common stock at an exercise price of $3.00 per share at any

time from January 1, 1999 until January 1, 2003, for scientific consulting services rendered in 1999. The fair value of the warrants was $1.56 per share on the date of the grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 5.38%, expected volatility 122% and an expected life of 4 years. Total fair value of the warrants relating to the consulting services ($47,000) has been recorded as consulting expense and an increase to additional paid-in capital.

In connection with the aforementioned offerings of units and common stock in 1998, warrants to purchase a total of 579,627 shares of common stock were issued. All of the warrants are exercisable immediately at $3.00 per share and expire five years from date of issuance.

During 1998, a financial advisor received warrants to purchase 15,000 shares of common stock at an exercise price of $4.00 per share at any time from December 1, 1998 until December 1, 2003, for financial consulting services rendered in 1998. The fair value of the warrants was $2.48 per share on the date of the grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 4.85%, expected volatility 122% and an expected life of 5 years. Total fair value of the warrants relating to the consulting services ($37,000) has been recorded as general and administrative expense and an increase to additional paid-in capital.

During 1997, a financial advisor received warrants to purchase 37,500 shares of common stock, one-half (18,750 shares) at an exercise price of $12.00 per share, and one-half (18,750 shares) at an exercise price of $18.00 per share any time from January 1, 1998 until June 30, 2002, for financial consulting services rendered in 1997. The fair value of the warrants was $5.00 per share on the date of the grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 5.6%, expected volatility 129% and an expected life of 5 years. Total fair value of the warrants relating to the consulting services ($188,000) has been recorded as general and administrative expense and an increase to additional paid-in capital.

We also have warrants outstanding to purchase 6,795 shares of common stock at $3.00 per share. These warrants expire in September 2001.

During 1996, a shareholder received warrants to purchase 30,000 shares of common stock at an exercise price of $20.00 per share. These warrants expired on March 4, 2000.

NOTE 9 - STOCK OPTION PLANS

We have a stock option plan, as amended, (the "1995 Stock Awards Plan"), under which 1,034,719 shares of our authorized but unissued common stock were reserved for issuance to optionees including officers, employees, and other individuals performing services for us. The 1995 Stock Awards Plan replaced the previously approved stock option plan (the "1987 Stock Awards Plan") and API's stock option plan ("API Stock Option Plan"). Options granted under the plans generally vest ratably over a four to five year period and are generally exercisable over a ten-year period from the date of grant. Stock options are generally granted with an exercise price equal to the market value at the date of grant.

At December 31, 1999, there were 401,719 additional shares available for grant under the 1995 Stock Awards Plan.

We apply APB Opinion No. 25 in accounting for our 1995 Stock Awards Plan. Accordingly, no compensation expense has been recognized in the accompanying Consolidated Statements of Operations

for employee stock options because the quoted market price of the underlying common stock did not exceed the exercise price of the option at the date of grant. Had we determined compensation cost based on the fair value at the grant date for its stock options issued after 1994 under SFAS No. 123, our net loss and loss per share would have been reduced to the pro forma amounts indicated below:

<TABLE>
<CAPTION>

	December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Net loss			
As reported	$(3,308,000)	$(3,397,000)	$(4,441,000)
Pro forma	(3,603,000)	(3,583,000)	(4,614,000)
Basic and diluted loss per share			
As reported	($.72)	($1.28)	($2.80)
Pro forma	($.78)	($1.35)	($2.91)

</TABLE>

The fair value of options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions used for grants in fiscal 1999, 1998 and 1997, respectively: dividend yield of 0% for all periods; volatility of 91%, 122%, and 129%; risk-free interest rates of 6.62%, 4.84% and 5.6% and expected lives of four years for all periods. The weighted average fair values of options granted were $1.37, $2.40 and $13.00 per share during 1999, 1998 and 1997, respectively.

NOTE 9 - STOCK OPTION PLANS - Continued

Summarized information for the 1995 Stock Awards Plan is as follows:

<TABLE>
<CAPTION>

	Shares	Weighted-average exercise price
<S>	<C>	<C>
Outstanding options at January 1, 1997	31,499	$ 26.20
Granted	8,217	13.00
Forfeited	(7,566)	(27.60)
Outstanding options at December 31, 1997	32,150	20.40
Granted	306,500	3.00
Forfeited	(32,150)	(20.40)
Outstanding options at December 31, 1998	306,500	3.00
Granted	333,000	1.99
Forfeited	(6,500)	(1.46)
Outstanding options at December 31, 1999	633,000	2.47
Exercisable at December 31, 1997	8,950	25.60
Exercisable at December 31, 1998	142,500	3.00

Exercisable at December 31, 1999 300,875 2.66

</TABLE>

Further information regarding options outstanding at December 31, 1999 is summarized below:

<TABLE>
<CAPTION>

Range of exercise prices	Number of shares granted	Number of shares exercisable	Weighted average Remaining life	Weighted average Exercise price
<S>	<C>	<C>	<C>	<C>
$1.56-1.81	8,000	0	10.0	$1.66
$2.00	325,000	100,000	10.0	2.00
$2.08-2.94	4,500	1,570	9.0	2.75
$3.00	295,500	199,305	9.0	3.00
	633,000	300,875		

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 9 - STOCK OPTION PLANS - Continued

All issued options and stock appreciation rights ("SAR's") under the 1987 Stock Awards Plan are vested and exercisable. No further grants can be made. Summarized information for the 1987 Stock Awards Plan is as follows:

<TABLE>
<CAPTION>

	1987 Incentive Stock Options	Non-Employee Director SAR's	Weighted-Average Exercise Plan	Price
<S>	<C>	<C>	<C>	<C>
Outstanding awards at January 1, 1997	39,864	10,197	8,910	$40.80
Forfeited	(1,125)	-	(3,660)	72.40
Outstanding awards at December 31, 1997	38,739	10,197	5,250	38.00
Forfeited	(6,153)	(2,500)	(2,750)	(47.75)
Outstanding awards at December 31, 1998	32,586	7,697	2,500	35.49
Forfeited	(5,081)	-	-	(41.77)
Outstanding awards at December 31, 1999	27,502	7,697	2,500	34.66

</TABLE>

All options outstanding were exercisable at each year end.

Further information regarding options outstanding and exercisable at December 31, 1999 is summarized below:

<TABLE>
<CAPTION>

	Weighted average

Range of exercise prices	Number of shares	Remaining life	Exercise price
<S>	<C>	<C>	<C>
$0.0	7,697	3.7	$ 0.00
$17.50 - $24.00	14,128	4.4	18.77
$30.00 - $64.40	9,000	3.4	40.32
$78.80 - $102.60	6,874	3.0	98.71
	37,699		

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Three years ended December 31, 1999

NOTE 10 - INCOME TAXES

Income tax expense differs from the statutory amounts as follows:

<TABLE>
<CAPTION>

	1999	1998	1997
<S>	<C>	<C>	<C>
Income taxes at U.S. statutory rate	$(1,124,000)	$(1,155,000)	$(1,510,000)
Change in valuation allowance	15,000	1,142,000	1,185,000
Items not deductible for tax	101,000	13,000	325,000
Expiration of net operating loss and general business credit carryforwards	1,008,000	-	-
Total tax expense	$ -	$ -	$ -

</TABLE>

Deferred taxes are provided for the temporary differences between the financial reporting bases and the tax bases of our assets. The temporary differences that give rise to deferred tax assets were as follows:

<TABLE>
<CAPTION>

	December 31,		
	1999	1998	1997
<S>	<C>	<C>	<C>
Deferred tax assets			
Net operating loss carryforwards	$18,438,000	$17,101,000	$14,266,000
General business credit carryforwards	456,000	443,000	434,000
Property and equipment	42,000	24,000	-
Gross deferred tax assets	18,936,000	17,568,000	14,700,000
Valuation allowance	(18,936,000)	(17,568,000)	(14,700,000)
Net deferred taxes	$ -	$ -	$ -

</TABLE>

During 1999, our gross deferred tax asset increased by $1,368,000 due to losses and a revision of prior years' net operating loss carryforwards of approximately $345,000. The valuation allowance was increased by a corresponding amount. Gross net operating loss and general business credit carryforwards of approximately $2,965,000 expired during 1999.

At December 31, 1999, we had approximately $54,230,000 of net operating loss carryforwards and approximately $1,340,000 of general business credit carryforwards. These carryforwards expire as follows:

2000	$2,991,000
2001	3,190,000
2002	5,690,000
2003	7,171,000
2004	5,751,000
Thereafter	30,777,000
	$ 55,570,000

As a result of a merger on January 25, 1996, a change in control occurred for federal income tax purposes which limits the utilization of pre-merger net operating loss carryforwards of approximately $3,100,000 to approximately $530,000 per year.

NOTE 11 - CONTINGENCIES

Our products will require clinical trials, U.S. Food and Drug Administration approval, or approval of similar authorities internationally and acceptance in the marketplace after commercialization. Although we believe our patents and patent applications are valid, the invalidation of its major patents would have a material adverse effect upon its business. We compete with specialized biotechnology companies and major pharmaceutical companies. Many of these competitors have substantially greater resources than us.

We are not currently a party to any material legal proceedings.

NOTE 12 - SUBSEQUENT EVENT

On March 1, 2000, with the assistance of an investment bank, we completed the closing of a private offering, receiving gross proceeds of $12.0 million, less issuance costs of approximately $89,500, at a per share price of $2.50, from the private placement of 4,800,000 shares of common stock. The placement agent for the offering received warrants to purchase 459,806 shares of common stock at $2.50 per share, in accordance with the offering terms and elected to receive approximately 520,000 shares of common stock in lieu of certain sales commissions and expenses.

EMPLOYMENT AGREEMENT

AGREEMENT dated as of November 16, 1998 between ACCESS Pharmaceuticals, Inc. a Delaware corporation located at 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207-2107, (the "Company"), and David P. Nowotnik, Ph.D., an individual residing at 1018 San Jacinto Drive, #1516, Irving, TX 75063 (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires that Executive serve as the Company's Vice President Research and Development; and

WHEREAS, in order to induce Executive to agree to serve in such capacity, the Company hereby offers Executive certain compensation and benefits of employment, as described herein.

WHEREAS, Executive is willing to serve in this position on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the Company and Executive hereby agree as follows:

1. Employment

The Company hereby agrees to employ Executive and Executive hereby agrees to be employed upon the terms and conditions hereinafter set forth. During the term of this Agreement, Executive shall serve as the Vice President of Research and Development of the Company. Executive shall be responsible to the President of the Company, rendering the services and performing the duties prescribed by the President of the Company

The Executive agrees, while employed hereunder, to perform his duties faithfully and to the best of his ability. The Executive shall be employed at the Company's offices in Dallas, Texas, and his principal duties shall be performed primarily in Dallas, Texas, except for business trips reasonable in number and duration.

2. Term

The employment of the Executive hereunder shall begin on the date hereof and shall continue in full force and effect for a period of one (1) year, and thereafter shall be automatically renewed for successive one-year periods unless the Company gives the Executive written notice of termination within six (6) months prior to the end of any such period or until the occurrence of a Termination Date, as defined in Section 5 (the "Term").

3. Compensation

3.1. As compensation for the Executive's services during the Term, the Company shall pay the Executive an annual base salary at the rate of $165,000, payable monthly on the last day of each month during the Term. Prior to the end of each year during the Term, the Compensation Committee of the Company shall undertake an evaluation of the services of the Executive during the year then ended in accordance with the Company's compensation program at the date hereof (the "Program"). The Company shall consider the performance of the Executive, his contribution to the success of the Company and entities under common control with the Company (collectively, "Affiliates"), and other factors and shall fix an annual base salary to be paid to the Executive during the ensuring year.

3.2 Notwithstanding the foregoing, the Company may change the Program from time to time or institute a successor to the Program, but the Executive's annual base salary shall in no event be less than his annual base salary in effect on the date of change, adjusted regularly to reflect increases in the cost of living and comparable compensation for like positions.

3.3. The executive shall participate in the Company incentive compensation programs in accordance with the following subparagraphs (i) and (ii):

(i) Incentive Plan - The executive shall be covered by the cash bonus plan currently maintained by the Company and shall be afforded the opportunity thereunder to receive a target award of 8.5% of annual base salary payable in cash and 8.5% of annual base salary payable in Access Common Stock, to be awarded upon the achievement of reasonable performance goals; provided that the Company may from time to time change the Program or institute a successor to the Program, so long as the Executive continues to be eligible to receive bonus awards of percentages of annual base salary in amounts at least equal to those specified as in effect on the date hereof.

(ii) Stock Option Plan - Executive shall be entitled to participate in the Company's stock option plan. In accordance with this plan the Board may from time to time, but without any obligation to do so, grant additional stock options to the executive upon such terms and conditions as the Board shall determine in its sole discretion. If the Company no longer has a class of stock publicly-traded by reason of a Change in Control of the Company, as defined in Section 5.3, the Company's obligation under this Section 3.3 will be satisfied through options granted by the issuer with public stock then in control of the Company.

3.4 If the Executive is prevented by disability, for a period of six consecutive months, from continuing fully to perform his obligations hereunder, the Employee shall perform his obligations hereunder to the extent he is able and after six months the Company may reduce his annual base salary to reflect the extent of the disability; provided that in no event may such rate, when added to payments received by him under

any disability or qualified retirement or pension plan to which the Company or an Affiliate contributes or has contributed, be less than $60,000. If there should be a dispute about the Executive's disability, disability shall be determined by the Board of Directors of the Company based upon a report from a physician, reasonably acceptable to the Executive, who shall have examined the Executive. If the Executive claims disability, the Executive agrees to submit to a physical examination at any reasonable time or times by a qualified physician designated by the President of the Company and reasonably acceptable to the Executive. Notwithstanding any provision in this Section, the Company shall not be obligated to make any payments to Executive on account of disability after the expiration of this Agreement.

4. Executive Benefits

The Executive shall be entitled to participate in all "employee pension benefit plans," all "employee welfare benefit plans" (each as defined in the Employee Retirement Income Security Act of 1974) and all pay practices and other compensation arrangements maintained by the Company, on a basis at least as advantageous to the Executive as the basis on which other executive employees of the Company are eligible to participate. Executive shall, during the term of his employment hereunder, continue to be provided with such benefits at a level at least equivalent to the initial benefits provided or to be provided hereunder. Without limiting the generality of the foregoing, the Executive shall be entitled to the following employee benefits (collectively, with the benefits contemplated by this Section 4, the "Benefits"):

4.1 The Executive and the Executive's dependents shall be covered by medical insurance, with only such contribution by the Executive toward the cost of such insurance as may be required from time to time from other executive officers of the Company.

4.2 Life Insurance. Executive shall be entitled to group term life insurance coverage of $25,000, all premiums being paid by the Company.

4.3 Long-Term Disability Insurance. The Company shall maintain in effect long-term disability insurance providing Executive in the event of his disability (as defined in Section 3 hereof) with compensation annually equal to at least $60,000.

4.4 The Executive shall be entitled to legal holidays and to annual paid vacation aggregating at least three (3) weeks during year one and four (4) weeks after year one during any calendar year.

4.5 The Company shall reimburse the Executive from time to time for the reasonable expenses incurred by the Executive in connection with the performance of his obligations hereunder.

4.6 During such times as the Company is eligible and financially qualified to obtain the same, the Company shall maintain directors and officers liability insurance applicable to the Executive in amounts established by the Board of Directors.

Notwithstanding the foregoing, the Company may from time to time change or substitute a plan or program under which one or more of the Benefits are provided to the Executive, provided that the Company first obtains the written consent of the Executive, which the Executive agrees not unreasonably to withhold, taking into account his personal situation.

5. Termination Date; Consequences for Compensation and Benefits

5.1. Definition of Termination Date. The first to occur of the following events shall be the Termination Date:

5.1.1 The date on which the Executive becomes entitled to receive long-term disability payments by reason of total and permanent disability;

5.1.2. The Executive's death;

5.1.3. Voluntary resignation after one of the following events shall have occurred, which event shall be specified to the Company by the Executive at the time of resignation: material reduction in the responsibility, authority, power or duty of the Executive or a material breach by the Company of any provision of this Agreement, which breach continues for 30 days following notice by the

Executive to the Company setting forth the nature of the breach ("Resignation with Reason");

5.1.4. Voluntary resignation not accompanied by a notice of reason described in Section 5.1.3 ("General Resignation");

5.1.5 Discharge of the Executive by the Company after one of the following events shall have occurred, which event shall be specified in writing to the Executive by the Company at the time of discharge:

(i) a felonious act committed by Executive during his employment hereunder, (ii) any act or omission on the part of Executive not requested or approved by the Company constituting willful malfeasance or gross negligence in the performance of his duties hereunder, (iii) conviction of the Executive or the entry of a plea of guilty or nolo contendere by the Executive to any crime involving moral turpitude, (iv) any material breach of any term of this Agreement by the Executive which is not cured within 30 days after written notice from the President of the Company to the Employee setting forth the nature of the breach ("Discharge for Cause");

For purposes of this subparagraph (5.1.5), no act or failure to act on the Executive's part shall be considered "willful" unless done or omitted to be done by Executive not in good faith and without reasonable belief that Executive's action or omission was in the best interest of the

Company. Notwithstanding the foregoing, Executive shall not be deemed to have been discharged for Cause unless and until there shall have been delivered to Executive a copy of a Notice of Termination (as defined below) from the President of the Company stating that in his good faith opinion Executive was guilty of conduct set forth in clauses (i), (ii), (iii) or (iv) above of this subparagraph (5.1.5) and specifying the particulars thereof in detail.

5.1.6 Discharge of the Executive by the Company not accompanied by

a notice of cause described in Section 5.1.5 ("General Discharge").

For purposes of this Agreement "Notice of Termination" shall mean a notice which indicates the specific termination provision in this Agreement relied upon and sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. Each Notice of Termination shall be delivered at least sixty (60) days prior to the effective date of termination.

5.2 Consequences for Compensation and Benefits

(a) If the Termination Date occurs by reason of disability, death, General Resignation or Discharge for Cause, the Company shall pay compensation to the Executive through the Termination Date and shall pay to the Executive all Benefits accrued through the Termination Date, payable in accordance with the respective terms of the plans, practices and arrangements under which the Benefits were accrued.

(b) If the Termination Date occurs by reason of General Discharge or Resignation with Reason, (i) all stock options held by the Executive shall become immediately exercisable and shall remain exercisable for 30 days after the Termination Date, (ii) the Company shall continue the health coverage contemplated by Section 4.1 for a period of 6 months thereafter, and (iii) the Executive shall be entitled to receive, within 60 days after the Termination Date, the amount set forth in Section 5.2.1.

5.2.1 The Executive's annual base salary at the Termination Date, multiplied by one half (0.5) (i.e., .5 times base salary).

5.3 Change in Control. In the event of the occurrence of a Change in Control (as defined below), this Agreement may be terminated by Executive upon the occurrence thereafter of one or more of the following events:

1) Termination by Executive of his employment with the Company may be made within (1) year after a Change in Control and upon the occurrence of any of the following events:

(a.) A significant adverse change in the nature or scope of the Executive's authorities, powers, functions, responsibilities or duties as a result of the Change in Control, a reduction in the aggregate of Executive's existing Base Salary and existing Incentive Compensation received from the Company, or termination of Executive's rights to any existing Executive Benefit to which he was entitled immediately prior to the Change in Control or a reduction in scope or value thereof without the prior written consent of Executive;

(b.) The merger, consolidation or reorganization of the Company or transfer of all or a significant portion of its business and/or assets (by liquidation, merger, consolidation, reorganization or otherwise) unless the successor or successors to which all or a significant portion of its business and/or assets have been transferred (directly or by operation of law) shall have assumed all duties and obligations of the Company under this Agreement pursuant to Section 11.5 hereof; or

(c.) The Company shall relocate its principal executive offices or require Executive to have as his principal location of work any location which is in excess of 50 miles from the location thereof immediately prior to the relocation date or to travel from his office in the course of discharging his responsibilities or duties hereunder more than thirty (30)

consecutive calendar days or an aggregate of more than ninety (90) calendar days in any consecutive 365-calendar day period without in either case his prior consent.

2) Subsequent to a change in control of the Company, the failure by the Company to obtain the assumption of the obligation to perform this Agreement by any successor as contemplated in Section 11.5 hereof or otherwise; or

3) Subsequent to a Change in Control of the Company, any purported

termination of Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirement of Section 5.1.5 hereof.

5.3.1 A Change in Control of the Company shall occur upon the first to occur of the date when (a) a person or group "beneficially owns" (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934) in the aggregate 50% or more of the outstanding shares of capital stock entitled to vote generally in the election of the Directors of the Company or (b) there occurs a sale of all or substantially all of the business and/or assets of the Company.

5.3.2 If a Change in Control of the Company shall have occurred within six (6) months prior to the Termination Date or the Executive terminates this Agreement under Section 5.3 the Executive will be entitled to receive, within 60 days after the Termination Date, the Executive's annual base salary at the

Termination Date multiplied by one
(1) (i.e., one times base salary), all stock options held by the Executive shall become immediately exercisable and shall remain exercisable for 30 days after the Termination Date. The Company shall continue the health coverage contemplated by Section 4.1 for a period of one (1) year thereafter.

5.4 Liquidated Damages: No Duty to Mitigate Damages The amounts payable pursuant to Sections 5.2 and 5.3 shall be deemed liquidated damages for the early termination of this Agreement and shall be paid to the Executive regardless of any income the Executive may receive from any other employer, and the Executive shall have no duty of any kind to seek employment from any other employer during the balance of the Term.

6. Indemnification

To the fullest extent permitted by law, the Company shall indemnify the Executive and hold him harmless from and against all loss, cost, liability and expense (including reasonable attorney's fees) arising from the Executive's service to the Company or any Affiliate, whether as officer, director, employee, fiduciary of any employee benefit plan or otherwise.

7. Agreement Not to Compete

The Executive agrees that, while serving as an Executive of the Company, he will not, without the written consent of the President of the Company, serve as an employee or director of any business entity other than the Company and its Affiliates, but may serve as a director of a reasonable number of not-for-profit corporations and may devote a reasonable amount of time to charitable and community service.

8. Agreement Not to Solicit

For one year following any Termination Date, regardless of the reason, the Executive shall not solicit any employee of the Company or an Affiliate to leave such employment and to provide services to the Executive or any business entity by which the Executive is employed or in which the Executive has a material financial interest. Soliciting a former employee of the Company and its Affiliates to provide such services shall not be a violation of this Agreement.

9. Confidential Information

Unless the Executive shall first secure consent of the Company, the Executive shall not disclose or use, either during or after the Term for a period of five (5) years, any secret or confidential information of the Company or

any Affiliate, whether or not developed by the Executive,
except as required by his duties to the Company or the Affiliate.

Executive will sign a Confidential Disclosure and Limited Use Agreement, which shall control over this Agreement if any conflict exists between it and this Agreement.

10. Arbitration

Any dispute or differences concerning any provision of this Agreement which cannot be settled by mutual accord between the parties shall be settled by arbitration in Dallas, Texas in accordance with the rules then in effect of the American Arbitration Association, except as otherwise provided herein. The dispute or differences shall be referred to a single arbitrator, if the parties agree upon one, or otherwise to three arbitrators, one to be appointed by each party and a third arbitrator to be appointed by the first named arbitrators; and if either party shall refuse or neglect to appoint an arbitrator within 30 days after the other party shall have appointed an arbitrator and shall have served a written notice upon the first mentioned party requiring such party to make such appointment, then the arbitrator first appointed shall, at the request of the party appointing him, proceed to hear and determine the matters in difference as if he were a single arbitrator appointed by both parties for the purpose, and the award or determination which shall be made by the arbitrator shall be final and binding upon the parties hereto.

The arbitrator or arbitrators shall each have not less than five-(5) year's experience in dealing with the subject matter of the dispute or differences to be arbitrated. Any award maybe enforced in any court of competent jurisdiction. The expenses of any such arbitration shall be paid by the non-prevailing party, as determined by the final order of the arbitrators.

11. Miscellaneous

11.1 Notices

All notices in connection with this Agreement shall be in writing and sent by postage prepaid first class mail, courier, or telefax, and if relating to default or termination, by certified mail, return receipt requested, addressed to each party at the address indicated below:

If to the Company:
Access Pharmaceuticals Inc.
2600 Stemmons Frwy.
Suite 176
Dallas, TX 75207
Attn: Chief Financial Officer

Copy To:
John J. Concannon III, Esq.,

Bingham Dana LLP
150 Federal Street
Boston, MA 02110

If to the Executive:
David P. Nowotnik, Ph.D.
1018 San Jacinto Drive
Apt. #1516
Irving, TX 75063

Or to such other address as the addressee shall last have designated by notice to the communicating party. The date of giving of any notice shall be the date of actual receipt.

11.2 Governing Law

This Agreement shall be deemed a contract made and performed in the State of Texas, and shall be governed by the internal and substantive laws of the State of Texas.

11.3 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any

jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or in the

interpretation in any other jurisdiction;
however, such provision shall be deemed amended to conform to applicable laws and to accomplish the intentions of the parties.

11.4 Entire Agreement; Amendment

This Agreement and the offer letter dated October 23, 1998, constitutes the entire agreement of the parties and may be altered or amended or any provision hereof waived only by an agreement in writing signed by the party against whom enforcement of any alteration, amendment, or waiver is sought. No waiver by an party of any breach of this Agreement shall be considered as a waiver of any subsequent breach.

11.5 Successors and Assigns

11.5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from the Company in the same amount and on the same terms as Executive would be entitled hereunder if Executive terminated his

employment for Change of Control. As used in this Section 11.5.1, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 11.5.1 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

11.5.2 This Agreement is intended to bind and inure to the benefit of and be enforceable by Executive and the Company, and their respective successors and assigns, except that Executive may not assign any of his rights or delegate any of his duties without the prior written consent of the Company.

11.6 Assignability

Neither this Agreement nor any benefits payable to the Executive hereunder shall be assigned, pledged, anticipated, or otherwise alienated by the Executive, or subject to attachment or other legal process by any creditor of the Executive, and notwithstanding any attempted assignment, pledge, anticipation, alienation, attachment, or other legal process, any benefit payable to the Executive hereunder shall be paid only to the Executive or his estate.

IN WITNESSES WHEREOF, the Company and its officers hereunto duly authorized, and the Employee have signed and sealed this Agreement as of the date first written above.

ACCESS PHARMACEUTICALS, INC.

BY: /s/ David P. Nowotnik, Ph.D.	BY: /s/ Kerry P. Gray
David P. Nowotnik, Ph.D.	Kerry P. Gray
Title: Executive	Title: President & CEO
Date: 12/21/99	Date: 11/10/99

The Guardian

The Guardian Insurance & Annuity Company, Inc.
A Stock Company Incorporated in the State of Delaware

Customer Service Office:
PO Box 26280
Lehigh VAlley, PA 18002-6280

Executive Office:
201 Park Avenue South
New York, NY 10003

The Guardian Insurance & Annuity Company, Inc. (the Company) will pay the benefits provided by this Contract in accordance with its provisions. This Contract is issued by the Company at its Customer Service Office.

/s/ Joseph Harm — Secretary

/s/ Joseph D. Sargent — President

Flexible Deposits may be made under this Contract. Benefits depend, among other things, on the number and value of Units and the annuity payout option elected.

THE VALUES PROVIDED BY THIS CONTRACT THAT ARE BASED ON THE INVESTMENT EXPERIENCE OF A SEPARATE ACCOUNT ARE VARIABLE, MAY INCREASE OR DECREASE AND ARE NOT GUARANTEED. SEE SECTION 4, "INVESTMENT VALUE" ON PAGE 9 FOR AN EXPLANATION OF THE VARIABLE VALUES PROVIDED UNDER THIS CONTRACT.

WITHDRAWALS FROM THE FIXED RATE INVESTMENT OPTION MAY BE SUBJECT TO A MARKET VALUE ADJUSTMENT. SEE SECTION 10.6, "MARKET VALUE ADJUSTMENT" ON PAGE 20 FOR AN EXPLANATION.

Flexible Deposit Group Variable and Fixed Annuity Contract
Providing Fixed Annuity Options

Non-participating - No dividends payable
Unallocated

TABLE OF CONTENTS

CONTRACT DATA PAGE

CONTRACTOWNER: Access Pharmaceuticals, Inc. 401(K) Savings Plan

CONTRACT NUMBER: 602250 CONTRACT DATE: December 01, 1998

Fixed Rate Investment Options (see Section 2) None
Maximum Exchange Factor: N/A Maximum Allocation: N/A

Variable Investment Options (see Section 3)

See Addendum

Asset Charge * (see Section 10.1) Contingent Deferred Charge
Daily Asset Charge: 000040016 (1.45% annually) (see Section 10.3)

Asset Charge Schedule

<TABLE>
<CAPTION>

Contract Investment Value	Daily Asset Charge	Contract Year	%
<S>	<C>	<C>	<C>
$0 - $250,000	0.000040016	2	2.25%
$250,001 - $500,000	0.000037238	3	1.75%
$500,001 - $750,000	0.000033075	4	1.50%
$750,001 - $1,000,000	0.000030304	5	1.25%
$1,000,001 - $1,500,000	0.000028919	6	0.75%
$1,500,001 - $2,000,000	0.000027535	7 & Later	0.00%
$2,000,001 - $3,000,000	0.000026151		
$3,000,001 - $4,500,000	0.000024769		
$4,500,001 - $6,000,000	0.000023387		
$6,000,001 - $7,500,000	0.000022006		
$7,500,001 - $10,000,000	0.000020625		
$10,000,001 - $15,000,000	0.000019245		
$15,000,001 +	0.000017866		

</TABLE>

* Prior to the first Contract Anniversary, and every six month anniversary thereafter, the Daily Asset Charge will be reviewed and, if necessary, adjusted, based on the Contract's average Daily Investment Value for the next-to-last full calendar month preceding such anniversary date, in accordance with the Asset Charge Schedule shown above. Any change to the Daily Asset Charge will be effective at the beginning of the second Contract Year and every six months thereafter, if applicable. Notification will be sent to the Contractowner after any change is determined.

Contract Charge: $850, due on the second Contract Anniversary and each Contract Anniversary thereafter, or upon the effective date of Contract termination, where this Contract's Investment Value on such date is less than $85,000, to be charged as described in Section 10.2.

Deposits: credited within 3 Business Days, as described in Section 5.
Exchanges: executed within 3 Business Days, as described in Section 6.
Benefit Withdrawals: disbursed within 5 Business Days, as described in Section 7.

Expense Adjustment: None

1. DEFINITIONS

Annuitant: A Participant who is entitled to receive annuity payments under this Contract.

Annuity Commencement Date: The date on which monthly annuity payments to an Annuitant begin. This date may be the first day of any calendar month following a Participant's 50th birthday, but may not be later than the Participant's 85th birthday.

Annuity Period: The period during which an Annuitant receives annuity payments. The Annuity Period begins on the Annuity Commencement date.

Business Day: A day on which the New York Stock Exchange, the Company and any other financial institution required to process transactions under this Contract are open for business. Each Business Day ends at 3PM Eastern Time.

Calendar Year: Any period of twelve (12) consecutive months beginning on January 1st and ending on December 31st.

Company: The Guardian Insurance & Annuity Company, Inc.

Competing Investment Option: Any type of investment marketed by a financial institution which includes in its terms and conditions a guarantee of principal and interest, any money market mutual fund, any money market investment, any investment fund that consists primarily

of investments in short-term bonds and any other fund determined by the Company to be a competing fund.

Contract Anniversary: The annual anniversary of this Contract measured from the Contract Date.

Contract Data Page: Page 4 of this Contract, which sets forth certain specific information with respect to this Contract.

Contract Date: The effective date of this Contract as shown on the Contract Data Page.

Contract Year. Any period of twelve (12) consecutive months that begins on the Contract Date or on any Contract Anniversary.

Contractowner. The owner of this contract as shown on the Contract Data Page.

Deposit: A payment into this Contract, which is applied net of any applicable annuity taxes, to purchase Units within this Contract.

ERISA: The Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations thereunder, and successor provisions thereto.

Exchange: The movement, within this Contract, of all or a portion of the Investment Value of an Investment Option to another Investment Option(s). Each Exchange consists of the offsetting cancellation and purchase of Units of equivalent Investment Value executed on the same Valuation Date.

Fixed Rate Investment Option: An Investment Option to which Deposits and Exchanges may be allocated. This Investment Option pays fixed rates of interest for specified Interest Rate Periods. Interest rates may fluctuate from one Interest Rate Period to another.

2. FIXED RATE INVESTMENT OPTION

2.1 General

Fund: A registered management investment company, a mutual fund or a separate investment portfolio of a mutual fund in which a Variable Investment Option invests. Each Fund is managed by an investment adviser registered under the Investment Advisers Act of 1940.

Good Order. Notice from the Contractowner, or the Contractowner's authorized agent, received at the Customer Service Office in a format satisfactory to the Company, that includes all information required by the Company to process a transaction under this Contract.

Interest Rates Period: The period, as shown on the Contract Data Page, during which a specified effective annual interest rate for the Fixed Rate Investment Option is applicable.

Internal Revenue Code: The Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder, and successor provisions thereto.

Investment Option: Each Variable Investment Option and/or the Fixed Rate Investment Option selected by the Contractowner under this Contract.

Investment Value: The dollar value of Units credited to this Contract as of any Valuation Date.

Maximum Allocation: As shown on the Contract Data Page and discussed in Section 5 and 6.

Maximum Exchange Factor. As shown on the Contract Data Page and discussed in Section 6.

Participant. An eligible employee, as determined by the Contractowner,

who participates in the Plan.

Plan: A pension or profit-sharing plan that qualifies under Section 401(a) of the Internal Revenue Code. This Contract is issued in connection with a Plan. Such Plan is not a part of this Contract.

Separate Account. The Guardian Separate Account L, which is a separate investment account established by the Company under the laws of the state of Delaware. The assets of the Separate Account are held separate from the Company's other assets and are not part of the Company's general account.

Unit: A measurement used to establish the value of the Contractowner's interest under this Contract.

Valuation Date: A date on which the Unit values of the Investment Options are determined. Unit values are determined on each day that the New York Stock Exchange is open for business. Each Valuation Date ends at the time the New York Stock Exchange closes.

Variable Investment Option: An Investment Option, which invests in shares of a Fund, to which Deposits and Exchanges may be allocated and for which Units are separately maintained.

Withdrawal: Cancellation from this Contract of all or a portion of the Units credited to Investment Options under this Contract. Withdrawals include, but are not limited to, Benefit Withdrawals, as described in Section 7, and Other Withdrawals, as described in Section 8.

Withdrawal Date: The Business Day on which Units are cancelled in order to execute a Withdrawal.

2. FIXED RATE INVESTMENT OPTION

2.1 General

The Contractowner may elect the Fixed Rate Investment Option as an Investment Option for this Contract. The Company will credit interest on Deposits, as described in Section 5, and Exchanges, as described in Section 6, allocated to the Fixed Rate Investment Option, as described below. Other Withdrawals from the Fixed Rate Investment Option, as described in Section 8, may be subject to a Market Value Adjustment, as described in Section 10.6.

2.2 Declaration of Interest Rates

Effective with the Contract Date, the Company establishes an initial Interest Rate Period and the subsequent Interest Rate Period, declares an effective annual interest rate for the initial Interest Rate Period and sets forth a minimum effective annual interest rate for the subsequent Interest Rate Period. Effective annual interest rates and Interest Rate Periods are shown on the Contract Data Page.

Prior to the end of the initial Interest Rate Period, the Company will declare an effective annual interest rate for the subsequent Interest Rate Period. The interest rate for such period will not be less than the minimum interest rate shown on the Contract Data Page.

Prior to the end of each subsequent Interest Rate Period, the Company will establish the next subsequent Interest Rate Period and will declare the effective annual interest rate applicable to such period. Interest rates declared by the Company are subject to the Company's discretion and are based on the investment experience of the assets held in the Company's general account for this Contract and all financial activity of this Contract.

The Company will provide prior notice to the Contractowner of the applicable interest rates and Interest Rate Periods.

2.3 Interest Credited

Interest is credited to amounts allocated to the Fixed Rate Investment Option at a rate which, when compounded daily, equals the applicable effective annual interest rate.

The effective annual interest rate credited on the portion of the Investment Value which is allocated to the Fixed Rate Investment Option may fluctuate from Interest Rate Period to Interest Rate Period, but will not fall below the minimum guaranteed effective annual rate of 3.0%.

3. VARIABLE INVESTMENT OPTIONS

3.1 General

Each Variable Investment Option invests in shares of a Fund. The Contractowner may allocated Deposits, as described in Section 5, and request Exchanges, as described in Section 6, into the Variable Investment Options shown on the Contract Data Page.

3.2 The Separate Account

The Separate Account is a separate investment account established by the Company under the laws of the state of Delaware. It is subject to the laws of the jurisdiction in which this Contract is delivered. The Separate Account is used to provide values and benefits on a variable basis only. The Company owns the assets in the Separate Account. The assets in the Separate Account are kept separate from:

* the Company's general account; and
* the Company's other separate accounts.

Assets equal to the reserves and other liabilities of the Separate Account will not be charged with liabilities that arise from any other business the Company may conduct. The Company may transfer assets in excess of the reserves and liabilities of the Separate Account to the Company's general account. Income and realized and unrealized gains and losses from assets in each Variable Investment Option of the Separate Account are credited to or charged against such Variable Investment Option without regard to income and realized and unrealized gains and losses in the Separate Account's other Variable Investment Options or the Company's other investment accounts.

3.3 Variable Investment Options

The Separate Account consists of Variable Investment Options. Each Variable Investment Option of the Separate Account invests in shares of a Fund.

The Company reserves the right to take certain actions deemed to be in the best interests of the Contractowner and appropriate to carry out the purpose of this Contract, only when permitted by applicable law. Details of any such actions will be filed with any regulatory authority where required and will be subject to any required approvals. Examples of the actions the Company may choose to take are:

* transferring any assets from a Variable Investment Option:
* into another Variable Investment Option; or
* into one or more separate accounts; or
* into the Company's general account;
* adding, combining or removing Variable Investment Options in the Separate Account;
* substituting, for shares of a Fund attributable to the Investment Value held in any Variable Investment Option, the shares of another class of shares issued by the Fund into which such Variable Investment Option invests or the shares of another investment company or any other investment permitted by law.

The Company will notify the Contractowner if any of these actions result in a material change in the underlying investments of a Variable Investment Option to which any part of the Investment Value may be allocated. With six (6) months of such notice, the Contractowner may effect an Exchange of any Investment Value allocated to the affected

Variable Investment Option to another Variable Investment Option available under this Contract without being subject to any charges or limitations otherwise imposed by this Contract.

4. INVESTMENT VALUE

4.1 Calculation of Investment Value

The dollar value of all the Units credited to this Contract, as of any Valuation Date, is the Investment Value. The Investment Value for a particular Investment Option is determined by multiplying (a) by (b), where:

(a) is the number of Units credited to this Contract for that particular Investment Option; and
(b) is the applicable Unit value for this Contract for the current Valuation Date, as described in Sections 4.3 and 4.5.

4.2 Unit Calculation

The number of Units purchased in each specified Investment Option as the result of a Deposit or an Exchange is determined by dividing (a) by (b), where;

(a) is the dollar amount deposited or exchanged to the specified Investment Option;
(b) is the Unit value, as defined in Sections 4.3 and 4.5, of the specified Investment Option as of the Valuation Date on which the Deposit is credited or the Exchange is executed.

The number of Units cancelled in each specified Investment Option as the result of a Withdrawal, Exchange or applicable charges, as described in Section 10, is determined by dividing (a) by (b), where:

(a) is the dollar amount withdrawn from the specified Investment Option;
(b) is the Unit value, as defined in Section 4.3 and 4.5, of the specified Investment Option as of the Valuation Date on which the Withdrawal, Exchange or applicable charge is executed.

4.3 Unit Value for a Variable Investment Option

The Unit Value of each Variable Investment Option of the Separate Account was established at $10.00 as of the date operations began for that Variable Investment Option. The Unit value for this Contract for any Valuation Date thereafter is determined by multiplying (a) by (b), where:

(a) is the Unit value for this Contract for the immediately preceding Valuation Date; and
(b) is the Net Investment Factor, as described Section 4.4.

The Unit value of each Variable Investment Option will depend on the investment experience of the Variable Investment Option. This value may increase or decrease and may vary from on Valuation Date to the next.

4.4 Net Investment Factor

The Net Investment Factor is used to calculate the Unit value of a Variable Investment Option for a Valuation Date. The Net Investment Factor is determined by dividing the sum of (a) and (b) by (c), and subtracting (d) from the result, where:

(a) is the net asset value of a share of a Fund held in the applicable Variable Investment Option, determined as of the end of the then current Valuation Date;
(b) is the per share amount of any dividend and other distributions made by the Fund since the immediately preceding Valuation Date;
(c) is the net asset value of the particular Fund share, determined as of the end of the immediately preceding Valuation Date; and
(d) the applicable Daily Asset Charge for this Contract, as described in

Section 10.1, for the number of calendar days since the last Valuation Date.

The Net Investment Factor may be less than 1.00 since it is related to the variable investment experience of the Variable Investment Option.

4.5 Unit Value for the Fixed Rate Investment Option

The Unit value of the Fixed Rate Investment Option was established at $10.00 as of the date operations began for that option. Thereafter, the Unit value increases daily at the rate of interest as described in Section 2.

5. DEPOSITS

While this Contract is in force, the Contractowner may remit Deposits to the Company at its Customer Service Office, subject to the following:

* Deposits must be accompanied by allocation instructions in Good Order.

* Deposits, less any applicable annuity taxes, will be applied to purchase Units of Investment Options in accordance with the Contractowner's allocation instructions, as described in Section 4.2, within the number of Business Days stated on the Contract Data Page following the receipt of such Deposits and the allocation instructions in Good Order.

* The sum of all Deposits and Exchanges into the Fixed Rate Investment Option in any Contract Year may not exceed the Maximum Allocation, as shown on the Contract Data Page, without the written consent of the Company.

* The Company reserves the right to limit the number of Investment Options to which Deposits may be allocated under this Contract.

* Deposits will not be accepted after the Contractowner notifies the Company that the Plan has been or will be terminated. Deposits will not be accepted after either the Contractowner or the Company notifies the other party of a Contract termination, in accordance with Section 11.2.

* Deposits into the Fixed Rate Investment Option will not be permitted after termination of the Fixed Rate Investment Option as an Investment Option, as described in Section 8.3.

6. EXCHANGES

While this Contract is in force, the Contractowner may request Exchanges from a Variable Investment Option to another Variable Investment Option or to the Fixed Rate Investment Option or from the Fixed Rate Investment Option to a Variable Investment Option, subject to the following:

* Requests for Exchanges must be received by the Company at its Customer Service Office in Good Order.

* Exchanges will be executed, as described in Section 4.2, within the number of Business Days stated on the Contract Data Page following the receipt of the request in Good Order.

* The sum of all Deposits and Exchanges into the Fixed Rate Investment Option in any Contract Year may not exceed the Maximum Allocation, as shown on the Contract Data Page, without the written consent of the Company.

* Exchanges from the Fixed Rate Investment Option to the Variable Investment Options on any Business Day are limited to (a) minus (b) where:

a)Is the amount determined by multiplying the Maximum Exchange Factor, as shown on the Contract Data Page, by the Investment Value allocated to the Fixed Rate Investment Option on the Valuation Date that

the Exchange is executed; and
is the sum of all Exchanges from the Fixed Rate Investment Option during the immediately preceding twelve (12) month period prior to such Valuation Date.

b)Exchanges from the Fixed Rate Investment Option to any Competing Investment Option will not be permitted under this Contract.

* The Company reserves the right to limit the frequency of Exchanges under this Contract. The Contractowner will be permitted, at a minimum, to execute Exchanges at least once every thirty (30) days.

* Exchanges will not be permitted after the Contractowner notifies the Company that the Plan has been or will be terminated. Exchanges will not be permitted after either the Contractowner or the Company notifies the other party of a Contract termination, in accordance with Section 11.2.

* Exchanges into the Fixed Rate Investment Option will not be permitted after termination of the Fixed Rate Investment Option as an Investment Option, as described in Section 8.3.

7. BENEFIT WITHDRAWALS

7.1 General

Withdrawals requested for the following reasons will be considered Benefit Withdrawals for the purposes of this Contract:

Termination of Participant employment for reasons other than an employer's bankruptcy, merger or acquisition by a successor company, or any other employer-initiated event that results in a reduction in the number of Participants with Plan assets invested under this Contract by more than 15% of the number of such Participants at the inception of this Contract;
* participant retirement, as defined in the Plan;
* participant death;
* participant financial hardship, as defined in the Plan;
* return of excess contributions pursuant to Sections 401(k)(8) or 401(m)(6) of the Internal Revenue Code;
* minimum distribution pursuant to Section 401(a)(9) of the Internal Revenue Code;
* participant loan, as defined in the Plan;
* participant withdrawal of after-tax contributions, as permitted by the Plan;
* qualified domestic relations order, as defined in Section 414(p) of the Internal Revenue Code;
* purchase of an annuity benefit on behalf of a Participant in accordance with Section 9 of this Contract

Withdrawals requested for any other reason will be considered Other Withdrawals, as described in Section 8, for the purposes of this Contract.

7.2 Payment of Benefit Withdrawals

The Contractowner may request the payment of Benefit Withdrawals, subject to the following:

* requests for payment of Benefit Withdrawals must be received by the Company at its Customer Service Office in Good Order and must include certification from the Contractowner that the withdrawal for such payment qualifies as a Benefit Withdrawal pursuant to Section 7.1. The Company reserves the right to verify that such withdrawal qualifies as a Benefit Withdrawal and the Contractowner shall promptly provide such verification.
* if the Plan offers one or more Competing Investment Options outside this Contract, and the Contractowner requests that a portion of any Benefit Withdrawal payment be made from the Fixed Rate Investment Option, the Contractowner must withdraw money on a pro-rate basis from the Fixed Rate Investment Option of this Contract and from any other Competing Investment Options.
* If the Contractowner requests a Benefit Withdrawal for the purpose of

a Participant loan on behalf of a Participant who has any Investment Value in the Fixed Rate Investment Option, the Contractowner may withdraw no more than a pro-rata portion from the Fixed Rate Investment Option. Such pro-rata portion will be calculated by multiplying the withdrawal amount requested by the ratio of the Participant's Investment Value in the Fixed Rate Investment Option to the Participant's total Investment Value under this Contract.

* payment of a Benefit Withdrawal will result in the cancellation of Units from the investment Options specified in the request as of the Withdrawal Date, as described in Section 4.2.
* payment will be made within the number of Business Days stated on the Contract Data page following the receipt of the request in Good Order.
* Benefit Withdrawal payments are not subject to the Contingent Deferred Charge, as described in Section 10.3, or to the Market Value Adjustment, as described in Section 10.6.

8. OTHER WITHDRAWALS

8.1 General

Withdrawals for reasons other than those listed in Section 7.1 will be considered Other Withdrawals for the purposes of this Contract. Examples of reasons for Other Withdrawals include, but are not limited to, the following:

* termination of this Contract, as described in Section 11.2;
* transfer of the entire Investment Value allocated to the Fixed Rate Investment Option, or a transfer of all or a portion of the Investment Value allocated to one or more of the Variable Investment Options, to any funding vehicle outside of this Contract;
plan merger,
* termination of Participant employment due to an employer's bankruptcy, merger, or acquisition by a successor company, or any other employer-initiated event that results in a reduction in the number of Participants with Plan assets invested under this Contract by more than 15% of the number of such Participants at the inception of this Contract.

8.2 Other Withdrawals from the Variable Investment Options

The Contractowner may request an Other Withdrawal of all or a portion of the Investment Value allocated to one or more Variable Investment Options, subject to the following:

* requests for payment of Other Withdrawals must be received by the Company at its Customer Service Office in Good Order and must include a description of the purpose of the Other Withdrawal.
* payment of Other Withdrawals will result in the cancellation of Units from the Variable Investment Options specified in the request as of the Withdrawal Date, as described in Section 4.2.
* payment of Other Withdrawals from a Variable Investment Option will be reduced by any applicable Contingent Deferred Charge and other charges, as described in Section 10.
* with the exception of Contract termination, payment of Other Withdrawals will be made within ten (10) Business Days following the receipt of the request in Good Order. payment of an Other Withdrawal that is due to a Contract termination will be made pursuant to Section 11.2.

8.3 Other Withdrawals from the Fixed Rate Investment Option

The Contractowner may request an Other Withdrawal of all or a portion of the Investment Value allocated to the Fixed Rate Investment Option, subject to the following:

* Requests for payment of Other Withdrawals must be received by the Company at its Customer Service Office in Good Order and must include a description of the purpose of the Other Withdrawal.
* A request for payment of the entire Investment Value allocated to the Fixed Rate Investment Option will result in the termination of the Fixed Rate Investment Option as an Investment Option for this Contract. Effective upon receipt by the Company of any such request, the Company will not accept Deposits into or permit Exchanges to or from

the Fixed Rate Investment Option. Any such request must specify whether the method of payment is to be the Lump Sum Payment Method or the Installment Payment Method, as described in Sections 8.3.1 and 8.3.2.

* Payment of a portion of the Investment Value allocated to the Fixed Rate Investment Option will be disbursed pursuant to the Lump Sum Payment Method, as described in Section 8.3.1. The Company will not permit payment of a portion of the Investment Value for the purpose of transferring such amounts to any funding vehicle outside this Contract.
* Payments disbursed pursuant to the Lump Sum Payment Method will be subject to a Market Value Adjustment, as described in Section 10.6.

8.3.1 Lump Sum Payment Method

* Other Withdrawal of the entire Investment Value allocated to the Fixed Rate Investment Option may be disbursed pursuant to the Lump Sum Payment Method if so requested by the Contractowner. Other Withdrawals of a portion of the Investment Value allocated to the Fixed Rate Investment Option must be disbursed pursuant to the Lump Sum Payment Method.
* Payment of an Other Withdrawal under this method will result in the cancellation of Units of the Fixed Rate Investment Option, as described in Section 4.2, on the Withdrawal Date.
* The amount of the lump sum payment will be reduced by any applicable Contingent Deferred Charge, Market Value Adjustment and other charges, as described in Section 10.
* The lump sum payment will be disbursed within sixty (60) days following the receipt of the request in Good Order.

8.3.2 Installment Payment Method

* Other Withdrawals of the entire Investment Value allocated to the Fixed Rate Investment Option may be disbursed pursuant to the Installment Payment Method if so requested by the Contractowner.
* Pursuant to this method, all of the Units in the Fixed Rate Investment Option will be cancelled, as described in Section 4.2, on the Withdrawal Date. The dollar value of these Units becomes the initial installment balance.
* The installment balance will be disbursed in six installment payments over a five year installment payout period. The initial payment will be made within sixty (60) days following the receipt of the request in Good Order. Successive installment payments will be made on the annual anniversary of the first installment payment for the remainder of the installment payout period.
* The amount of each installment payment will be determined by dividing the then current installment balance by the number of installment payments then remaining before the current payment. The installment balance will be reduced by any Benefit Withdrawals disbursed during the installment payout period.
* Each installment payment will be reduced by any applicable Contingent Deferred Charge and other charges, as described in Section 10. Installment payments are not subject to the Market Value Adjustment, as described in Section 10.6.
* Interest will be credited daily to the installment balance during the installment payout period at an effective annual interest rate determined by the Company. The effective annual interest rate will be determined in a manner consistent with the Company's general practice in setting interest rates for this Contract, less 1.5%.

9. ANNUITY BENEFIT

9.1 General

The Contractowner may direct the Company to apply a portion of this Contract's Investment Value to provide monthly annuity payments for a Participant. Annuity payments for a Participant begin on the Annuity Commencement Date for such Participant, as stated by the Contractowner, in accordance with the terms of the Plan and subject to

the following:

* this Contract must be in force in that date;
* the Participant must be living and must be between the ages of 50 and 85 on that date;
* the Contractowner must submit a request, received by the Company in Good Order at least thirty days prior to the desired Annuity Commencement Date, indicating that the purchase of an annuity for the Participant is to be made. The request must contain instructions to the Company indicating:
  * the portion of the Investment Value to be applied to purchase the annuity for the Participant;
  * the Investment Option(s) from which Units must be cancelled in order to purchase the annuity;
  * beneficiary designation, if applicable; and
  * the annuity payout option elected as specified in Section 9.2.

The Company will then issue a certificate to the Contractowner for delivery to the Participant when an annuity benefit is provided for such Participant. Each such certificate will set forth the amount and terms of the annuity payments and any other benefits to which the Participant may be entitled under this Contract during the Annuity Period.

9.2 Annuity Payout Options

* Option 1 - Life Annuity without Guaranteed Period: The Company will make monthly fixed annuity payments for the lifetime of the Annuitant. The Company does not guarantee a minimum number of annuity payments.

* Option 2 - Life Annuity with Ten (10) Year Guaranteed Period: The Company will make monthly fixed annuity payments during the lifetime of the Annuitant. Payments are guaranteed for a period of ten (10) years. If the Annuitant dies sooner, payments will be made during the remaining period to the beneficiary designated by the Annuitant. The beneficiary may elect to be paid the present value of the then remaining number of fixed annuity payments. If the beneficiary dies while receiving such payments, the present value of the remaining number of fixed annuity payments will be paid in one sum to the beneficiary's estate. The present value of such annuity payments will be derived using the interest rate which was used in computing the monthly payment. If any designated beneficiary dies before the Annuitant, the interest of that beneficiary will pass to the designated surviving beneficiary. If more than one beneficiary survives the Annuitant, such interest will pass to the surviving beneficiaries in proportion to their respective interest, unless otherwise previously specified by the Annuitant. If no designated beneficiary survives the Annuitant, and no other designation is provided, the benefit provided under this annuity option will be paid in one sum to the Annuitant's estate.

* Option 3 - Joint and Two-Thirds to Survivor Annuity. This option requires the Annuitant to select a joint annuitant. The Company will make monthly fixed annuity payments while the Annuitant and the joint annuitant are living. When either the Annuitant or the joint annuitant dies, the Company will continue to pay, for the lifetime of the survivor, two-thirds of the amount of the payment in effect while both were living. The Company does not guarantee a minimum number of annuity payments under this option.

9.3 Annuity Payments

The Company begins making monthly annuity payments on the Annuity Commencement Date. The Annuity Payout Option Table, shown on page 26, indicates the dollar amount of the guaranteed monthly annuity payment which can be purchased with each $1,000 of the Investment Value, less any applicable annuity taxes as described in Section 10.8, applied by the Contractowner to purchase an annuity for the Participant. All guaranteed monthly annuity payments are based on the age of the Annuitant at the birthday nearest the Annuity Commencement Date and the annuity payout option elected. The guaranteed monthly annuity payment is determined by multiplying (a) by (b), where:

(a) is the amount shown for the Annuitant's age in the Annuity Payout Option Table for the annuity payout option elected; and
(b) is the number of thousands of dollars of the Investment Value, less any applicable annuity taxes, applied to purchase the annuity.

The Annuity Payout Option Table is based on:

* a blended 1983 Individual Annuity Mortality Table "a" projected under Scale G factors; and
* an effective annual interest rate if 3%.

9.4 Change of Beneficiary

The Annuitant may change a beneficiary designated to receive benefits under Option 2. Any change takes effect on the date the Company receives the request in Good Order, whether or not the Annuitant is living when the Company receives the signed request. However, the change does not apply to any payments made or actions taken by the Company before the request is received in Good Order.

9.5 Contingent Beneficiary

A numbered sequence may be used to name contingent beneficiaries for Option 2. The primary beneficiary is the living person(s) designated by the lowest number in the sequence.

9.6 General Provisions of Annuity Payout Options

* At least $3,500 must be applied under an annuity payout option for any Annuitant. Proceeds of a lesser amount will be paid in one sum.

* If the monthly annuity payments are or become $100 or less, the Company reserves the right to change the frequency of payments.

* The Company requires satisfactory proof of the age of the Annuitant, and joint annuitant if applicable, on the date annuity payments begin.

* Unless the Company agrees otherwise, the annuity payout options will be available only to a natural person entitled to receive proceeds.

* The Annuitant does not have the right to advance or assign payments made under an annuity payout option.

* The Annuitant cannot make any change in the manner of payout, except as provided in the election.

* To the extent permitted by law, the payments made under an annuity payout option will not be subject to encumbrance, or to the claims of creditors, or legal process.

10. CHARGES AND ADJUSTMENTS

10.1 Asset Charge

The Company assesses a Daily Asset Charge on the Investment Value of each of the Variable Investment Options. The Daily Asset Charge, shown on the Contract Data Page, is used to calculate the Net Investment Factor, as described in Section 4.4.

The Company reserves the right to change the Asset Charge Schedule, shown on the Contract Data Page, after the third Contract Year, provided that the Company give the Contractowner at least sixty (60) days advance written notice of any such change.

10.2 Contract Charge

The Contract Charge, if any, is shown on the Contract Data Page.

Assessment of the Contract Charge will result in the cancellation of Units, as described in Section 4.2, on a pro-rata basis from the Investment Value of all Investment Options under this Contract.

10.3 Contingent Deferred Charge

The Contingent Deferred Charge is equal to a percentage, shown on the Contract Data Page, of the Investment Value withdrawn from this Contract. The Contingent Deferred Charge may reduce the dollar amount disbursed to the Contractowner pursuant to Other Withdrawals, as described in Section 8.

10.4 Service Charge

If the Company performs services on behalf of the Contractowner in addition to those which the Company is required to perform under the terms of this Contract, charges for those services may be paid directly by the Contractowner to the Company or may be deducted from the Investment Value of this Contract, as specified by the Contractowner in Good Order and agreed to by the Company. Charges for any such services that remain outstanding more than ninety (90) days from the date of invoice will be deducted on a pro-rata basis from the Investment Value of all Investment Options under this Contract.

10.5 Expense Adjustment

The Expense Adjustment, if any, is shown on the Contract Data Page.

10.6 Market Value Adjustments

The Market Value Adjustment may reduce the dollar amount disbursed to the Contractowner as an Other Withdrawal from the Fixed Rate Investment Option pursuant to the Lump Sum Payment Method, as described in Section 8.3.1. The Market Value Adjustment is equal to the greater of zero or the product of (a) and (b), where:

(a) is 5 x ((I - J) + .005),

where I is the interest rate which is applicable to the Fixed Rate Investment Option for Contracts of the same class as this Contract that are issued on the Withdrawal Date;
J is the interest rate then being credited to the Investment Value allocated to the Fixed Rate Investment Option in this Contract on the Withdrawal Date.

(b) is the amount of the Investment Value withdrawn from the Fixed Rate Investment Option prior to the assessment of any applicable Contingent Deferred Charge or other charges.

10.7 Plan Expense

Plan expenses may be paid from the Investment Value of this Contract, pursuant to requests from the Contractowner received by the Company at its Customer Service Office in Good Order, in a manner and dollar amount agreed upon between Contractowner and the Company.

10.8 Annuity and Other Taxes

The Company will deduct from Deposits, or from the portion of the Investment Value used to purchase an annuity for a Participant, any applicable annuity taxes, as defined by the Company, levied by any state or other government entity.

The Company reserves the right to deduct from the Investment Value of the Variable Investment Options any applicable taxes imposed on the investment earnings of the Variable Investment Options.

11. GENERAL PROVISIONS

11.1 The Contract

The entire Contract consists of this Contract, any attached endorsements, and the attached copy of the application. The Company relies upon the application in issuing this Contract. All statements in the application are assumed to be true to the best knowledge and belief of the person(s) making them. These statements are representations, not warranties. No statement may be used to contest this Contract unless contained in the application.

Only the President, a Vice President, or the Secretary of the Company may make or modify this Contract, and then only in writing. No agent is authorized to change this Contract or to waive any of the Company's requirements; no agent may waive an answer to any question in the application. The Company will not be bound by any promise or statement made by any agent or other person except as stated above.

The Company is not a party to, nor bound by, the Plan or any other document or agreement issued in connection with the Plan, other than this Contract. The Company is not responsible for determining that the Investment Value of this Contract is sufficient to provide the benefits under this Plan. The provisions of this Contract govern with respect to the Company's rights and obligations, and control over contrary provisions of the Plan in that regard.

11.2 Termination of the Contract

The Company reserves the right to terminate this Contract upon the occurrence of any of the following events:

* this Contract's Investment Value, at any time after the first Contract Year, is less than $10,000;
* the Company determines that the Plan is no longer qualified under Section 401(a) of the Internal Revenue Code, as now or hereafter amended;
* the Plan is amended and the Company determines that the amendment has an adverse effect on its obligations under this Contract;
* there has been a change in the administrative practices to which the Plan adheres and the Company determines that the change has an adverse effect on its obligations under this Contract;
* the Company determines that the Contractowner has failed to supply the information necessary for the Company to carry out the terms of this Contract, as described in Section 11.6; or
* the Plan is terminated.

The effective date of this Contract's termination due to the events described above will not be later than sixty (60) days after written notice of Contract termination is sent from the Company to the Contractowner.

The Contractowner may elect to terminate this Contract at any time by providing the Company written notice in Good Order. The effective date of such Contract termination will not be later than sixty (60) days after receipt of such notice.

Effective on the date of receipt of notice of Contract termination, the Company will prohibit Deposits, Exchanges, and Withdrawals, unless otherwise agreed upon by both the Company and the Contractowner. After the receipt of the notice of Contract termination and on or before the effective date of Contract termination, the Company will:

* cancel all of the Units in the Variable Investment Options and disburse the Investment Value in those Investment Options, reduced by any applicable Contingent Deferred Charge and other charges as described in Section 10; and
* cancel all of the Units in the Fixed Rate Investment Option and disburse the Investment Value in the Fixed Rate Investment Option pursuant to the method of payment requested by the Contractowner, as described in Sections 8.3.1 and 8.3.2. If no method of payment is requested, the Company will disburse the Investment Value pursuant to the Lump Sum Payment Method as described in Section 8.3.1.

11.3 Rights Reserved by the Company

The Company reserves the right to take certain actions deemed to be in the best interests of the Contractowner and appropriate to carry out the purposes of this Contract, only when permitted by applicable law. Examples of the actions the Company may choose to take are:

* operating the Separate Account in any form permitted by law;
* taking any action necessary to comply with or obtain and continue any exemptions from the Investment Company Act of 1940;
* changing the way the Company deducts or collects charges under this Contract, but without increasing the charges unless and to the extent permitted by other provisions of this Contract;
* making any other necessary technical changes in this Contract in order to conform with any action that the Company is permitted to take;
* adding to, eliminating, limiting, or suspending the Contractowner's ability to allocate Deposits or Exchanges into any Investment Option.

The Company may at any time make any change in this Contract to the extent that such change is required in order to make this Contract conform with any law or any regulation issued by any governmental authority to which the Company is subject.

The Company will provide written notice to the Contractowner of any actions that result in a change to this Contract. To the extent practicable, such notice shall be given prior to the effective date of any such changes.

11.4 Age

If the age of an Annuitant or joint annuitant has been misstated, any benefit payable under this Contract is that which the Investment Value would have purchased at the correct age. Overpayments made by the Company because of such misstatement, with interest at 6% a year, compounded annually are to be charged against benefits falling due after the adjustment. If underpayments are made by the Company because of such misstatement, the Company is to pay the balance immediately, with 6% interest, compounded annually.

11.5 Proof of Age and Survival

The Company has the right to require satisfactory proof:
* of the age of the Annuitant or joint annuitant, and
* that an Annuitant, joint annuitant or beneficiary is living when a payment is contingent upon the Annuitant's, joint annuitant's or beneficiary's survival.

11.6 Information Provided by the Contractowner

The Contractowner must provide the Company with any information or evidence that the Company may reasonably require in order to administer this Contract. If the Contractowner cannot furnish any required information, the Company may then request any person or entity authorized by the Contractowner to furnish such information. The Company is not liable for the fulfillment of any obligations dependent upon the receipt of such information until the Company receives it in Good Order. The Company reserves the right to audit the books and records of the Plan to verify compliance with this Contract.

All communications to the Company, as required under this Contract, must be in Good Order. The Contractowner must notify the Company of the following events at least thirty (30) days prior to the effective date of the event:

* any amendment or change to the Plan;
* any change in the administrative practices to which the Plan adheres;
* any change in the investments offered by the Plan;
* Plan termination;
* merger with another Plan for all or a class of Participants;

* merger, acquisition, consolidation or reorganization by any employer that sponsors the Plan;
* any employer-initiated event that results in a reduction in the number of Participants with Plan assets invested under this Contract by more than 15% of the number of such Participants at the inception of this Contract.

The Contractowner must notify the Company of the initiation of any bankruptcy proceedings involving any employer that sponsors that Plan within ten (10) days after the initiation of such event.

11.7 Elections Under the Contract

The Contractowner is responsible for providing the Company with requests or instructions regarding elections to be made under this Contract in Good Order. Elections include, but are not limited to requests for Exchanges and Withdrawals and instructions for Deposit allocations. The Company will be fully protected in dealing with the Contractowner in all matters including accepting and applying Deposits and making payments to, or on direction of, the Contractowner without liability as to the application of such payments. The Contractowner may only make requests for actions that are permitted under this Contract and which comply with the terms of the Plan, the Internal Revenue Code and ERISA. The Company does not assume any responsibility for such compliance.

11.8 Assignment

This Contract and the benefits and rights provided under it may not be transferred, sold, pledged as collateral or security for loans or assigned to any person or entity except the Company.

11.9 Facility of Payment

If any payee under this Contract is a minor or is, in the Company's judgment, otherwise legally incapable of personally receiving and giving a valid receipt for any payment due the payee under this Contract, the Company will make the payment to the legal guardian or conservator of the payee, or to such other person(s) whom the Company has reason to believe has assumed the custody and principal support of the payee. Such payments completely discharge the Company's liability with respect to the amount so paid.

11.10 Payments

All payments made by the Company to the Contractowner under this Contract will be disbursed from the Company's Customer Service Office. All payments made by the Contractowner to the Company under this Contract will be payable at its Customer Service Office. All amounts to be paid either to or by the Company will be paid in United States dollars.

11.11 Nonparticipating

This Contract is not eligible for dividends and does not share in the surplus earnings of the Company.

11.12 Ownership of Assets

The Company maintains ownership and control of its assets, including all assets allocated to the Separate Account and the Fixed Rate Investment Option.

11.13 Deferment

The Company ordinarily pays any Withdrawal within the number of days described in Sections 7 and 8. However, when permitted by law, the Company may defer payment of any-Withdrawal for up to six (6) months after the request for such Withdrawal is received in Good Order. The

amount payable will be determined on the Withdrawal Date. Interest at the rate of 3% will be paid on any amount deferred thirty (30) days or more.

The Company may defer calculation or payment of any Withdrawal or the Exchange of Units based on separate account performance if,

* the New York Stock Exchange is closed for trading or trading has been suspended; or
* the Securities and Exchange Commission restricts trading or determines that a state of emergency exists which may make such calculation, payment, or Exchange reasonably impracticable.

11.14 Reports to the Contractowner

Within two months after the end of each Contract Year, or within any other period agreed upon by the Company and the Contractowner, the Company will provide a written report to the Contractowner. The report will show the Investment Value of this Contract as of the end of the previous Contract Year. The Company will also send appropriate statements containing such information as may be required by applicable laws, rules, and regulations.

ENDORSEMENT RIDER

Attached to and made part of Contract GVA 9000 TX

Investment Options Under This Contract

The following are available as investment options under this Contract:

1. Fixed Rate Investment Option
2. The Guardian Park Avenue Fund
3. The Guardian Investment Quality Bond Fund
4. The Guardian Asset Allocation Fund
5. The Guardian Cash Management Fund
6. The Guardian Baillie Gifford International Fund
7. The Guardian Baillie Gifford Emerging Markets Fund
8. The Guardian Park Avenue Small Cap Fund
9. Fidelity Advisor High Yield Bond Fund
10. Fidelity Advisor Equity Income Fund
11. Fidelity Advisor Growth Opportunities Fund
12. AIM Constellation Fund
13. AIM Value Fund
14. American Century: Value Fund
15. American Century: Twentieth Century Ultra Fund
16. American Century: Twentieth Century International Growth Fund

The Guardian Insurance & Annuity Company, Inc.

/s/ Joseph Harm

Secretary

The Company's Customer Service Office
may be accessed by the Contractowner at
1-800-847-4015
during business hours:
to answer any inquiries concerning this Contract
or to provide assistance in resolving complaints.

EXHIBIT 21

Subsidiaries of the Registrant

Tacora Corporation, a Delaware company

Virologix Corporation, a Delaware company

EXHIBIT 23.1
Consent of Independent Certified Public Accountants

We have issued our report dated March 3, 2000, accompanying the consolidated financial statements included in the Annual Report of Access Pharmaceuticals, Inc. on Form 10-K for the year ended December 31, 1999. We hereby consent to the incorporation by reference of said report in the Registration Statements of Access Pharmaceuticals, Inc. on Form S-8 (File No. 33-10626 and File No. 33-41134).

/s/ Grant Thornton LLP
- ----------
Grant Thornton LLP

Dallas, Texas
March 3, 2000

EXHIBIT 23.2

Consent of Independent Certified Public Accountants

The Board of Directors and Stockholders
of Access Pharmaceuticals, Inc.

We consent to the incorporation by reference in Registration Statement Nos. 33-10626 and 33-41134 on Form S-8 of Access Pharmaceuticals, Inc. and Subsidiaries of our report dated March 24, 1998, relating to the consolidated statements of operations, stockholders' equity (deficit) and cash flows for the year ended December 31, 1997 and for the period February 24, 1988 (inception) to December 31, 1997 of Access Pharmaceuticals, Inc. and Subsidiaries (a development stage company), which report appears in the December 31, 1999 Annual Report on Form 10-K of Access Pharmaceuticals, Inc. and Subsidiaries. The cumulative statements of operations, stockholders' equity (deficit), and cash flows for the period February 24, 1988 (inception) to December 31, 1988 and for each of the years in the six-year period ending December 31, 1994, which were audited by other auditors whose report has been furnished to us and is included herein, and our opinion, insofar as it relates to the amounts included for the period February 24, 1988 (inception) through December 31, 1994, is based solely on the report of the other auditors.

Our report dated March 24, 1998, contains an explanatory paragraph that states that the Company has suffered recurring losses from operations and has a net capital deficiency, which raise substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty.

/s/ KPMG LLP
- ----------
KPMG LLP

Dallas, Texas
March 30, 2000

EXHIBIT 23.3

Independent Auditors' Consent

The Board of Directors and Stockholders
of Access Pharmaceuticals, Inc.

We consent to the incorporation by reference in Registration Statement Nos. 33-10626 and 33-41134 on Form S-8 of our report dated September 21, 1995, relating to statements of operations, stockholders' equity and cash flows for the period February 24, 1988 (inception) through December 31, 1994 which report appears in the December 31, 1999 annual report on Form 10-K of Access Pharmaceuticals, Inc.

/s/ Smith Anglin & Co.
Smith Anglin & Co.

Dallas, Texas
March 29, 2000

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE
CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATES STATEMENT OF
OPERATIONS AS A PART OF THE ANNUAL REPORT ON FORM-10K AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH ANNUAL REPORT ON FORM 10-K.
</LEGEND>

<MULTIPLIER> 1,000

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> DEC-31-1999
<PERIOD-START> JAN-01-1999
<PERIOD-END> DEC-31-1999
<CASH> 869
<SECURITIES> 0
<RECEIVABLES> 88
<ALLOWANCES> 0
<INVENTORY> 0
<CURRENT-ASSETS> 1,074
<PP&E> 1,016
<DEPRECIATION> 908
<TOTAL-ASSETS> 4,600
<CURRENT-LIABILITIES> 986
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 61
<OTHER-SE> 3,553
<TOTAL-LIABILITY-AND-EQUITY> 4,600
<SALES> 0
<TOTAL-REVENUES> 15
<CGS> 0
<TOTAL-COSTS> 3,364
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> 12
<INCOME-PRETAX> (3,308)
<INCOME-TAX> 0
<INCOME-CONTINUING> (3,308)
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> (3,308)
<EPS-BASIC> (0.72)
<EPS-DILUTED> (0.72)

</TABLE>