UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2005

or

☐ **Transition Report pursuant to Section 13 or 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:

None	**None**
(Title of Class)	(Name of each exchange on which registered)

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

Common Stock, One Cent ($0.01) Par Value Per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the outstanding voting stock held by non-affiliates of the registrant as of June 30, 2005 was approximately $28,278,000.

As of March 30, 2006 there were 17,651,040 shares of Access Pharmaceuticals, Inc. Common Stock issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: Portions of Registrant's Definitive Proxy Statement filed with the Commission pursuant to Regulation 14A in connection with the 2006 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

This Form 10-K (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties including, but not limited to the uncertainties associated with research and development activities, clinical trials, our ability to raise capital, the timing of and our ability to achieve regulatory approvals, dependence on others to market our licensed products, collaborations, future cash flow, the timing and receipt of licensing and milestone revenues, the future success of our marketed products and products in development, our ability to manufacture amlexanox products in commercial quantities, our sales projections, and the sales projections of our licensing partners, our ability to achieve licensing milestones and other risks described below as well as those discussed elsewhere in this 10-K, documents incorporated by reference and other documents and reports that we file periodically with the Securities and Exchange Commission. These statements include, without limitation, statements relating to our ability to continue as a going concern, anticipated payments to be received from Uluru, anticipated product approvals and timing thereof, product opportunities, clinical trials and U.S. Food and Drug Administration ("FDA") applications, as well as our drug development strategy, our clinical development organization expectations regarding our rate of technological developments and competition, our plan not to establish an internal marketing organization, our expectations regarding minimizing development risk and developing and introducing technology, the terms of future licensing arrangements, our ability to secure additional financing for our operations and our expected cash burn rate. 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," "could," "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 In Item 1A "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 filing this Form 10-K to conform such statements to actual results.

Business

Access Pharmaceuticals, Inc. ("Access" or the "Company") is a Delaware corporation. We are an emerging pharmaceutical company developing unique polymer linked cytotoxics for use in the treatment of cancer and other diseases states. Our lead product AP5346 is in Phase II clinical testing. The Company also has other advanced drug delivery technologies including vitamin-mediated targeted delivery and oral care drug delivery.

Together with our subsidiaries, we have proprietary patents or rights to four drug delivery technology platforms:

- synthetic polymer targeted delivery,
- vitamin mediated targeted delivery
- vitamin mediated oral delivery, and
- mucoadhesive liquid technology.

Key Developments

On February 16, 2006, we entered into a note and warrant purchase agreement pursuant to which we sold and issued an aggregate of $5,000,000 of 7.5% convertible notes due March 31, 2007 and warrants to purchase an aggregate of 19,318,184 shares of common stock of Access. Net proceeds to Access were $4.557 million. The notes and warrants were sold in a private placement to a group of accredited investors led by SCO Capital Partners LLC ("SCO") and its affiliates.

The notes mature on March 31, 2007, are convertible into Access common stock at a fixed conversion rate of $0.22 per share, bear interest of 7.5% per annum and are secured by certain assets of Access. Each note may be converted at the option of the noteholder or Access under certain circumstances as set forth in the notes.

Each noteholder received a warrant to purchase a number of shares of common stock of Access equal to 75% of the total number shares of Access common stock into which such holder's note is convertible. Each warrant has an exercise price of $0.264 per share and is exercisable at any time prior to February 16, 2012. In the event SCO and its affiliates were to convert all of their notes and exercise all of their warrants, they would own approximately 73% of the voting securities of Access.

In connection with the sale and issuance of notes and warrants, Access entered into an investors rights agreement whereby it granted SCO the right to designate two individuals to serve on the Board of Directors of Access while the notes are outstanding, and also granted registration rights with respect to the shares of common stock of Access underlying the notes and warrants. SCO designated Jeffrey B. Davis and Mark J. Alvino to the Board of Directors, and on March 13, 2006 Messrs, Davis and Alvino were appointed to the Board of

Directors.

On January 31, 2006 we announced that we had received notice denying the Company's appeal of an American Stock Exchange ("AMEX") Staff Determination on December 12, 2005 which found that the Company failed to comply with AMEX's continued listing standards due to losses from continuing operations and/or net losses in two of its most recent fiscal years with shareholders' equity of less than $2 million, as set forth in Section 1003(a)(i) of the AMEX "Company Guide"; due to losses from continuing operations and/or net losses in three of its most recent fiscal years with shareholders' equity of less than $4 million, as set forth in Section 1003(a)(ii) of the Company Guide; and due to losses from continuing operations and/or net losses in four of its most recent fiscal years with shareholders' equity of less than $6 million, as set forth in Section 1003(a)(iii) of the Company Guide. As a result, the Company's common stock was delisted from AMEX effective with the open of business on Wednesday, February 1, 2006. Quotations for our common stock appears in the "Pink Sheets" under the trading symbol "AKCA".

On October 12, 2005, we sold our oral care and dermatology business unit to Uluru, Inc, a private Delaware corporation, for up to $20.6 million to focus on our technologies in oncology and oral drug delivery. The products and technologies sold to Uluru include amlexanox 5% paste (marketed under the trade names Aphthasol® and Aptheal®), OraDisc™, Zindaclin® and Residerm® and all of our assets related to these products. In addition, we have licensed to Uluru our nanoparticle hydrogel aggregate technology which could be used for applications such as local drug delivery and tissue filler in dental and soft tissue applications. The CEO of Uluru is Kerry P. Gray, the former CEO of the Company. In conjunction with the sale transaction, we received a fairness opinion from a nationally recognized investment banking firm.

Uluru assumed eight employees of the Company, and five employees remained with Access after the sale transaction. Through a transition period, Uluru leased space from the Company at its Dallas, TX headquarters.

At the closing of this agreement we received $8.7 million. In addition, at the one year anniversary of the agreement we will receive $3.7 million, and we will receive an additional $1 million within 24 months after closing or earlier upon the achievement of a milestone. Any contingent liabilities that arise in the future relating to our former business could reduce the $3.7 million receipt. Additional payments of up to $7.2 million may be made upon the achievement of certain additional milestones.

The upfront payment of this transaction allowed Access to immediately retire our $2.6 million of Secured Convertible Notes held by Cornell Capital Partners and its affiliate and the various agreements relating to these notes. Such notes were secured by all of our assets. In addition, the elimination of the manufacturing and regulatory costs associated with the oral care business, as well as required employees for these marketed products and product candidates will allow us to reduce our burn rate substantially.

On November 9, 2005 we announced the restructuring and repayment of a portion of our 7.0% convertible promissory notes due September 13, 2005.

One holder of $4 million worth of convertible notes (Oracle Partners LP and related funds) agreed to amend their notes to a new maturity date, April 28, 2007, with the conversion price being reduced from $5.50 per share to $1.00 per share. In addition, the Company may cause a mandatory conversion of the notes into common stock if the common stock trades at a price of at least 1.5 times the conversion price for a minimum number of trading days. There is also a provision to allow for a minimum price for conversion in the event of a change of control of the Company.

The Company was unable to reach a conversion agreement with the second holder of $4 million worth of notes (Philip D. Kaltenbacher), so settled his claim by paying him this amount plus expenses and interest as outlined in the terms of the note.

The third noteholder, holding $5.5 million worth of convertible notes agreed to amend its notes to a new maturity date, September 13, 2010 and elected to have the 2005 interest of $423,000 to be paid on September 13, 2006. The delayed interest will earn interest at a rate of 7.7%.

On May 11, 2005, we announced that Kerry P. Gray resigned as our President and Chief Executive Officer, effective as of May 10, 2005. Mr. Gray resigned from our Board of Directors and from all other positions held with us, effective as of May 10, 2005. We entered into a Separation Agreement with Mr. Gray dated as of May 10, 2005. Pursuant to the terms of the Separation Agreement, Mr. Gray agreed to provide us with certain post-termination assistance. He also agreed to maintain the confidentiality of our proprietary information and to a customary mutual release of claims with us. The Separation Agreement provides for an immediate cash payment to Mr. Gray of $225,000 and payments of $33,333 each month for a period of 18 months, which payments are secured by a lien on our assets. We are required to issue 3,500 shares of our common stock to Mr. Gray each month for a period of 18 months following May 10, 2005. The Separation Agreement also provides that all of Mr. Gray's outstanding stock options and shares of restricted stock be immediately and fully vested and all options remain exercisable for a period of two years.

On May 11, 2005, we announced that Rosemary Mazanet, M.D., Ph.D, had been named by the Board of Directors as our Acting Chief Executive Officer, effective as of May 11, 2005. The agreement is memorialized in a Letter Agreement with us, dated May 10, 2005. Dr. Mazanet's title will be Acting Chief Executive Officer and she will report directly to, and be subject to the direction of, our Board of Directors.

On March 30, 2005 the Company executed a Standby Equity Distribution Agreement ("SEDA") with Cornell Capital Partners. Under the SEDA, the Company may issue and sell to Cornell Capital Partners common stock for a total purchase price of up to $15,000,000. The purchase price for the shares is equal to their market price, which is defined in the SEDA as 98% of the lowest volume weighted average price of the common stock during a specified period of trading days following the date notice is given by the Company that it desires to

access the SEDA. Further, we agreed to pay Cornell Capital Partners 3.5% of the proceeds that we receive under the Equity Line of Credit. The amount of each draw down is subject to a maximum amount of $1,000,000. The terms of the SEDA do not allow us to make draw downs if the draw down would cause Cornell Capital Partners to own in excess of 9.9% of our outstanding shares of common stock. Upon closing of the transaction, Cornell Capital Partners received a one-time commitment fee of 146,500 shares of the our common stock. On the same date, the Company entered into a Placement Agent Agreement with Newbridge Securities Corporation, a registered broker-dealer. Pursuant to the Placement Agent Agreement, upon closing of the transaction the Company paid a one-time placement agent fee of 3,500 shares of common stock. The shares issued were valued at $500,000 and recorded as Debt issuance costs and such costs are amortized as the SEDA is accessed. As of December 31, 2005 we have accessed $600,000 of the SEDA and $20,000 of the Debt issuance costs were charged to additional paid-in capital. The Company currently cannot access the SEDA until a post-effective amendment to our registration statement is filed with, and declared effective by, the SEC. The SEDA is effective through March 30, 2007.

In addition, on March 30, 2005, the Company executed a Securities Purchase Agreement with Cornell Capital Partners and Highgate House Funds. Under the Securities Purchase Agreement, Cornell Capital Partners and Highgate House Funds purchased an aggregate of $2,633,000 principal amount of Secured Convertible Debentures from the Company (net proceeds to the Company of $2,360,000). The Secured Convertible Debentures accrued interest at a rate of 7% per year and were to mature 12 months from the issuance date with scheduled monthly repayment commencing on November 1, 2005 to the extent that the Secured Convertible Debenture had not been converted to common stock. The Secured Convertible Debenture was convertible into the Company's common stock at the holder's option any time up to maturity at a conversion price equal to $4.00. The Secured Convertible Debentures were secured by all of the assets of the Company. The Company had the right to redeem the Secured Convertible Debentures upon 3 business days notice for 110% of the amount redeemed. Pursuant to the Securities Purchase Agreement, the Company issued to the holders an aggregate of 50,000 shares of common stock of the Company. The Secured Convertible Notes were paid in full on October 12, 2005 in conjunction with the sale of our oral care assets.

We were incorporated in Wyoming in 1974 as Chemex Corporation, and in 1983 we 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., a private Texas corporation, and changed our name to Access Pharmaceuticals, Inc. Our principal executive office is located at 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207; our telephone number is (214) 905-5100.

Products

We have used our drug delivery technology platforms to develop the following products and product candidates:

Products in Development Status

Polymer Platinate (AP 5346) DACH Platinum

Chemotherapy, surgery and radiation are the major components in the clinical management of cancer patients. 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 shortcomings 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, renal toxicity, neuropathy, or irreversible cardiotoxicity, are some of the limitations of current anti-cancer drugs that can prevent their administration in curative doses.

Oxaliplatin form of DACH platinum was initially approved in France and in Europe in 1999 for the treatment of colorectal cancer. It is now also being marketed in the United States and is generating worldwide sales in excess of $1.5 billion annually. Carboplatin and Cisplatin, two approved platinum chemotherapy drugs, are not indicated for the treatment of metastatic colorectal cancer. Oxaliplatin, in combination with 5-flurouracil and folinic acid is indicated for the first-line treatment of metastatic colorectal cancer in Europe and the U.S. The colorectal cancer market is a significant opportunity as there are over 940,000 reported new cases annually worldwide, increasing at a rate of approximately three percent per year, and 500,000 deaths.

Currently, platinum compounds are one of the largest selling categories of chemotherapeutic agents, with annual sales in excess of $2.0 billion. 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.

Utilizing the biocompatible water-soluble polymer HPMA as a drug carrier, AP5346 links DACH platinum to a polymer in a manner which permits the selective release of platinum in tumors. The polymer capitalizes on the biological differences in the permeability of blood vessels at tumor sites versus normal tissue. In this way, tumor selective delivery and platinum release is achieved. The ability to inhibit tumor growth has been evaluated in more than ten preclinical models. Compared with the marketed product Oxaliplatin, AP5346 showed superiority in a number of these models. Preclinical studies of the delivery of platinum to tumors in an animal model have shown that, compared with oxaliplatin at equitoxic doses, AP5346 delivers in excess of 16 times more platinum to the tumor. An analysis of

tumor DNA, which is the main target for anti-cancer platinum agents, has shown that AP5346 delivers approximately 14 times more platinum to tumor DNA. Results from preclinical efficacy studies conducted in the B16 and other tumor models have also shown that AP5346 is superior to oxaliplatin in inhibiting the growth of tumors. An extensive preclinical package has been developed supporting the development of AP5346.

In the first quarter of 2005 we completed a Phase I clinical study in a multi-center study conducted in Europe, enrolled 26 patients. The study was reported at the AACR-NCI-EORTC conference in Philadelphia in November 2005. The European trial was designed to identify the maximum tolerated dose, dose limiting toxicities, the pharmacokinetics of the platinum in plasma and the possible antitumor activity of AP5346. The open-label, non-randomized, dose-escalation Phase I study was performed at two European centers. AP5346 was administered as an intravenous infusion over one hour, once a week on days 1, 8 and 15 of each 28-day cycle to patients with solid progressive tumors. We have obtained results in 26 patients with a broad cross-section of tumor types, with doses ranging from 80-1,280 mg Pt/m^2.

Of the 26 patients, 10 were not evaluable for tumor response, principally due to withdrawal from the study prior to completing the required cycle. Of the 16 evaluable patients, 2 demonstrated a partial response and 4 experienced stable disease. One of the patients who attained a partial response had a melanoma with lung metastasis; a CT scan revealed a tumor decrease of greater than 50%. The other patient who responded had ovarian cancer; she had a reduction in lymph node metastasis and remission of a liver metastasis. Also of note, a patient with cisplatin resistant cervical cancer showed a short lasting significant reduction in lung metastasis after 3 doses. However, due to toxicity, the patient could not be retreated to determine whether the partial response could be maintained.

We received clearance in January 2005 from the US Food and Drug Administration for our IND for AP5346 allowing the Company to proceed with a Phase I clinical trial for this drug candidate. We plan to initiate a study of AP5346 in combination with fluorouracil and leucovorin to evaluate drug safety and to establish a starting dose for future Phase II studies utilizing this combination. Upon the successful completion of this Phase I study, we plan to initiate a Phase II study to determine the efficacy of AP5346 in combination with fluorouracil and leucovorin in colorectal cancer patients compared with the oxaliplatin/fluorouracil/leucovorin combination, which is used extensively to treat colorectal cancer.

We have provided AP5346 to the Moores Cancer Center at the University of California, San Diego to conduct a Phase II clinical study in patients with head and neck cancer under a physician-sponsored IND. The primary aim of the study is to demonstrate the ability of the tumor-targeting polymer system to deliver more platinum to tumors than can be attained with oxaliplatin, the approved DACH platinum compound. The injection of the first patient was announced on February 23, 2006.

We have planned a new European Phase II AP5346 trial in ovarian cancer patients who have relapsed after first line platinum therapy. Our product is near the end of the manufacturing process and we have signed on a CRO to begin these clinical trials. We expect to inject our first patient in the second quarter of 2006.

Mucoadhesive Liquid Technology (MLT) – Vipor™

Mucositis is a debilitating condition involving extensive inflammation of mouth tissue that affects an estimated 550,000 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 filed an IND with the FDA in December 1999 and developed a Phase II protocol to investigate a mouthwash formulation of a mucoadhesive liquid for the prevention and treatment of mucositis in head and neck cancer patients treated with radiation with or without chemotherapy. Over 90% of head and neck cancer patients treated with radiation and chemotherapy experience mucositis. This study commenced in the first quarter of 2000. We enrolled 58 patients in the initial study which was performed at multiple sites throughout the United States.

In July 2001, we announced results from our Phase II randomized clinical study of the prevention and treatment of mucositis. The data developed confirmed that the product using our mucoadhesive liquid technology (MLT) could represent an important advancement in the management and prevention of mucositis. We named this product Vipor™.

The data were retrospectively compared with two historical patient databases to evaluate the potential advantages that this technology may represent in the prevention, treatment and management of mucositis. The patient evaluation was conducted using the oral mucositis assessment scale, which qualifies the disease severity on a scale of 0-5. Key highlights of the comparison with the historical patient databases are as follows:

- the average severity of the disease was reduced by approximately 40%;
- the maximum intensity of the mucositis was approximately 35% lower; and
- the median peak intensity was approximately 50% lower.

Given the results achieved with Vipor™, and the fact that in the study an amlexanox rinse showed no additional benefit, we discontinued

the program to evaluate amlexanox as a preventative product candidate for mucositis. Following the completion of the Phase II study we conducted additional formulation development work to optimize the MLT technology. The topical application of Vipor™was tested for its ability to attenuate the course of radiation-induced oral mucositis in an established hamster model. The study results clearly indicate the ability to prevent the onset of ulcerative mucositis, or delay the onset and reduce the severity of mucositis.

We plan to move this product forward in 2006 towards commercialization by preparing a 510(k) device application and submitting this application to the FDA in second quarter of 2006.

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. For example, certain of our polymer platinate technology has resulted in part from a research collaboration with The School of Pharmacy, University of London.

Our strategy is to focus on our polymer therapeutic program for the treatment of cancer while continuing to develop technologies such as MLT and vitamin-mediated oral drug delivery which could provide us with a revenue stream in the short term through commercialization or outlicensing to fund our longer-term polymer development program. To reduce financial risk and equity financing requirements, we are directing our resources to the preclinical and early clinical phases of development. Where the size of the necessary clinical studies and cost associated with the later clinical development phases are significant, we plan to outlicense to, or co-develop with, marketing partners our current polymer therapeutic product candidates.

We will continue to expand our internal core capabilities of chemistry, formulation, analytical methods development, clinical development, biology and project management to maximize product opportunities in a timely manner. We will, however, contract certain research and development, manufacturing and manufacturing scaleup, certain preclinical testing and product production to research organizations, contract manufacturers and strategic partners. We will continue to evaluate the most cost-effective methods to advance our programs and may build the infrastructure to do the work ourselves in order to achieve cost savings. 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 criteria for effective drug delivery is to control and optimize the localized release of the 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 designed 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 formulations to significantly enhance the therapeutic efficacy and reduce toxicity of a broad spectrum of products.

Core Drug Delivery Technology Platforms

Our current drug delivery technology platforms for use in cancer chemotherapy, dermatology and oral disease are:

- Synthetic Polymer Targeted Drug Delivery Technology;
- Vitamin Mediated Targeted Delivery Technology;
- Vitamin Mediated Oral Delivery Technology; and
- Mucoadhesive Liquid Technology.

Each of these platforms is discussed below:

Synthetic Polymer Targeted Drug Delivery Technology

In collaboration with The School of Pharmacy, University of London, we have developed a synthetic polymer technology, which utilizes hydroxypropylmethacrylamide with platinum, designed to exploit enhanced permeability and retention, or EPR, at tumor sites to

selectively accumulate drug and control drug release. Many solid tumors 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 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 delivered to 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, platinum.

Vitamin Mediated Targeted Delivery Technology

Most drugs are effective only when they reach a certain minimum concentration in the region of disease, yet are well distributed throughout the body contributing to undesirable side effects. It is therefore advantageous to alter the natural biodistribution of a drug to have it more localized where it is needed. Our vitamin mediated targeted delivery technology utilizes the fact that in many diseases where there is rapid growth and/or cell division, the demand for certain vitamins increases. By coupling the drug to an appropriate vitamin, the vitamin serves as a carrier to increase the amount of drug at the disease site relative to its normal distribution.

One application of this technology is in tumor targeting. The use of cytotoxic drugs is one of the most common methods for treating a variety of malignancies including solid and non-solid tumors. The drawbacks of chemotherapeutic treatments, which include tumor resistance, cancer relapse and toxicity from severe damage to healthy tissues, has fuelled a scientific quest for novel treatments that are specifically targeted to malignant cells thus reducing damage to collateral tissues.

The design of targeted therapies involves exploitation of the difference between the structure and function of normal cells compared with malignant cells. Differences include the increased levels of surface molecules on cancer cells, which makes them more sensitive to treatment regimes that target surface molecules and differences in blood supply within and around tumor cells compared with normal cells.

Two basic types of targeting approaches are utilized, passive tumor targeting and active tumor targeting.

- passive tumor targeting involves transporting anti-cancer agents through the bloodstream to tumor cells using a “carrier” molecule. Many different carrier molecules, which can take a variety of forms (micelles, nanoparticles, liposomes and polymers), are being investigated as each provides advantages such as specificity and protection of the anti-cancer drug from degradation due to their structure, size (molecular weights) and particular interactions with tumor cells. Our polymer platinate program is a passive tumor targeting technology.
- active tumor targeting involves attaching an additional fragment to the anticancer drug and the carrier molecule to create a new “targeted” agent that will actively seek a complementary surface molecule to which it binds (preferentially located on the exterior of the tumor cells). The theory is that the targeting of the anti-cancer agent through active means to the affected cells should allow more of the anti-cancer drug to enter the tumor cell, thus amplifying the response to the treatment and reducing the toxic effect on bystander, normal tissue.

Examples of active targeting fragments include antibodies, growth factors and vitamins. Our scientists have specifically focused on using vitamin B12 and folate to more effectively target anti-cancer drugs to solid tumors.

It has been known for some time that vitamin B12 and folic acid are essential for tumor growth and as a result, receptors for these vitamins are up-regulated in certain tumors. Vitamin B12 receptor over-expression occurs in breast, lung, leukemic cells, lymphoma cells, bone, thyroid, colon, prostate and brain cancers and some other tumor lines, while folate receptor over-expression occurs in breast, lung, ovarian, endometrial, renal, colon, brain and cancers of myeloid hemotopoietic cells and methotrexate-sensitive tumors.

Vitamin Mediated Oral Delivery Technology

Oral delivery is the preferred method of administration of drugs where either long-term or daily use (or both) is required. However many therapeutics, including peptide and protein drugs, are poorly absorbed when given orally. With more and more peptide and protein based biopharmaceuticals entering the market, there is an increasing need to develop an effective oral delivery system for them, as well as for long-standing injected drugs such as insulin.

The difficulty in administering proteins orally is their susceptibility to degradation by digestive enzymes, their inability to cross the intestinal wall and their rapid excretion by the body. Over the years, many different methodologies for making protein drugs available orally have been attempted. Most of the oral protein delivery technologies involve protecting the protein degradation in the intestine. More recently, strategies have been developed that involve attaching the protein or peptide to a molecule that transports the protein across the gut wall. However, the field of oral drug delivery of proteins and peptides has yet to achieve successful commercialization of a product (although positive results have been achieved in early clinical trials for some products under development).

Many pharmaceutically active compounds such as proteins, peptides and cytotoxic agents cannot be administered orally due to their instability in the gastrointestinal tract or their inability to be absorbed and transferred to the bloodstream. A technology that would allow many of these actives to be taken orally would greatly enhance their acceptance and value. Several technologies for the protection of sensitive actives in the gastro-intestinal tract and/or enhancement of gastro-intestinal absorption have been explored and many have failed.

Our proprietary technology for oral drug delivery utilizes the body's natural vitamin B12 (VB12) transport system in the gut. The absorption of VB12 in the intestine occurs by way of a receptor-mediated endocytosis. Initially, VB12 binds to intrinsic factor (IF) in the small intestine, and the VB12-IF complex then binds to the IF receptor on the surface of the intestine. Receptor-mediated endocytosis then allows the transport of VB12 across the gut wall. After binding to another VB12-binding protein, transcobalamin II (TcII), VB12 is transferred to the bloodstream.

Our scientists discovered that VB12 will still be transported by this process even when drugs, macromolecules, or nanoparticles are coupled to VB12. Thus VB12 serves as a carrier to transfer these materials from the intestinal lumen to the bloodstream. For drugs and macromolecules that are stable in the gastro-intestinal tract, the drug or macromolecule can be coupled directly (or via a linker) to VB12. If the capacity of the VB12 transport system is inadequate to provide an effective blood concentration of the active, transport can be amplified by attaching many molecules of the drug to a polymer, to that VB12 is also attached. A further option, especially for drugs and macromolecules that are unstable in the intestine, is to formulate the drug in a nanoparticle which is then coated with

VB12. Once in the bloodstream, the active is released by diffusion and/or erosion of the nanoparticle. Utilization of nanoparticles also serves to 'amplify' delivery by transporting many molecules at one time due to the inherently large surface area.

Our proprietary position in this technology involves the conjugation of vitamin B12 and/or folic acid (or their analogs) to a polymer to which is also attached the drug to be delivered, or attached to a nanoparticle in which the drug is incorporated. Since many molecules of the drug are attached to a single polymer strand, or are incorporated in a single nanoparticle, disease targeting is amplified compared to simpler conjugates involving one molecule of the vitamin with one drug molecule. However, in situations when such a simple conjugate might be preferred, our patents also encompass these VB12-drug conjugates.

Research Projects, Products and Products in Development

ACCESS DRUG PORTFOLIO

Compound	Originator	Licensing Partner	Indication	FDA Filing	Clinical Stage (1)
Cancer					
Polymer Platinate (AP5346) (2)	Access – U London	—	Ovarian, Colorectal cancer	Clinical Development(3)	Phase II
Vitamin Targeted Therapeutics	Access	—	Anti-tumor	Research	Pre-Clinical
Other Products					
MLT (Vipor™)	Access	—	Mucositis	510(k) (4)	Phase III
Oral Delivery System	Access	— (5)	Various	Research	Pre-Clinical

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

(2) Licensed from the School of Pharmacy, The University of London. Subject to a 1% royalty and milestone payments on sales.

(3) Clinical studies being conducted in Europe and US.

(4) The product is considered as a device by the FDA. The 510(k) approval process provides for rapid approval based upon the prior approval of a predicate device.

(5) Research collaboration agreement with Celltech Group plc., Hunter-Fleming Ltd., and a US corporation.

We begin the product development effort by screening and formulating potential product candidates, selecting an optimal active component, developing a formulation, 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 limited core internal development capability with significant experience in developing these formulations, but also depend upon the skills and expertise of our contractors.

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. The initial Phase I and Phase II studies are conducted by institutions and investigators supervised and monitored by our employees and contract research organizations. We do not plan to have an extensive clinical development organization as we plan to have the advance phases of this process

conducted by a development partner. Should we conduct Phase III clinical studies we expect to engage a contract research organization to perform this work.

We contract with third party contract research organizations to complete our large clinical trials and for data management of all of our

clinical trials. Generally, we manage the smaller Phase I and II trials ourselves. Currently, we have one Phase I trial in process, one planned Phase I trial and two Phase II trials planned for this year subject to preliminary findings in other trials.

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 $2,783,000, $2,335,000 and $2,549,000 on research and development continued operations during the years 2005, 2004 and 2003, 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.

Two U.S. patents and two European patents have issued and two U.S. patent and two European patent applications are pending for polymer platinum compounds. The two patents and patent applications are the result in part of our collaboration with The School of Pharmacy, University of London, from which the technology has been licensed and include a synthetic polymer, hydroxypropylmethacrylamide incorporating platinates, that can be used to exploit enhanced permeability and retention in tumors and control drug release. The patents and patent applications include a pharmaceutical composition for use in tumor treatment comprising a polymer-platinum compound through linkages that are designed to be cleaved under selected conditions to yield a platinum which is selectively released at a tumor site. The patents and patent applications also include methods for improving the pharmaceutical properties of platinum compounds.

We have filed two U.S. patent applications and two European patent applications for our mucoadhesive liquid technology. Our patent applications cover a range of products utilizing our mucoadhesive liquid technology for the management of the various phases of mucositis.

We have three patented vitamin-mediated targeted therapeutic technologies:

- folate conjugates of polymer therapeutics, to enhance tumor delivery by targeting folate receptors, which are upregulated in certain tumor types with two U.S. and two European patent applications;
- the use of vitamin B12 to target the transcobalamin II receptor which is upregulated in numerous diseases including cancer, rheumatoid arthritis, certain neurological and autoimmune disorders with two U.S. patents and three U.S. and four European patent applications; and
- oral delivery of a wide variety of molecules which cannot otherwise be orally administered, utilizing the active transport mechanism which transports vitamin B12 into the systemic circulation with six U.S. patents and two European patents and one U.S. and one European patent application.

We have a strategy of maintaining an ongoing line of patent 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, clinical 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, numerous phases of clinical testing 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. All trials are conducted under International Conference on Harmonization, or ICH, good clinical practice guidelines. All investigator sites and sponsor facilities are subject to FDA inspection to insure compliance. 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 and in some indications such as cancer and HIV, 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 safe, an initial efficacy is established 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 to 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 forming 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 considerable time and there is no guarantee that an New Drug Application ("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.

Our principal competitors in the polymer area are Cell Therapeutics, Daiichi, Enzon, Polytherics Ltd, and Inhale which are developing alternate drugs in combination with polymers. We believe we are the only company conducting clinical studies in the polymer drug delivery of platinum compounds. 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.

A number of companies are developing or may in the future engage in the development of products competitive with the Access polymer delivery system. Several companies are working on targeted monoclonal antibody therapy including Bristol-Myers Squibb, Centocor (acquired by Johnson & Johnson), GlaxoSmithKline, Imclone and Xoma. Currently, liposomal formulations being developed by Gilead Sciences and Alza Corporation (acquired by Johnson & Johnson), are the major competing intravenous drug delivery formulations that deliver similar drug substances.

In the area of advanced drug delivery, which is the focus of our early stage research and development activities, 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.

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 30, 2006, we had five full time employees, three of whom have advanced scientific degrees. The number of full time staff represents a reduction from the number twelve months earlier. We have never experienced employment-related work stoppages and consider 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 clinical development, regulatory affairs, toxicology, process scale-up and preclinical testing.

Web Availability

We make available free of charge through our web site, www.accesspharma.com, our annual reports on Form 10-K and other reports required under the Securities and Exchange Act of 1934, as amended, as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (the "SEC"). These documents are also available through the SEC's website at www.sec.gov certain of our corporate governance policies, including the charters for the Board of Directors' audit, compensation and nominating and corporate governance committees and our code of ethics, corporate governance guidelines and whistleblower policy. We will provide to any person without charge, upon request, a copy of any of the foregoing materials. Any such request must be made in writing to Access Pharmaceuticals, Inc., 2600 Stemmons Freeway, Suite 176, Dallas, TX 75207 attn: Investor Relations.

ITEM 1A. RISK FACTORS

Without obtaining adequate capital funding, we may not be able to continue as a going concern.

The report of our independent registered public accounting firm, Grant Thornton LLP, for the fiscal year ended December 31, 2005 contained a fourth explanatory paragraph to reflect its significant doubt about our ability to continue a going concern as a result of our history of losses and our liquidity position, as discussed in this Form 10-K. If we are unable to obtain adequate capital funding in the future, we may not be able to continue as a going concern, which would have an adverse effect on our business and operations, and investors' investment in us may decline.

We have experienced a history of losses, we expect to incur future losses and we may be unable to obtain necessary additional capital to fund operations in the future.

We have recorded minimal revenue to date and we have incurred a cumulative operating loss of approximately $66.2 million through December 31, 2005. Net losses for the years ended 2005, 2004 and 2003 were $1,700,000, $10,238,000 and $6,935,000, respectively. Our losses have resulted principally from costs incurred in research and development activities related to our efforts to develop clinical drug candidates and from the associated administrative costs. We expect to incur additional operating losses over the next several years. We also expect cumulative losses to increase if we expand research and development efforts and preclinical and clinical trials. Our net cash burn rate for the twelve months of 2005 was approximately $700,000 per month. We project our net cash burn rate for the next twelve months to be approximately $675,000 per month. Capital expenditures are forecasted to be minor for the next twelve months.

We require substantial capital for our development programs and operating expenses, to pursue regulatory clearances and to prosecute and defend our intellectual property rights. We believe that our existing capital resources, interest income, product sales, royalties and revenue from possible licensing agreements and collaborative agreements will be sufficient to fund our currently expected operating expenses (other than debt and interest obligations including the approximately $5 million of Senior Convertible notes due March 31, 2007, and approximately $4,015,000 of convertible notes which are required to be repaid in April 2007 and interest of $1,189,000 due September 2006) and capital requirements for twelve months. We will need to raise substantial additional capital to support our ongoing operations and debt obligations.

If we do raise additional funds by issuing equity securities, further dilution to existing stockholders would result and future investors may be granted rights superior to those of existing stockholders. If adequate funds are not available to us through additional equity offerings, 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. As a result of our history of losses and our liquidity position, our auditors have issued an audit report expressing significant doubt about our ability to remain a going concern.

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

To date, we have funded our operations primarily through private sales of common stock and convertible notes. Contract research payments and licensing fees from corporate alliances and mergers have also provided funding for our operations. 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 sold our only revenue producing assets to Uluru, Inc. in October 2005. We are not expecting any revenues in the short-term from our other assets. Furthermore, we may not be able to ever successfully identify, develop, commercialize, patent, manufacture, obtain required regulatory approvals and market any additional products. Moreover, even if we do identify, develop, commercialize, patent, manufacture, and obtain required regulatory approvals to market additional products, we may not generate 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 minimal product sales and royalties, any amounts that we receive under strategic partnerships and research or drug development collaborations that we may establish and, as a result, we may be unable to achieve or maintain profitability in the future or to achieve significant revenues in order to fund our operations.

Our Standby Equity Distribution Agreement may have a dilutive impact on our stockholders.

We are dependent on external financing to fund our operations. Our financial needs may be partially provided from the SEDA. The issuance of shares of our common stock under the SEDA will have a dilutive impact on our other stockholders and the issuance or even potential issuance of such shares could have a negative effect on the market price of our common stock. In addition, if we access the

SEDA, we will issue shares of our common stock to Cornell Capital Partners at a discount to the lowest daily volume weighted average of our common stock during a specified period of trading days after we access the SEDA. Issuing shares at a discount will further dilute the interests of other stockholders and may negatively affect the market price of our Common Stock.

To the extent that Cornell Capital Partners sells shares of our common stock issued under the SEDA to third parties, our stock price may decrease due to the additional selling pressure in the market. The perceived risk of dilution from sales of stock to or by Cornell Capital Partners may cause holders of our common stock to sell their shares, or it may encourage short sales of our common stock or other similar transactions. This could contribute to a decline in the stock price of our common stock.

At this time we are not be able to draw funds from the SEDA until an amendment to our registration statement relating to the SEDA is filed and declared effective by the SEC.

We may not be able to pay our debt and other obligations and our assets may be seized as a result.

We may not generate the cash flow required to pay our liabilities as they become due. Our outstanding debt includes approximately $5 million of Senior Convertible notes due March 31, 2007, and approximately $9.5 million of our Convertible Subordinated Notes of which $4.0 million is due in April 2007 and $5.5 million due is in September 2010.

If our cash flow is inadequate to meet these obligations, we will default on the notes. Any default on the notes could allow our note holders to foreclose upon our assets, force us into bankruptcy or our secured note holders could foreclose on the escrow and pledge of our shares and sell the shares on the open market, which is likely to cause a significant drop in the price of our stock. We may be unable to repay or repurchase or restructure the convertible subordinated notes due in April 2007 and September 2010 and be forced into bankruptcy. In the event of a default, the holders of our secured convertible notes have the right to foreclose on all of our assets, which could force us to curtail or cease our business operations.

The holders of our Convertible Notes may require us to repurchase or prepay all of the outstanding Convertible Notes under certain circumstances. We may not have sufficient cash reserves to repurchase the Convertible Notes at such time, which would cause an event of default under the Convertible Notes and may force us to declare bankruptcy.

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 and our failure to develop safe, commercially viable drugs would severely limit our ability to become profitable or to achieve significant revenues. We may be unable to successfully commercialize our drug candidates because:

- some or all of our drug candidates may be found to be unsafe or ineffective or otherwise fail to meet applicable regulatory standards or receive necessary regulatory clearances;
- our drug candidates, if safe and effective, may be too difficult to develop into commercially viable drugs;
- it may be difficult to manufacture or market our drug candidates on a large scale;
- proprietary rights of third parties may preclude us from marketing our drug candidates; and
- third parties may market superior or equivalent drugs.

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 and patent applications. 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 our 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 successfully develop, market, or commercialize our products or our product candidates without establishing new relationships and maintaining current relationships.

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, we may seek to joint venture, sublicense or enter 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 such additional collaborative arrangements, license agreements, or marketing agreements as we may deem necessary to develop, commercialize and market our potential pharmaceutical products on acceptable terms. 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.

Our ability to successfully commercialize, and market our product candidates could be limited if a number of these existing relationships were terminated.

Furthermore, our strategy with respect to our polymer platinate program is to enter into a licensing agreement with a pharmaceutical company pursuant to which the further costs of developing a product would be shared with our licensing partner. Although we have had discussions with potential licensing partners with respect to our polymer platinate program, to date we have not entered into any licensing arrangement. We may be unable to execute our licensing strategy for polymer platinate.

We may be unable to successfully manufacture our products and our product candidates in clinical quantities or for commercial purposes without the assistance of contract manufacturers, which may be difficult for us to obtain and maintain.

We have limited 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. As a result, we have established, and in the future 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 clinical programs and submission of product candidates for regulatory approval, which could cause our business to suffer. Our business could suffer if there are 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. Moreover, contract manufacturers that we may use must adhere to current Good Manufacturing Practices, as required by the 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 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 ability to generate profits or acceptable profit margins and our ability to develop and deliver such products on a timely and competitive basis.

AP5346 is manufactured by third parties for our Phase I/II clinical trials. Manufacturing is ongoing for the current clinical trials. Certain manufacturing steps are conducted by the Company to enable significant cost savings to be realized.

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 drugs and drug candidates require receipt and maintenance of governmental approvals for commercialization. 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. The status of our principal products is as follows:

- AP5346 is currently commencing a Phase II trial in Europe and has commenced a Phase II trial in the US.
- AP5346 has been approved for an additional Phase I trial in the US by the FDA.
- A mucoadhesive liquid technology product, Vipor™, will be the subject of a 510(k) device approval application in 2006.
- Vitamin mediated delivery technology is currently in the pre-clinical phase.
- We also have other products in the preclinical phase.

Due to the time consuming and uncertain nature of the drug candidate development process and the governmental approval process described above, we cannot assure you when we, independently or with our collaborative partners, might submit a 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. Our drug candidates may not receive FDA or other regulatory approvals 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 we obtain initial regulatory approvals for our drug candidates, Access, 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 FDA and other regulatory authorities stringently apply regulatory standards and failure to comply with regulatory standards can, among other things, result in fines, denial or withdrawal of regulatory approvals, product recalls or seizures, operating restrictions and criminal prosecution.

The uncertainty associated with preclinical and clinical testing may affect our ability to successfully commercialize new products.

Before we can obtain 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. Preclinical or clinical trials of any of our future drug candidates may not 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 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. In particular, polymer platinate has taken longer to progress through clinical trials than originally planned. This extra time has not been related to concerns of the formulations but rather due to the lengthy regulatory process. 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. A delay or failure to receive regulatory approval for any of our drug candidates could prevent us from successfully commercializing such candidates and we could incur substantial additional expenses in our attempts to further develop such candidates and obtain future regulatory approval.

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

generally procure product liability insurance for drug candidates that are undergoing human clinical trials. Product liability insurance for the biotechnology industry is generally expensive, if available at all, and as a result, we may be unable to obtain insurance coverage at acceptable costs or in a sufficient amount in the future, 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.

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.

The following products may compete with polymer platinate:

- Cisplatin, marketed by Bristol-Myers-Squibb, the originator of the drug, and several generic manufacturers;
- Carboplatin, marketed by Bristol-Myers-Squibb in the US; and
- Oxaliplatin, marketed exclusively by Sanofi-Synthelabo.

The following companies are working on therapies and formulations that may be competitive with our polymer platinate:

- Antigenics and Regulon are developing liposomal formulations; and
- American Pharmaceutical Partners, Cell Therapeutics, Daiichi, Enzon and Debio are developing alternate drugs in combination with polymers and other drug delivery systems.

Companies working on therapies and formulations that may be competitive with our vitamin mediated drug delivery system are Bristol-Myers-Squibb, Centocor (acquired by Johnson & Johnson), GlaxoSmithKline, Imclone and Xoma which are developing targeted monoclonal antibody therapy.

Amgen, CuraGen, McNeil, MGI Pharma and OSI Pharmaceuticals are developing products to treat mucositis that may compete with our mucoadhesive liquid technology.

BioDelivery, Biovail Corporation, Cellgate, CIMA Labs, Inc., Depomed Inc., Emisphere Technologies, Inc., Eurand, Flamel Technologies, Nobex and Xenoport are developing products which compete with our oral drug delivery system.

Many of these competitors have and employ greater financial and other resources, including larger research and development, marketing

and manufacturing organizations. As a result, our competitors may successfully develop technologies and drugs that are more effective or less costly than any that we are developing or which would render our technology and future products obsolete and noncompetitive.

In addition, some of our competitors have greater experience than we do 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 we do. 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. Drugs resulting from our research and development efforts or from our joint efforts with collaborative partners therefore may not be commercially competitive 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, may depend substantially upon 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. Limited reimbursement for the cost of any drugs that we develop may reduce the demand for, or price of such drugs, which would hamper our ability to obtain collaborative partners to commercialize our drugs, or to obtain a sufficient financial return on our own manufacture and commercialization of any future drugs.

The market may not accept any pharmaceutical products that we successfully develop.

The drugs that we are attempting to develop may 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 healthcare 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. 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. As a result, although we, together with our subsidiaries, are either the owner or licensee to 11 U.S. patents and to 11 U.S. patent applications now pending, and 4 European patents and 12 European patent applications, we cannot assure you that any additional patents will issue from any of the patent applications owned by, or licensed to, us. Furthermore, any rights that we may have under issued patents may not provide us with significant protection against competitive products or otherwise be commercially viable.

Our patents for the following technologies expire in the years and during the date ranges indicated below:

- AP5280 in 2021

- AP5346 in 2021
- Mucoadhesive technology, patents are pending
- Vitamin mediated technology between 2006 and 2019

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 acting Chief Executive Officer, Rosemary Mazanet. The loss of the services of one or more of these individuals could delay or prevent the achievement of our research, development, marketing, or product commercialization objectives. While we have employment agreements with David Nowotnik, PhD our Senior Vice President Research and Development, and Stephen Thompson, our Vice President and Chief Financial Officer, their employment may be terminated by them or us at any time. Mr. Thompson's and Dr. Nowotnik's agreements expire within one year and are extendable each year on the anniversary date. Dr. Mazanet is currently an employee at will. We do not have employment contracts with our other key personnel. 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 only limited investments in manufacturing, production, sales or regulatory compliance resources. 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.

An investment in our common stock may be less attractive because it is not traded on a recognized public market.

In February, 2006, our common stock was de-listed from trading on AMEX, and currently trades on the "Pink Sheets." This is viewed by most investors as a less desirable, and less liquid, marketplace. As a result, an investor may find it more difficult to purchase, dispose of or obtain accurate quotations as to the value of our common stock.

Our common stock is subject to Rules 15g-1 through 15g-9 under the Exchange Act, which imposes certain sales practice requirements on broker-dealers who sell our common stock to persons other than established customers and "accredited investors" (as defined in Rule 501(c) of the Securities Act). For transactions covered by this rule, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. This rule adversely affects the ability of broker-dealers to sell our common stock and purchasers of our common stock to sell their shares of our common stock.

Additionally, our common stock is subject to SEC regulations applicable to "penny stock." Penny stock includes any non-Nasdaq equity security that has a market price of less than $5.00 per share, subject to certain exceptions. The regulations require that prior to any non-exempt buy/sell transaction in a penny stock, a disclosure schedule proscribed by the SEC relating to the penny stock market must be delivered by a broker-dealer to the purchaser of such penny stock. This disclosure must include the amount of commissions payable to both the broker-dealer and the registered representative and current price quotations for our common stock. The regulations also require that monthly statements be sent to holders of penny stock that disclose recent price information for the penny stock and information of the limited market for penny stocks. These requirements adversely affect the market liquidity of our common stock.

Ownership of our shares is concentrated, to some extent, in the hands of a few investors which could limit the ability of our other stockholders to influence the direction of the company.

Larry N. Feinberg (Oracle Partners LP, Oracle Institutional Partners LP and Oracle Investment Management Inc.) and Heartland Advisors, Inc. each beneficially owned approximately 26.4% and 10.9%, respectively, of our common stock as of December 31, 2005. SCO Capital Partners LLC, and its affiliates beneficially owned approximately 72.7% of our common stock as at March 30, 2006. Accordingly, they collectively may have the ability to significantly influence or determine the election of all of our directors or the outcome of most corporate actions requiring stockholder approval. They may exercise this ability in a manner that advances their best interests and not necessarily those of our other stockholders.

Provisions of our charter documents could discourage an acquisition of our company that would benefit our stockholders and may have the effect of entrenching, and making it difficult to remove, management.

Provisions of our Certificate of Incorporation, By-laws and Stockholders Rights Plan may make it more difficult for a third party to acquire control of the Company, even if a change 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. Further, the existence of these corporate governance provisions could have the effect of entrenching management and making it more difficult to change our management.

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 or shares that we may issue or be obligated to issue in the future. All of the 17,651,040 shares of our common stock that are outstanding as of March 30, 2006, are unrestricted and freely tradable or tradable pursuant to a resale registration statement or under Rule 144 of the Securities Act or are covered by a registration rights agreement.

Failure to achieve and maintain effective internal controls could have a material adverse effect on our business.

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our operating results could be harmed. All internal control systems, no matter how well designed,

have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

While we continue to evaluate and improve our internal controls, we cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations.

Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have a material adverse effect on our stock price.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We maintain one facility of approximately 9,000 square feet for administrative offices and laboratories in Dallas, Texas. We have a lease agreement for the facility, which terminates in December 2006. Adjacent space may be available for expansion which we believe would accommodate growth for the foreseeable future.

We believe that our existing properties are suitable for the conduct of our business and adequate to meet our present needs.

ITEM 3. LEGAL PROCEEDINGS

The Company is not currently subject to any material pending legal proceedings.

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

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Dr. Rosemary Mazanet, M.D., Ph.D. 50, has been our acting Chief Executive Officer since May 2005. Dr. Mazanet is also CEO of Breakthrough Therapeutics, a privately held cancer company, and she holds other Board and advisory positions. She is the former Chief Scientific Officer and a General Partner of Oracle Partners, L.P. Prior to joining Oracle, Dr. Mazanet was the Director of Clinical Research at Amgen, Inc. She has 20 years experience in the pharmaceutical industry, and was trained as a Medical Oncologist/Hematologist in the Harvard Medical System, and holds an M.D. and Ph.D. from University of Pennsylvania.

David P. Nowotnik, Ph.D., 57, has been Senior Vice President Research and Development since January 2003 and had been Vice President Research and Development from 1998. From 1994 until 1998, Dr. Nowotnik had been with Guilford Pharmaceuticals, Inc. in the position of Senior Director, Product Development and was responsible for a team of scientists developing polymeric controlled-release drug delivery systems. From 1988 to 1994 he was with Bristol-Myers Squibb researching and developing technetium radiopharmaceuticals and MRI contrast agents. From 1977 to 1988 he was with Amersham International leading the project which resulted in the discovery and development of Ceretec.

Mr. Stephen B. Thompson, 52, has been Vice President since 2000 and our Chief Financial Officer since 1996. From 1990 to 1996, he was Controller and Administration Manager of Access Pharmaceuticals, Inc., a private Texas corporation. Previously, from 1989 to 1990, Mr. Thompson was Controller of Robert E. Woolley, Inc. a hotel real estate company where he was responsible for accounting, finances and investor relations. From 1985 to 1989, he was Controller of OKC Limited Partnership, an oil and gas company where he was responsible for accounting, finances and SEC reporting. Between 1975 and 1985 he held various accounting and finance positions with Santa Fe International Corporation.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock and Dividend Policy

Our common stock traded on the American Stock Exchange, or AMEX, from March 30, 2000 until January 31, 2006 under the trading symbol AKC. The following table sets forth, for the periods indicated, the high and low closing prices for our common stock as reported by AMEX for fiscal years 2005 and 2004. On February 1, 2006 we began trading on the "Pink Sheets" under the trading symbol AKCA.

	Common Stock	
	High	Low
Fiscal Year Ended December 31, 2005		
First quarter	$ 3.66	$ 2.20
Second quarter	3.01	1.76
Third quarter	1.99	0.56
Fourth quarter	1.73	0.52
Fiscal Year Ended December 31, 2004		
First quarter	$ 6.70	$ 5.01
Second quarter	8.00	5.25
Third quarter	6.55	2.25
Fourth quarter	5.90	2.81

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 30, 2006 was approximately 3,000. On March 30, 2006, the closing price for the common stock as quoted on the Pink Sheets was $0.29. There were 17,651,040 shares of common stock outstanding at March 30, 2006.

Recent Sales of Unregistered Securities

None

Equity Compensation Plan Information

The following table sets forth information as of December 31, 2005 about shares of Common Stock outstanding and available for issuance under our existing equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted-average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders			
2005 Equity Incentive Plan	250,000	1.09	450,000
1995 Stock Awards Plan	2,151,384	3.64	—
2001 Restricted Stock Plan	—	—	264,087
Equity compensation plans not approved by security holders			
2000 Special Stock Option Plan	500,000	2.50	—
Total	2,901,384	3.22	714,087

The 2000 Special Stock Option Plan

The 2000 Special Stock Option Plan (the "Special Plan") was adopted by the Board in October 2000. The Special Plan is a non-stockholder approved plan (as permitted under NASD rules and regulations applicable at the time of adoption by the Board). The Supplemental Plan is intended to be a broadly based plan within the meaning of NASD rules and regulations applicable at the time of adoption by the Board. The Special Plan is not intended to be an incentive stock option plan within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Special Plan allows for the issuance of up to 500,000 options to acquire the Company's stock all of which have been issued. The purpose of the Special Plan is to encourage ownership of Common Stock by employees, consultants, advisors and directors of the Company and its affiliates and to provide additional incentive for them to promote the success of the Company's business. The Special Plan provides for the grant of non-qualified stock options to employees (including officers, directors, advisors and consultants). The Special Plan will expire in October 2010, unless earlier terminated by the Board.

Issuer Purchases of Equity Securities

None

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

The following data has been derived from our audited consolidated financial statements and notes thereto appearing elsewhere in this Form 10-K and prior audited consolidated financial statements of Access and notes thereto. The data should be read in conjunction with the "Selected Financial Data" and Financial Statements and Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K.

	For the Year Ended December 31,				
	2005	2004	2003	2002	2001
Consolidated Statement of Operations and Comprehensive Loss Data:					
Total revenues	$ —	$ —	$ —	$ 89	$ —
Operating loss	(9,622)	(6,003)	(5,426)	(5,925)	(4,810)
Interest and miscellaneous income	100	226	279	594	1,451
Interest and other expense	(2,100)	(1,385)	(1,281)	(1,278)	(1,170)
Income tax benefit	4,067	—	—	—	—
Loss from continuing operations	(7,555)	(7,162)	(6,428)	(6,520)	(4,529)
Discontinued operations net of taxes $4,067 in 2005	5,855	(3,076)	(507)	(2,864)	(1,498)
Net loss	(1,700)	(10,238)	(6,935)	(9,384)	(6,027)
Common Stock Data:					
Net loss per basic and diluted common share	$ (0.10)	$ (0.68)	$ (0.52)	$ (0.72)	$ (0.47)
Weighted average basic and diluted common shares outstanding	16,187	15,162	13,267	13,104	12,857

	December 31,				
	2005	2004	2003	2002	2001
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short term investments	$ 474	$ 2,261	$ 2,587	$ 9,776	$ 20,126
Restricted cash	103	1,284	649	468	600
Total assets	7,213	11,090	11,811	19,487	25,487
Deferred revenue	173	1,199	1,184	1,199	508
Convertible notes, net of discount	7,636	13,530	13,530	13,530	13,530
Total liabilities	11,450	17,751	17,636	18,998	16,409
Total stockholders' equity (deficit)	(4,237)	(6,661)	(5,825)	489	9,078

(1) This data has been adjusted for discontinued operations and sales of assets. The discontinued operations relate to the sale of our oral care and dermatology business to Uluru, Inc. and the closing and sale of the our Australian laboratory described more fully in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

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 product candidates based upon our technologies in oncology and oral drug delivery.

Together with our subsidiaries, we have proprietary patents or rights to four drug delivery technology platforms:

- synthetic polymer targeted delivery,
- vitamin mediated targeted delivery,
- vitamin mediated oral delivery, and
- mucoadhesive liquid technology.

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, 2005, our accumulated deficit was $66,165,000.

Subsequent to the end of the period being reported on (December 31, 2005), the Company finalized an agreement with SCO and its affiliates. On February 16, 2006, we entered into a note and warrant purchase agreement pursuant to which it sold and issued an aggregate of $5,000,000 of 7.5% convertible notes due March 31, 2007 and warrants to purchase an aggregate of 19,318,184 shares of common stock of Access. Net proceeds to Access were $4.557 million. The notes and warrants were sold in a private placement to a group of accredited investors led by SCO (see further discussion under “Liquidity and Capital Resources”).

On October 12, 2005, we sold our oral care and dermatology business unit to Uluru, Inc, a private Delaware corporation, for up to $20.6 million to focus on our technologies in oncology and oral drug delivery. The products and technologies sold to Uluru include amlexanox 5% paste (marketed under the trade names Aphthasol® and Aptheal®), OraDisc™, Zindaclin® and Residerm® and all of our assets related to these products. In addition, we have licensed to Uluru our nanoparticle hydrogel aggregate technology which could be used for applications such as local drug delivery and tissue filler in dental and soft tissue applications. The CEO of Uluru is Kerry P. Gray, the former CEO of the Company. In conjunction with the sale transaction, we received a fairness opinion from a nationally recognized investment banking firm (see further discussion under “Liquidity and Capital Resources”).

In March 2005 we finalized an agreement with Cornell Capital Partners and Highgate House Funds providing funding in the form of a Secured Convertible Debenture for net proceeds of approximately $2,360,000 (which was paid in October 2005), and an Equity Distribution Agreement under which the Company can draw up to $15,000,000 in working capital over a 2-year period (see further discussion under “Liquidity and Capital Resources”).

On February 24, 2004 we closed a private placement sale of our common stock pursuant to which we sold 1,789,371 shares of our common stock at a per share price of $5.40. We received gross proceeds of $9,663,000 from this sale and had expenses of $615,000. The investors also received 5 year warrants at an exercise price of $7.10 per share to purchase 447,344 shares of our common stock and the placement agents received warrants in the offering at an exercise price of $5.40 per share to purchase 156,481 shares of our common stock.

Results of Operations

Comparison of Years Ended December 31, 2005 and 2004

Our total research spending for continuing operations for the year ended December 31, 2005 was $2,783,000, as compared to $2,335,000 in 2004, an increase of $448,000. The increase in expenses was the result of Phase II start-up costs including manufacturing and clinical costs for AP5346 polymer platinate clinical trials ($674,000) and other net costs ($20,000) offset by lower salary costs due to cutbacks in scientific staff ($246,000).

Our total general and administrative expenses were $4,638,000 for 2005, an increase of $1,439,000 over 2004 expenses of $3,199,000, due to:

- Expenses due to the separation agreement with our former CEO ($909,000);
- Professional fees for investment banking and financing decisions ($397,000);
- Higher legal fees due to changes in our convertible debt and legal fees associated with merger candidates ($161,000); and
- Royalty license fee ($150,000).

The increases in general and administrative expenses is offset by:

- Lower investor relations costs ($90,000);
- Lower patent expenses ($61,000); and
- Lower net other increases ($27,000).

Depreciation and amortization was $333,000 in 2005 as compared to $469,000 in 2004, a decrease of $136,000 due to the impairment of a license which is no longer effective ($109,000) plus lower depreciation.

In addition we wrote off our goodwill in 2005 of $1,868,000 following an impairment analysis.

Our loss from continuing operations in 2005 was $9,622,000 as compared to a loss of $6,003,000 in 2004.

Interest and miscellaneous income was $100,000 for 2005 as compared to $226,000 for 2004, a decrease of $126,000, relating to interest income due to lower cash balances in 2005 as compared with 2004.

Interest and miscellaneous expense was $2,100,000 for 2005 as compared to $1,385,000 for the same period in 2004, an increase of $715,000. The increase was due to repayment of the secured convertible notes and contractually accelerated interest and penalty and due to amortization of the discount on the extension of the convertible note.

Net loss for 2005 was $1,700,000, or a $0.10 basic and diluted loss per common share compared with a loss of $10,238,000, or a $0.68 basic and diluted loss per common share, for 2004.

Discontinued Operations

In October 2005 we sold our oral/topical care business to Uluru, Inc. for a gain of $12,891,000 less $4,067,000 tax expense and we closed down our Australian operations. The loss from discontinued operations of our oral/topical care business and our Australian operation was $2,969,000.

Our focus will be developing unique polymer linked cytotoxics for use in the treatment of cancer and other diseases states. Our lead product AP5346 is in Phase II clinical testing. The Company also has other advanced drug delivery technologies including vitamin-mediated targeted delivery and oral care drug delivery. We do not have any agreements which provide for near term revenues. Our expenses for salaries and rent are reduced from prior years. Our clinical development expenses may be higher than previous years.

Comparison of Years Ended December 31, 2004 and 2003

Our total research spending for continuing operations for the year ended December 31, 2004 was $2,335,000, as compared to $2,549,000 in 2003, a decrease of $214,000. The decrease in expenses was the result of lower costs for the AP5280 and AP5346 polymer platinate clinical trials ($374,000) of which the AP5280 trial was completed in 2003 and other net increases ($160,000).

Our total general and administrative expenses were $3,199,000 for 2004, an increase of $685,000 over 2003 expenses of $2,514,000, due to:

- higher professional fees and expenses ($339,000) principally due to increased accounting and legal fees associated with compliance with the Sarbanes-Oxley Act, new contracts and legal proceedings;
- higher business consulting expenses for new business development activities ($88,000);
- higher fees for a healthcare consultant review ($133,000);
- higher patent and license expenses ($51,000);
- higher salary and related expense ($63,000); and
- other net increases ($11,000).

Depreciation and amortization was $469,000 in 2004 as compared to $363,000 in 2003, an increase of $106,000 due to the impairment of a license which is no longer effective ($109,000) offset by lower depreciation ($3,000).

Our loss from continuing operations in 2004 was $6,003,000 as compared to a loss of $5,426,000 in 2003.

Interest and miscellaneous income was $226,000 for 2004 as compared to $279,000 for 2003, a decrease of $53,000. The decrease in interest income due to lower cash balances and lower interest rates in 2004 as compared with 2003.

Interest and miscellaneous expense was $1,385,000 for 2004 as compared to $1,281,000 for the same period in 2003, an increase of $104,000. The expense to record an impairment in investment $112,000 and the change in interest expense was $8,000.

The loss of our discontinued operations of our oral/topical care business and our Australian operation was $3,076,000 in 2004 and a loss of $507,000 in 2003, an increased loss of $2,569,000. The increased loss of $2,280,000, primarily miscellaneous income, was due to a one time payment in 2003 associated with a settlement agreement with Block Drug Company. The remainder of the loss was due to higher production and testing costs for Aphthasol® and OraDisc™ and higher expenses in the Australian operations.

Net loss for 2004 was $10,238,000, or a $0.68 basic and diluted loss per common share compared with a loss of $6,935,000, or a $0.52 basic and diluted loss per common share, for 2003.

Liquidity and Capital Resources

We have funded our operations primarily through private sales of common stock and convertible notes and our principal source of liquidity is cash and cash equivalents. Contract research payments, licensing fees and milestone payments from corporate alliances and mergers have also provided funding for operations. As of December 31, 2005 our cash and cash equivalents and short-term investments were $474,000 and our working capital was $1,345,000. Our working capital at December 31, 2005 represented an increase of $8,738,000 as compared to our working capital as of December 31, 2004 of $(7,393,000). The increase in working capital was due mainly to the pay-off of $4,015,000 of convertible notes, the restructuring and change in the maturity date, to April 28, 2007, of another $4,015,000 convertible note and the receipt of $8.7 million dollars from the sale of the oral/topical care assets to Uluru.

As of December 31, 2005, the Company did not have enough capital to achieve its near, medium or long-term goals. Subsequent to that date, the Company reached an agreement which management believes will provide sufficient capital to achieve its short-term goals, and depending upon results may provide sufficient capital to meet its long-term goals. As of March 30, 2006 the Company had cash and cash equivalents of approximately $3.6 million.

SCO Capital Partners LLC - Notes and Warrants

On February 16, 2006, we entered into a note and warrant purchase agreement pursuant to which we sold and issued an aggregate of $5,000,000 of 7.5% convertible notes due March 31, 2007 and warrants to purchase an aggregate of 19,318,184 shares of common stock of Access. Net proceeds to Access were $4.557 million. The notes and warrants were sold in a private placement to a group of accredited investors led by SCO and its affiliates.

The notes mature on March 31, 2007, are convertible into Access common stock at a fixed conversion rate of $0.22 per share, bear interest of 7.5% per annum and are secured by certain assets of Access. Each note may be converted at the option of the noteholder or Access under certain circumstances as set forth in the notes.

Each noteholder received a warrant to purchase a number of shares of common stock of Access equal to 75% of the total number shares of Access common stock into which such holder's note is convertible. Each warrant has an exercise price of $0.264 per share and is exercisable at any time prior to February 16, 2012. In the event SCO and its affiliates were to convert all of their notes and exercise all of their warrants, it would own approximately 72.7% of the voting securities of Access.

In connection with the sale and issuance of notes and warrants, Access entered into an investors rights agreement whereby it granted SCO the right to designate two individuals to serve on the Board of Directors of Access while the notes are outstanding, and also granted registration rights with respect to the shares of common stock of Access underlying the notes and warrants. SCO designated Jeffrey B. Davis and Mark J. Alvino to the Board of Directors, and on March 13, 2006 Messrs, Davis and Alvino were appointed to the Board of Directors.

Uluru, Inc. – Sale of Oral/Topical Care Assets

On October 12, 2005, we sold our oral care and dermatology business unit to Uluru, Inc, a private Delaware corporation, for up to $20.6 million to focus on our technologies in oncology and oral drug delivery. The products and technologies sold to Uluru include amlexanox 5% paste (marketed under the trade names Aphthasol® and Aptheal®), OraDisc™, Zindaclin® and Residerm® and all of our assets related to these products. In addition, we have licensed to Uluru our nanoparticle hydrogel aggregate technology which could be used for applications such as local drug delivery and tissue filler in dental and soft tissue applications. The CEO of Uluru is Kerry P. Gray, the former CEO of the Company. In conjunction with the sale transaction, we received a fairness opinion from a nationally recognized investment banking firm.

Uluru assumed eight employees of the Company, and five employees remained with Access after the sale transaction. Throughout a transition period agreed to by the parties, Uluru leased space from the Company at its Dallas, TX headquarters.

At the closing of this agreement we received $8.7 million. In addition, at the one year anniversary of the agreement we will receive $3.7, and we will receive an additional $1 million within 24 months after closing or earlier upon the achievement of a milestone. Any contingent liabilities that arise in the future relating to our former business could reduce the $3.7 million receipt. Additional payments of up to $7.2 million may be made upon the achievement of certain additional milestones.

The upfront payment of this transaction allowed Access to immediately retire our $2.6 million of Secured Convertible Notes held by Cornell Capital Partners and its affiliate and the various agreements relating to these notes. Such notes were secured by all of our assets. In addition, the elimination of the manufacturing and regulatory costs associated with the oral care business, as well as required employees for these marketed products and product candidates are expected to reduce our burn rate substantially.

Restructuring Convertible Notes

On November 9, 2005 we announced the restructuring and partial repayment of our 7.0% convertible promissory notes due September 13, 2005.

One holder of $4 million worth of convertible notes (Oracle Partners LP and related funds) agreed to amend their notes to a new maturity date, April 28, 2007, with the conversion price being reduced from $5.50 per share to $1.00 per share. In addition, the Company may cause a mandatory conversion of the notes into common stock if the common stock trades at a price of at least 1.5 times the conversion price for a minimum number of trading days.

There is also a provision to allow for a minimum price for conversion in the event of a change of control of the Company. This modification resulted in us recording additional debt discount of $2.1 million, which will be acreted to interest expense to the revised maturity date.

The Company was unable to reach a conversion agreement with the second holder of $4 million worth of notes (Philip D. Kaltenbacher), so settled his claim by paying him this amount plus expenses and interest as outlined in the terms of the note.

The third noteholder, holding $5.5 million worth of convertible notes agreed to amend its notes to a new maturity date, September 13, 2010 and elected to have the 2005 interest of $423,000 to be paid on September 13, 2006. The delayed interest will earn interest at a rate of 7.7%.

We do not have sufficient funds to repay our convertible notes at their maturity. We may not be able to restructure the convertible notes or obtain additional financing to repay them on terms acceptable to us, if at all. If we raise additional funds by selling equity securities, the relative equity ownership of our existing investors would be diluted and the new investors could obtain terms more favorable than previous investors. A failure to restructure our convertible notes or obtain additional funding to repay the convertible notes and support our working capital and operating requirements, could cause us to be in default of our convertible notes and prevent us from making expenditures that are needed to allow us to maintain our operations. A failure to restructure our existing convertible notes or obtain necessary additional capital in the future could jeopardize our operations.

Cornell Capital Partners Standby Equity Distribution Agreement and Securities Purchase Agreement

On March 30, 2005 the Company executed a Standby Equity Distribution Agreement (SEDA) with Cornell Capital Partners. Under the SEDA, the Company may issue and sell to Cornell Capital Partners common stock for a total purchase price of up to $15,000,000. The purchase price for the shares is equal to their market price, which is defined in the SEDA as 98% of the lowest volume weighted average price of the common stock during a specified period of trading days following the date notice is given by the Company that it desires to access the SEDA. Further, we agreed to pay Cornell Capital Partners 3.5% of the proceeds that we receive under the Equity Line of Credit. The amount of each draw down is subject to a maximum amount of $1,000,000. The terms of the SEDA do not allow us to make draw downs if the draw down would cause Cornell Capital to own in excess of 9.9% of our outstanding shares of common stock. Upon closing of the transaction, Cornell Capital Partners received a one-time commitment fee of 146,500 shares of the our common stock. On the same date, the Company entered into a Placement Agent Agreement with Newbridge Securities Corporation, a registered broker-dealer. Pursuant to the Placement Agent Agreement, upon closing of the transaction the Company paid a one-time placement agent fee of 3,500 shares of common stock. The shares issued were valued at $500,000 and recorded as Debt issuance costs and such costs are amortized as the SEDA is accessed. As of December 31, 2005 we have accessed $600,000 of the SEDA and $20,000 of the Debt issuance costs were charged to additional paid-in capital. The Company currently cannot access the SEDA until a post-effective amendment to our registration statement is filed with, and declared effective by, the SEC. The SEDA can be accessed through March 30, 2007.

In addition, on March 30, 2005, the Company executed a Securities Purchase Agreement with Cornell Capital Partners and Highgate House Funds. Under the Securities Purchase Agreement, Cornell Capital Partners and Highgate House Funds purchased an aggregate of $2,633,000 principal amount of Secured Convertible Debentures from the Company (net proceeds to the Company of $2,360,000). The Secured Convertible Debentures accrue interest at a rate of 7% per year and were to mature 12 months from the issuance date with scheduled monthly repayment commencing on November 1, 2005 to the extent that the Secured Convertible Debenture had not been converted to common stock. The Secured Convertible Debenture was convertible into the Company's common stock at the holder's option any time up to maturity at a conversion price equal to $4.00. The Secured Convertible Debentures were secured by all of the assets of the Company. The Company had the right to redeem the Secured Convertible Debentures upon 3 business days notice for 110% of the amount redeemed. Pursuant to the Securities Purchase Agreement, the Company issued to the holders an aggregate of 50,000 shares of common stock of the Company. The Secured Convertible Notes were paid in full on October 12, 2005 in conjunction with the sale of our oral care assets.

We have generally incurred negative cash flows from operations since inception, and have expended, and expect to continue to expend in the future, substantial funds to complete our planned product development efforts. Since inception, our expenses have significantly exceeded revenues, resulting in an accumulated deficit as of December 31, 2005 of $66,165,000. We expect that our capital resources as of March 31, 2006, together with receivables due from Uluru, Inc. will be adequate to fund our current level of operations for twelve months excluding any obligation to repay the convertible notes and the debt service on the convertible notes**.** We cannot assure you that

we will ever be able to generate significant product revenue or achieve or sustain profitability. We currently do not have the cash resources to repay our Convertible Notes due in March and April 2007. Our financing plan through the sales of equity or use of the SEDA are expected to provide the resources to repay such notes. At this time the Company will not be able to access the SEDA until a post-effective amendment to our registration statement is filed with, and declared effective by, the SEC.

We plan to expend substantial funds to conduct research and development programs, preclinical studies and clinical trials of potential products, including research and development with respect to our acquired and developed technology. Our future capital requirements and adequacy of available funds will depend on many factors, including:

- the successful commercialization of AP5346 and our other product candidates;
- the ability to convert, repay or restructure our outstanding convertible notes and debentures;
- the ability to establish and maintain collaborative arrangements with corporate partners for the research, development and commercialization of products;
- 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;
- the costs involved in conducting clinical trials;
- competing technological developments;
- the cost of manufacturing and scale-up;
- the ability to establish and maintain effective commercialization arrangements and activities; and
- successful regulatory filings.

We have devoted substantially all of our efforts and resources to research and development conducted on our own behalf. The following table summarizes research and development spending by project category (in thousands), which spending includes, but is not limited to, payroll and personnel expense, lab supplies, preclinical expense, development cost, clinical trial expense, outside manufacturing expense and consulting expense:

Project	Twelve Months ended December 31, 2005	2004	Inception To Date (1)
Polymer Platinate (AP5280 and AP5346)	$ 2,653	$ 2,177	$ 17,611
Mucoadhesive Liquid Technology (MLT)	—	51	1,480
Others (2)	130	107	5,044
Total	$ 2,783	$ 2,335	$ 24,135

(1) Cumulative spending from inception of the Company or project through December 31, 2005.
(2) The following projects are among the ones included in this line item: Vitamin Mediated Targeted Delivery, carbohydrate targeting, amlexanox cream and gel and other related projects.

Due to uncertainties and certain of the risk factors described above, including those relating to our ability to successfully commercialize our drug candidates, our ability to obtain necessary additional capital to fund operations in the future, our ability to successfully manufacture our products and our product candidates in clinical quantities or for commercial purposes, government regulation to which we are subject, the uncertainty associated with preclinical and clinical testing, intense competition that we face, market acceptance of our products and protection of our intellectual property, it is not possible to reliably predict future spending or time to completion by project or product category or the period in which material net cash inflows from significant projects are expected to commence. If we are unable to timely complete a particular project, our research and development efforts could be delayed or reduced, our business could suffer depending on the significance of the project and we might need to raise additional capital to fund operations, as discussed in the risk factors above, including without limitation those relating to the uncertainty of the success of our research and development activities and our ability to obtain necessary additional capital to fund operations in the future. As discussed in such risk factors, delays in our research and development efforts and any inability to raise additional funds could cause us to eliminate one or more of our research and development programs.

We plan to continue our policy of investing any available funds in certificates of deposit, money market funds, government securities and investment-grade interest-bearing securities. We do not invest in derivative financial instruments.

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United State of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. In applying our accounting principles, we must often make individual estimates and assumptions regarding expected outcomes or uncertainties. As you might expect, the actual results or outcomes are often different than the estimated or assumed amounts. These differences are usually minor and are included in our consolidated financial statements as soon as they are known. Our estimates, judgments and assumptions are continually evaluated based on available information and experience. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Receivables

Due to our sale of assets in October 2005 we have $4.7 million in receivables due from Uluru, Inc. The receivables at December 31, 2005 are $4.3 million reflecting their net present value. Management believes that the receivables are collectible.

Asset Impairment

On January 1, 2002, we adopted SFAS 142, *"Goodwill and Other Intangible Assets."* Upon adoption, we performed a transitional impairment test on our recorded intangible assets that consisted primarily of acquisition related goodwill and license intangibles. We also performed an annual impairment test in the fourth quarter of 2005. The

analysis compared the Company's market capitalization with net asset value resulting in an impairment charge in 2005 of $1,868,000.

Our intangible assets at December 31, 2005 consist primarily of patents acquired in acquisitions and licenses which were recorded at fair value on the acquisition date. We perform an impairment test at least on an annual basis or when indications of impairment exist. At December 31, 2005, management believes no impairment of our intangible assets exists.

Based on an assessment of our accounting policies and underlying judgments and uncertainties affecting the application of those policies, we believe that our consolidated financial statements provide a meaningful and fair perspective of us. We do not suggest that other general factors, such as those discussed elsewhere in this report, could not adversely impact our consolidated financial position, results of operations or cash flows. The impairment tests involve judgment on the part of management as to the value of goodwill, licenses and intangibles.

Recent Accounting Pronuncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123(R), *Share-Based Payment* (SFAS 123(R)), which requires companies to measure and recognize compensation expense for all stock-based payments at fair value. In April 2005, the SEC postponed the effective date of SFAS 123(R) until the fiscal year beginning after June 15, 2005. In March 2005, the SEC staff issued guidance on SFAS 123(R). Staff Accounting Bulletin No. 107 ("SAB 107") was issued to assist preparers by simplifying some of the implementation challenges of SFAS 123(R) while enhancing the information that investors receive. The Company will apply the principles of SAB 107 in conjunction with its adoption of SFAS 123(R). The Company will adopt SFAS 123R in the first quarter of 2006. Management estimates that the Company's net loss for 2006 will increase by approximately $153,000 due to non-cash stock compensation in accordance with SFAS 123(R), which excludes any grants in 2006 which have not been approved. However, management expects that actual results may differ due to differences and changes in components of the calculation during the 2006 fiscal year. See Note 1 for information related to the pro forma effects on the Company's reported net loss and net loss per common share of applying the fair value recognition provisions of the previous SFAS 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

Off-Balance Sheet Transactions

None

Contractual Obligations

The Company's contractual obligations as of December 31, 2005 are set forth below.

	Payment Due by Period		
	Total	Less Than 1 Year	1-3 Years
Long-Term Debt Obligations	$ 9,515,000	$ —	$ 9,515,000
Interest	2,645,000	1,189,000	1,456,000
Lease Obligations	3,000	3,000	—
Total	$ 12,163,000	$ 1,192,000	$ 10,971,000

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We invest any excess cash in certificates of deposit, corporate securities with high quality ratings, and U.S. government securities. These investments are not held for trading or other speculative purposes. These financial investment securities all mature in 2006 and their estimated fair value approximates cost. Changes in interest rates affect the investment income we earn on our investments and, therefore, impact our cash flows and results of operations. A hypothetical 50 basis point decrease in interest rates would result in a decrease in annual interest income and a corresponding increase in net loss of approximately $1,000. The estimated effect assumes no changes in our short-term investments from December 31, 2005. We do not believe that we are exposed to any market risks, as defined. We are not exposed to risks for changes in commodity prices, or any other market risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements required by this Item are incorporated in this Form 10-K on pages F-1 through F-20. Reference is made to Item 15 of this Form -10-K.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a — 15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this annual report. Based on this evaluation, our management, including our Chief Executive Officer and our Chief Financial Officer, concluded that, as of December 31, 2005, our disclosure controls and procedures were not effective for the reasons discussed below to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Our independent registered public accounting firm has communicated to our audit committee two material weaknesses regarding our internal controls over financial reporting.

- A material weakness with respect to the inadequacy of staffing in our financial reporting function that resulted in our inability to record, process, summarize and report within the time periods specified in the Securities and Exchange Commission's rules and forms. This material weakness resulted in adjustments to our financial statements for the year ended December 31, 2005, relating to the accounting for debt modifications and the accounting for and presentation of discontinued operations.
- A material weakness relating to the lack of segregation of duties over the initiation, authorization, recording and reporting of transactions and the preparation and review of financial statements. This material weakness did not result in audit adjustments for the year ended December 31, 2005, but could result in audit adjustments in future periods.

(b) Management's annual report on internal control over financial reporting.

Not applicable.

(c) Attestation report of the Independent Registered Public Accounting Firm.

Not applicable.

(d) Changes in Internal Control over Financial Reporting

For the quarter ended December 31, 2005, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(e) Management's disclosure on remediation.

Management is taking the necessary steps to correct the two material weaknesses discussed above. Management is hiring a staff accountant to prepare financial statements and add a level to the segreation of duties. We beleive that these actions will make our disclosure controls and procedures effective.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Reports of Beneficial Ownership. The information required by this item with respect to directors (including with respect to the audit committee of our Board of Directors) and reports of beneficial ownership will be contained in our definitive Proxy Statement ("Proxy Statement") for our 2006 Annual Meeting of Stockholders to be held on May 18, 2006 and is incorporated herein by reference. We will file the Proxy Statement with the Securities and Exchange Commission not later than May 1, 2006 (or will file an amendment to this Form 10-K to include such information).

Code of Ethics. We have adopted a Code of Business Conduct and Ethics (the "Code") that applies to all of our employees (including executive officers) and directors. The Code is available on our website at www.accesspharma.com under the heading "Investor Information". We intend to satisfy the disclosure requirement regarding any waiver of a provision of the Code applicable to any executive officer or director, by posting such information on such website. Access shall provide to any person without charge, upon request, a copy of the Code. Any such request must be made in writing to Access, c/o Investor Relations, 2600 Stemmons Freeway, Suite 176, Dallas, TX 75207.

Our corporate governance guidelines and the charters of the audit committee, compensation committee and nominating and corporate governance committee of the Board of Directors are available on our website at www.accesspharma.com under the heading "Investor Information". Access shall provide to any person without charge, upon request, a copy of any of the foregoing materials. Any such request must be made in writing to Access, c/o Investor Relations, 2600 Stemmons Freeway, Suite 176, Dallas, TX 75207.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be contained in the Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will be contained in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be contained in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

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

Report of Registered Independent Public Accounting Firm
Consolidated Balance Sheets at December 31, 2005 and 2004
Consolidated Statements of Operations and Comprehensive Loss for 2005, 2004 and 2003
Consolidated Statements of Stockholders' Equity (Deficit) for 2005, 2004 and 2003
Consolidated Statements of Cash Flows for 2005, 2004 and 2003
Notes to Consolidated Financial Statements

b. 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.

c. 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)
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)
3.8	Certificate of Amendment of Certificate of Incorporation filed July 31, 2000. (Incorporated by reference to Exhibit 3.8 of our Form 10-Q for the quarter ended March 31, 2001)
3.9	Certificate of Designations of Series A Junior Participating Preferred Stock filed November 7, 2001 (Incorporated by reference to Exhibit 4.1.h of our Registration Statement on Form S-8, dated December 14, 2001, Commission File No. 333-75136)
10.0	Material contracts:
*10.1	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)
10.2	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)

Exhibit Number

10.3	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)
*10.4	Employment Agreement of David P. Nowotnik, PhD (Incorporated by reference to Exhibit 10.19 of our Form 10-K for the year ended December 31, 1999)
*10.5	401(k) Plan (Incorporated by reference to Exhibit 10.20 of our Form 10K for the year ended December 31, 1999)
*10.6	2000 Special Stock Option Plan and Agreement (Incorporated by reference to Exhibit 10.24 of our Form 10-Q for the quarter ended September 30, 2000)
10.7	Form of Convertible Note (Incorporated by reference to Exhibit 10.24 of our Form 10-Q for the quarter ended September 30, 2000)
10.8	Supplemental Lease Agreement between Pollock Realty Corporation and us dated February 9, 2002. (Incorporated by reference to Exhibit 10.19 of our Form 10-Q for the quarter ended June 30, 2002)
10.9	Rights Agreement, dated as of October 31, 2001 between the Registrant and American Stock Transfer & Trust Company, as Rights Agent (incorporated by reference to Exhibit 99.1 of our Current Report on Form 8-K dated October 19, 2001)
*10.10	2001 Restricted Stock Plan (incorporated by reference to Appendix A of our Proxy Statement filed on April 16, 2001)
10.11	Supplemental Lease Agreement between Pollock Realty Corporation and us dated September 15, 2002. (Incorporated by reference to Exhibit 10.24 of our Form 10-K for the year ended December 31, 2001)
10.12	Amendment to 1995 Stock Option Plan (Incorporated by reference to Exhibit 10.25 of our Form 10-K for the year ended December 31, 2001)
10.13	2005 Equity Incentive Plan (incorporated by reference to Exhibit 1 of our Proxy Statement filed on April 18, 2005
10.14	Standby Equity Distribution Agreement, dated as of March 30, 2005 by and between us and Cornell Capital Partners, LP (Incorporated by reference to Exhibit 10.27 of our Form 10-Q for the quarter ended March 31, 2005)
10.15	Securities Purchase Agreement, dated a of March 30, 2005 by and between us and Buyers (Incorporated by reference to Exhibit 10.28 of our Form 10-Q for the quarter ended March 31, 2005)
10.16	Secured Convertible Notes dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.29 of our Form 10-Q for the quarter ended March 31, 2005)
10.17	Investor Rights Agreement dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.30 of our Form 10-Q for the quarter ended March 31, 2005)
10.18	Security Agreement dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.31 of our Form 10-Q for the quarter ended March 31, 2005)
10.19	Pledge and Escrow Agreement dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.32 of our Form 10-Q for the quarter ended March 31, 2005)
10.20	Escrow Agreement dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.33 of our Form 10-Q for the quarter ended March 31, 2005)
10.21	Registration Rights Agreement dated as of March 30, 2005 (Incorporated by reference to Exhibit 10.33 of our Form 10-Q for the quarter ended March 31, 2005)
10.22	Separation Agreement, dated as of May 10, 2005 by and between us and Kerry P. Gray
*10.23	Letter Agreement, dated as of May 11, 2005 by and between us and Dr. Rosemary Mazanet
*10.24	Employment Agreement, dated as of June 1, 2005 by and between us and Stephen B. Thompson
10.25	Sale Agreement, dated as of October 12, 2005, by and between us and Uluru, Inc.
10.26	License Agreement, dated as of October 12, 2005, by and between us and Uluru, Inc.
10.27	Rights Agreement, as amended, dated as of October 31, 2005 between the Registrant and American Stock Transfer &

	Trust Company, as Rights Agent
10.28	Amendment to 7% (Subject to Adjustment) Convertible Promissory Notes Due September 13, 2005, dated as of November 3, 2005, by and between us and Oracle Partners LP, Oracle Institutional Holders LP, SAM Oracle Investments Inc. and Oracle Offshore Ltd.

21	Subsidiaries of the registrant
23	Consent of Grant Thornton LLP
31.1	Chief Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Chief Executive Officer Certification Chief Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management contract or compensatory plan required to be filed as an Exhibit to this Form pursuant to Item 15(c) of the report.

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 April 25, 2006 By: /s/ Rosemary Mazanet
Rosemary Mazanet, M.D., Ph.D.
acting Chief Executive Officer

Date April 25, 2006 By: /s/ Stephen B. Thompson
Stephen B. Thompson
Vice President, Chief Financial Officer
and Treasurer

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 April 25, 2006 By: /s/ Rosemary Mazanet
Rosemary Mazanet, M.D., Ph.D.
acting Chief Executive Officer

Date April 25, 2006 By: /s/ Mark J. Alvino
Mark J. Alvino, Director

Date April 25, 2006 By: /s/ Jeffrey B. Davis
Jeffrey B. Davis, Director

Date April 25, 2006 By: /s/ Stuart M. Duty
Stuart M. Duty, Director

Date April 25, 2006 By: /s/ J. Michael Flinn
J. Michael Flinn, Director

Date April 25, 2006 By: /s/ Stephen B. Howell
Stephen B. Howell, Director

Date April 25, 2006 By: /s/ Max Link
Max Link, Director

Date April 25, 2006 By: /s/ Herbert H. McDade, Jr.
Herbert H. McDade, Jr., Director

Date April 25, 2006 By: /s/ John J. Meakem
John J. Meakem, Jr., Director

Report of Independent Registered Public Accounting Firm

Board of Directors and
Shareholders of Access Pharmaceuticals, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Access Pharmaceuticals, Inc. (the "Company"), as of December 31, 2005 and 2004, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three years in the period ended December 31, 2005. These 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.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Access Pharmaceuticals, Inc., as of December 31, 2005 and 2004, and the results of their consolidated operations and their consolidated cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements the Company has incurred significant losses in each of the three years in the period ended December 31, 2005 in the amounts of $1.7 million, $10.2 million, and $6.9 million, respectively; the Company's total liabilities exceeded its total assets by $4.2 million at December 31, 2005; and, its operating cash flows were negative $7.3 million and negative $8.4 million for the years ended December 31, 2005 and 2004, respectively. These matters, among others described in Note 2, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Grant Thornton LLP
Dallas, Texas
April 25, 2006

Access Pharmaceuticals, Inc. and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	$ 349,000	$ 1,775,000
Short term investments, at cost	125,000	486,000
Receivables	4,488,000	77,000
Inventory	—	—
Prepaid expenses and other current assets	197,000	822,000
Total current assets	5,159,000	3,160,000
Assets relating to discontinued operations	—	2,974,000
Property and equipment, net	300,000	464,000
Debt issuance costs, net	—	130,000
Patents, net	1,046,000	1,214,000

Licenses, net	75,000	125,000
Goodwill, net	—	1,868,000
Restricted cash and other assets	633,000	1,155,000
Total assets	$ 7,213,000	$ 11,090,000
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued expenses	$ 2,883,000	$ 1,728,000
Accrued interest payable	652,000	311,000
Deferred revenues	173,000	173,000
Current portion of long term debt	106,000	8,341,000
Total current liabilities	3,814,000	10,553,000
Liabilities relating to discontinued operations	—	1,595,000
Long-term debt, net of discount $1,879,000 in 2005	7,636,000	5,603,000
Total liabilities	11,450,000	17,751,000
Commitments and contingencies		
Stockholders' deficit		
Preferred stock - $.01 par value; authorized 2,000,000 shares; none issued or outstanding	—	—
Common stock - $.01 par value; authorized 50,000,000 shares; issued, 17,640,540 at December 31, 2005 and 15,524,734 at December 31, 2004	176,000	155,000
Additional paid-in capital	62,801,000	59,010,000
Notes receivable from stockholders	(1,045,000)	(1,045,000)
Unamortized value of restricted stock grants	—	(309,000)
Treasury stock, at cost – 819 shares	(4,000)	(4,000)
Accumulated other comprehensive loss	—	(3,000)
Accumulated deficit	(66,165,000)	(64,465,000)
Total stockholders' deficit	(4,237,000)	(6,661,000)
Total liabilities and stockholders' deficit	$ 7,213,000	$ 11,090,000

The accompanying notes are an integral part of these statements.

Access Pharmaceuticals, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year ended December 31,		
	2005	2004	2003
Expenses			
Research and development	$ 2,783,000	$ 2,335,000	$ 2,549,000
General and administrative	4,638,000	3,199,000	2,514,000
Depreciation and amortization	333,000	469,000	363,000
Write off of goodwill	1,868,000	—	—
Total expenses	9,622,000	6,003,000	5,426,000
Loss from operations	(9,622,000)	(6,003,000)	(5,426,000)
Interest and miscellaneous income	100,000	226,000	279,000
Interest and other expense	(2,100,000)	(1,385,000)	(1,281,000)
	(2,000,000)	(1,159,000)	(1,002,000
Loss from operations before tax benefit	(11,622,000)	(7,162,000)	(6,428,000)
Income tax benefit	4,067,000	—	—
Loss from operations	(7,555,000)	(7,162,000)	(6,428,000)
Discontinued operations, net of taxes of $4,067,000 in 2005	5,855,000	(3,076,000)	(507,000)

Net loss	$ (1,700,000)	$ (10,238,000)	$ (6,935,000)
Basic and diluted loss per common share			
Loss from continuing operations allocable to common stockholders	$ (0.46)	$ (0.48)	$ (0.48)
Discontinued operations	0.36	(0.20)	(0.04)
Net income allocable to common stockholders	$ (0.10)	$ (0.68)	$ (0.52)
Weighted average basic and diluted common shares outstanding	16,187,440	15,162,256	13,266,733
Net loss	$ (1,700,000)	$ (10,238,000)	$ (6,935,000)
Other comprehensive loss		—	—
Foreign currency translation adjustment	3,000	(17,000)	28,000
Comprehensive loss	$ (1,697,000)	$ (10,255,000)	$ (6,907,000)

The accompanying notes are an integral part of these statements.

Access Pharmaceuticals, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Additional paid-in capital	Notes receivable from stockholders	Unamortized value of restricted stock grants	Treasury stock	Accumulated other comprehensive income (loss)	Accumulated deficit
	Shares	Amount						
Balance, January 1, 2003	13,159,000	$ 132,000	$ 48,989,000	$ (1,045,000)	$ (277,000)	$ (4,000)	$ (14,000)	$ (47,292,000)
Common stock issued for cash exercise of warrants and options	103,000	1,000	266,000	—	—	—	—	—
Common stock issued for cashless exercise of warrants	80,000	1,000	(1,000)	—	—	—	—	—
Warrants issued	—	—	233,000	—	—	—	—	—
Issuance of restricted stock grants	55,000	—	110,000	—	(111,000)	—	—	—
Other comprehensive income	—	—	—	—	—	—	28,000	—
Amortization of restricted stock grants	—	—	—	—	94,000	—	—	—
Net loss	—	—	—	—	—	—	—	(6,935,000)
Balance, December 31, 2003	13,397,000	134,000	49,597,000	(1,045,000)	(294,000)	(4,000)	14,000	(54,227,000)
Common stock issued for cash, net of offering costs	1,789,000	18,000	8,998,000	—	—	—	—	—
Common stock issued for cash exercise of warrants and options	117,000	1,000	282,000	—	—	—	—	—
Common stock issued for cashless exercise of warrants	210,000	2,000	(2,000)	—	—	—	—	—
Issuance of restricted stock grants	12,000	—	135,000	—	(135,000)	—	—	—
Other comprehensive loss	—	—	—	—	—	—	(17,000)	—
Amortization of restricted stock grants	—	—	—	—	120,000	—	—	—
Net loss	—	—	—	—	—	—	—	(10,238,000)
Balance, December 31, 2004	15,525,000	155,000	59,010 000	(1,045,000)	(309,000)	(4,000)	(3,000)	(64,465,000)
Common stock issued, net of offering costs	1,184,000	12,000	1,109,000	—	—	—	—	—
Common stock issued for payment of interest	951,000	9,000	609,000	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	—	3,000	—
Discount on convertible note extension	—	—	2,109,000	—	—	—	—	—
Amortization and forfeiture of restricted stock grants	(19,000)	—	(36,000)	—	309,000	—	—	—
Net loss	—	—	—	—	—	—	—	(1,700,000)
Balance, December 31, 2005	17,641,000	176,000	62,801,000	(1,045,000)	—	(4,000)	—	(66,165,000)

The accompanying notes are an integral part of these statements.

Access Pharmaceuticals, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2005	2004	2003
Cash flows from operating activities:			

Net loss	$ (1,700,000)	$ (10,238,000)	$ (6,935,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Warrants issued in payment of consulting expenses	—	—	57,000
Loss on sale Australia assets	208,000	—	—
Impairment of investment	—	112,000	—
Write off of goodwill	1,868,000	—	—
Amortization of restricted stock grants	309,000	120,000	94,000
Stock issued for compensation	42,000	—	—
Stock issued for interest	618,000	—	—
Depreciation and amortization	570,000	773,000	621,000
Amortization of debt costs and discounts	695,000	183,000	183,000
Gain on sale of assets	(12,891,000)	—	—
Change in operating assets and liabilities:			
Receivables	622,000	358,000	47,000
Inventory	104,000	60,000	353,000
Prepaid expenses and other current assets	817,000	(195,000)	130,000
Accounts payable and accrued expenses	490,000	401,000	(689,000)
Accrued interest payable	341,000	—	—
Deferred revenues	606,000	15,000	(15,000)
Net cash used in operating activities	(7,301,000)	(8,411,000)	(6,154,000)
Cash flows from investing activities:			
Capital expenditures	(28,000)	(221,000)	(336,000)
Proceeds from sale of equipment	335,000	—	—
Proceeds from sale of patents	974,000	—	—
Proceeds from sale of oral/topical care assets	7,391,000	—	—
Restricted cash and other assets	684,000	(666,000)	(209,000)
Redemptions of short-term investments and certificates of deposit, net	361,000	1,374,000	6,472,000
Net cash provided by investing activities	9,717,000	487,000	5,927,000
Cash flows from financing activities:			
Payments of notes payable	(407,000)	(310,000)	(784,000)
Payment of secured notes payable and convertible notes	(6,648,000)	—	—
Proceeds from secured notes payable	2,633,000	—	—
Proceeds from stock issuances, net of costs	577,000	9,299,000	266,000
Net cash provided by (used in) financing activities	(3,845,000)	8,989,000	(518,000)
Net increase (decrease) in cash and cash equivalents	(1,429,000)	1,065,000	(745,000)
Effect of exchange rate changes on cash and cash equivalents	3,000	(17,000)	28,000
Cash and cash equivalents at beginning of year	1,775,000	727,000	1,444,000
Cash and cash equivalents at end of year	$ 349,000	$ 1,775,000	$ 727,000
Cash paid for interest	*$ 445,000*	*$ 1,073,000*	*$ 1,281,000*
Supplemental disclosure of noncash transactions			
Value of restricted stock grants	—	*135,000*	*111,000*
Assets acquired under capital leases	—	*59,000*	*126,000*
Common stock issued for SEDA and Secured Convertible Notes	*502,000*	—	—
Discount on convertible note extension	*2,109,000*	—	—

The accompanying notes are an integral part of these statements.

Access Pharmaceuticals, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Three years ended December 31, 2005

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

Nature of Operations

Access Pharmaceuticals, Inc. is an 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. Our 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 intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

We consider all highly liquid instruments purchased with a 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, money market funds and short-term corporate securities. We invest any excess cash in government and corporate securities. All other investments are reported as short-term investments.

Short-term Investments

Short-term investments consist of certificates of deposit. All short term investments are classified as held to maturity. The cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is included in interest income. The cost of securities sold is based on the specific identification method.

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.

Research and Development Expenses

Pursuant to SFAS No. 2, *"Accounting for Research and Development Costs,"* our research and development costs are expensed as incurred. Research and development expenses include, but are not limited to, payroll and personnel expense, lab supplies, preclinical, development cost, clinical trial expense, outside manufacturing and consulting. The cost of materials and equipment or facilities that are acquired for research and development activities and that have alternative future uses are capitalized when acquired.

Income Taxes

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. A valuation allowance is provided for deferred tax assets to the extent their realization is in doubt.

Loss 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. Potential common shares result from stock options, vesting of restricted stock grants, convertible notes and warrants. However, for all years presented, all outstanding stock options, restricted stock grants, convertible notes and warrants are anti-dilutive due to the losses for the periods. If not for the losses, 6,754,325, 5,405,045 and 5,570,611 shares would have been included in the diluted per share computation in 2005, 2004 and 2003, respectively.

Exchange Rate Translation

For international operations, local currencies have been determined to be the functional currencies. We translate assets and liabilities to their U.S. dollar equivalents at rates in effect at the balance sheet date and record translation adjustments in *Shareholders' equity*. We translate statement of income accounts at average rates for the period. Transaction adjustments are recorded in *Other (income)/expense*.

Because we closed our Australian operations in 2005, $44,000 of foreign currency translation adjustment was included as a component of discontinued operations in 2005.

Restricted Cash

Restricted cash is cash that is or may be committed for a particular purpose. We have restricted cash in 2005 as collateral for a note payable of $103,000; in 2004 we had restricted cash of $839,000 for a deferred license agreement, $233,000 as collateral for a note payable and $213,000 for rent guarantees for a manufacturing agreement and laboratory rent.

Intangible Assets

We expense internal 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. Purchased patents are capitalized and amortized over the life of the patent. We recognize the purchase cost of licenses and amortize them over their estimated useful lives.

The Company operates in a single segment. In 2005, the Company wrote off its goodwill as determined by comparing the Company's market capitalization with its net asset value resulting in an impairment charge of $1,868,000. In 2005, the Company sold one of its patents for $974,000 and the Company believes the fair value of the remaining patent based on discounted cash flow analysis exceeds the carry values. In 2004, the Company determined that one of its licenses was no longer useful for its current business focus and expensed $109,000 for the license net of amortization and royalty payable.

Intangible assets consist of the following (in thousands):

	December 31, 2005		December 31, 2004		December 31, 2003	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated amortization
Amortizable intangible assets						
Patents	$ 1,680	$ 634	$ 3,179	$ 864	$ 3,179	$ 527
Licenses	500	425	500	375	830	463
Total	$ 2,180	$ 1,059	$ 3,679	$ 1,239	$ 4,009	$ 990
Intangible assets not subject to amortization Goodwill	$ —	$ —	$ 2,464	$ 596	$ 2,464	$ 596

Amortization expense related to intangible assets totaled $345,000, $420,000 and $421,000 for the years ended December 31, 2005, 2004 and 2003, respectively. The aggregate estimated amortization expense for intangible assets remaining as of December 31, 2005 is as follows (in thousands):

2006	$ 218
2007	193
2008	168
2009	168
2010	168
Thereafter	206
Total	$ 1,121

Stock-Based Compensation

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. Compensation expense is recorded only if the current market price of the underlying stock exceeds the exercise price on the date of grant. We have 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.

At December 31, 2005 we had two stock-based employee compensation plans, which are described more fully in Note 10. No stock-based employee compensation cost is reflected in net loss, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net loss and net loss per share if we had applied the fair value recognition provisions of SFAS 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation.

	December 31,		
	2005	2004	2003
Net loss			
As reported	$ (1,700,000)	$ (10,238,000)	$ (6,935,000)
Pro forma stock option expense	(750,000)	(738,000)	(1,232,000)
Pro forma	(2,450,000)	(10,976,000)	(8,167,000)
Basic and diluted loss per share			
As reported	$ (0.10)	$ (.68)	$ (.52)
Pro forma stock option expense	(0.06)	(.05)	(.09)
Pro forma	$ (0.16)	$ (.73)	$ (.61)

The effect of our outstanding options and warrants are anti-dilutive when we have a net loss. The fully diluted shares are:

	December 31,		
	2005	2004	2003
Fully diluted shares	22,941,765	20,567,301	18,837,344

Stock compensation expense for options granted to nonemployees has been determined in accordance with SFAS 123 and EITF 96-18, *"Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services,"* as the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured.

Recent Accounting Pronouncement

On December 16, 2004, the FASB issued FAS 123R, *"Share-Based Payment — An Amendment of FASB Statements No. 123 and 95"*, (FAS 123R) which is effective for public companies at the beginning of their first fiscal year that begins after June 15, 2005. We will be required to implement the proposed standard on January 1, 2006. We intend to apply the modified prospective basis to adopt this standard. FAS 123R addresses the accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. FAS 123R would eliminate the ability to account for share-based compensation transactions using APB 25, and generally would require instead that such transactions be accounted for using a fair-value based method. Companies will be required to recognize an expense for compensation cost related to share-based payment arrangements including stock options and employee stock purchase plans. We expect to recognize $153,000 in stock based compensation in 2006 resulting from the adoption of FAS 123R.

Use of Estimates

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

We tested intangible assets for impairment based on estimates of fair value. It is at least reasonably possible that the estimates used by us will be materially different from actual amounts. These differences could result in the impairment of all or a portion of our intangible assets, which could have a materially adverse effect on our results of operations.

Fair Value of Financial Instruments

The carrying value of cash, cash equivalents, short-term investments and accounts payable approximates fair value due to the short maturity of these items. It is not practical to estimate the fair value of the Company's note receivable from Uluru, Inc. and long-term debt because quoted market prices do not exist and there were no available securities with similar terms to use as a basis to value these instruments.

NOTE 2 – LIQUIDITY

The Company incurred significant losses from continuing operations of $7.6 million for the year ended December 31, 2005 and $7.2 million for the year ended December 31, 2004. Additionally, at December 31, 2005, we have working capital of $1.3 million. As of December 31, 2005, we did not have sufficient funds to repay our convertible notes at their maturity and support our working capital and operating requirements. As described below, in February 2006, we entered into financing arrangements and together with amounts due to us in October from the sale of our oral/topical care business to Uluru, Inc. we believe that these funds will allow us to support our working capital and operating requirements for twelve months. We do not have funds to pay the obligations which are due in March and April 2007 and will have to raise more funds or attempt to restructure the convertible notes.

SCO Capital Partners LLC Note and Warrant Purchase Agreement

On February 16, 2006, we entered into a note and warrant purchase agreement pursuant to which we sold and issued an aggregate of $5.0 million of 7.5% convertible notes due March 31, 2007 and warrants to purchase an aggregate of 19,318,184 shares of common stock of Access. Net proceeds to Access were $4.557 million. The notes and warrants were sold in a private placement to a group of accredited investors led by SCO Capital Partners LLC ("SCO").

The notes mature on March 31, 2007, are convertible into Access common stock at a fixed conversion rate of $0.22 per share, bear interest of 7.5% per annum and are secured by certain assets of Access. Each note may be converted at the option of the noteholder or Access under certain circumstances as set forth in the notes.

Each noteholder received a warrant to purchase a number of shares of common stock of Access equal to 75% of the total number shares of Access common stock into which such holder's note is convertible. Each warrant has an exercise price of $0.264 per share and is exercisable at any time prior to February 16, 2012. In the event SCO and its affiliates were to convert all of their notes and exercise all of their warrants, they would own approximately 73% of the voting securities of Access.

In connection with its sale and issuance of notes and warrants, Access entered into an investors rights agreement whereby it granted

SCO the right to designate two individuals to serve on the Board of Directors of Access while the notes are outstanding, and also granted registration rights with respect to the shares of common stock of Access underlying the notes and warrants.

Standby Equity Distribution Agreement (SEDA) with Cornell Capital Partners

On March 30, 2005 the Company executed a Standby Equity Distribution Agreement (SEDA) with Cornell Capital Partners. Under the SEDA, the Company may issue and sell to Cornell Capital Partners common stock for a total purchase price of up to $15,000,000. The purchase price for the shares is equal to their market price, which is defined in the SEDA as 98% of the lowest volume weighted average price of the common stock during a specified period of trading days following the date notice is given by the Company that it desires to access the SEDA. Further, we have agreed to pay Cornell Capital Partners, L.P. 3.5% of the proceeds that we receive under the Equity Line of Credit. The amount of each draw down is subject to a maximum amount of $1,000,000. The terms of the SEDA do not allow us to make draw downs if the draw down would cause Cornell Capital to own in excess of 9.9% of our outstanding shares of common stock. Upon closing of the transaction, Cornell Capital Partners received a one-time commitment fee of 146,500 shares of the Company's common stock. On the same date, the Company entered into a Placement Agent Agreement with Newbridge Securities Corporation, a registered broker-dealer. Pursuant to the Placement Agent Agreement, upon closing of the transaction the Company paid a one-time placement agent fee of 3,500 shares of common stock. The shares issued were valued at $500,000 and recorded as debt issuance costs and such costs are amortized as the SEDA is accessed. As of December 31, 2005 we have accessed $600,000 of the SEDA and $20,000 of the Debt issuance costs were charged to additional paid-in capital. At this time the Company will not be able to access the SEDA until a post-effective amendment to our registration statement is filed with, and declared effective by, the SEC. The SEDA can be accessed through March 30, 2007.

The Company believes that based on the funds available from the agreements referred to above the Company will have the ability to pay obligations as they come due in 2006.

NOTE 3 - RELATED PARTY TRANSACTIONS

Stephen B. Howell, M.D., a Director, receives payments for consulting services and reimbursement of direct expenses and has also received warrants for his consulting services. Dr. Howell's payments for consulting services, expense reimbursements and warrants are as follows:

Year	Consulting Fees	Expense Reimbursement	Warrants	Exercise Price	Fair Value
2005	$ 79,000	$ 5,000	—	$ —	$ —
2004	58,000	9,000	—	—	—
2003	60,000	6,000	30,000	3.00	30,000

See Note 9 for a discussion of our Restricted Stock Purchase Program.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31, 2005	December 31, 2004
Laboratory equipment	$ 1,090,000	$ 2,208,000
Laboratory and building improvements	167,000	167,000
Furniture and equipment	138,000	204,000
	1,395,000	2,579,000
Less accumulated depreciation and amortization	1,095,000	1,539,000
Net property and equipment	$ 300,000	$ 1,040,000

Depreciation and amortization on property and equipment was $225,000, $244,000, and $200,000 for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 5 – 401(k) PLAN

We have a tax-qualified employee savings and retirement plan (the "401(k) Plan") 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 ($14,000 in 2005; $13,000 in 2004; and $12,000 in 2003) and to have the amount of such reduction contributed to the 401(k) Plan. We have a 401(k) matching program whereby we contribute for each dollar a participant contributes a like amount, 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 $31,000 in 2005; $46,000 in 2004; and $45,000 in 2003.

NOTE 6 – DISCONTINUED OPERATIONS

In October 2005 we sold our oral/topical care business to Uluru, Inc. for up to $20.6 million. At the closing of this agreement we received $8.7 million. In addition, at the one year anniversary of the agreement we will receive $3.7 million and we will receive an additional $1 million within 24 months after closing or earlier upon the achievement of a milestone. Any contingent liabilities that arise in the future relating to our former business could reduce the $3.7 million receipt. Additional payments of up to $7.2 million may be made upon the achievement of certain additional milestones.

In September 2006 we closed our Australian laboratory and office, keeping the vitamin B12 technology.

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" operating results for assets sold or held for sale are presented as discontinued operations for current and all prior years presented. In accordance with SFAS No. 144, the operating results of these assets, along with the gain on sale, have been presented as discontinued operations for all periods presented.

	2005	2004	2003
Revenues	$ 781,000	$ 549,000	$ 1,295,000
Expenses			
Cost of product sales	(1,012,000)	(239,000)	(277,000)
Research and development	(2,501,000)	(3,082,000)	(3,547,000)
Depreciation and amortization	(237,000)	(304,000)	(258,000)
Total expenses	(3,750,000)	(3,625,000)	(4,082,000)
Interest and miscellaneous income	—	—	2,280,000
Loss for discontinued operations	(2,969,000)	(3,076,000)	(507,000)
Gain on sale of assets	12,891,000	—	—
Tax expense	(4,067,000)	—	—
Discontinued operations	$ 5,855,000	$ (3,076,000)	$ (507,000)

We previously had licenses for the Oral/Topical assets. These licenses were sold to Uluru, Inc. in October 2005. In the Asset Sale Agreement between us and Uluru certain refunds and receipts were incurred before the date of sale and were assigned to either to us or to Uluru. We have $173,000 recorded as a deferred gain on the sale until such time as approvals are received.

Assets relating to discontinued operations as of December 31, 2004 are as follows:

Accounts receivable	$ 714,000
Inventory	125,000
Prepaid expenses	271,000
Property and equipment, net	576,000
Patents, net	1,101,000
Restricted cash	187,000
Total	$ 2,974,000

Liabilities relating to discontinued operations as of December 31, 2004 are as follows:

Accounts payable	$ 403,000
Deferred revenues	1,026,000
Current portion of long-term debt	76,000
Long term debt	90,000
Total	$ 1,595,000

NOTE 7 – DEBT

On September 20, 2001, we completed a $600,000 installment loan with a bank. The balance at December 31, 2005 is $103,000. The loan was used to purchase capital equipment and for leasehold improvements to expand our laboratory and office space. The loan is due in 60 equal installments, including interest at 6.5%. The loan is secured by a $103,000 certificate of deposit classified as an other asset at December 31, 2005.

On September 20, 2000, we completed a $13.5 million convertible note offering. The offering was placed with three investors. One investor was repaid in 2005, $4,015,000. Our other convertible notes are due in two parts. The notes bear interest at 7.7% per annum with $733,000 of interest due annually on September 13th.

$4,015,000 due on April 28, 2007. This investor's notes have a fixed conversion price of $1.00 per share of common stock and may be converted by the note holder or us under certain circumstances as defined in the note. Upon a change of control, this investor is not required to automatically convert the note unless the amount payable to the investor upon change of control, issuable upon conversion of the note equals or exceeds $1.50. If the notes are not converted we will have to repay the notes on the due dates. The investor's notes were amended November 3, 2005 extending the term and adjusting the conversion price from $5.50 to $1.00 per common share. The amendment and modification resulted in us recording additional debt discount of $2.1 million, which will be acreted to interest expense to the revised maturity date. The interest due at December 31, 2005 was $92,000.

$5,500,000 due on September 13, 2010. This investor delayed his interest payment which was due in 2005 until September 13, 2006. The interest due plus interest on interest was $560,000 at December 31, 2005. This note has a fixed conversion price of $5.50 per share of common stock and may be converted by the note holder or us under certain circumstances as defined in the note. If the notes are not converted we will have to repay the notes on the due dates.

Future maturities of debt, note payable and other obligations are as follows:

Future Maturities	Notes payable and other obligations	Capital leases	Debt	Total
2006	$ 103,000	$ 3,000	$ —	$ 106,000
2007	—	—	4,015,000	4,015,000
2010	—	—	5,500,000	5,500,000

The debt of $4,015,000 is discounted and at December 31, 2005 is on the balance sheet as $2,136,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

At December 31, 2005, we have commitments under noncancelable operating leases for office and research and development facilities until December 31, 2006 totaling $35,000. Rent expense for the years ended December 31, 2005, 2004 and 2003 was $168,000, $166,000 and $165,000, respectively

Legal

The Company is not currently subject to any material pending legal proceedings.

NOTE 9 - STOCKHOLDERS' EQUITY

Restricted Stock Purchase Program

On October 12, 2000, the Board of Directors authorized a Restricted Stock Purchase Program. Under the Program, the Company's executive officers and corporate secretary were given the opportunity to purchase shares of common stock in an individually designated amount per participant determined by the Compensation Committee of the Board of Directors. A total of 190,000 shares were purchased under the Program by four eligible participants at $5.50 per share, the fair market value of the common stock on October 12, 2000, for an aggregate consideration of $1,045,000. The purchase price was paid through the participants' delivery of a 50%-recourse promissory note payable to the Company for three executive officer participants and a full-recourse promissory note payable to the Company for one participant. Each note bears interest at 5.87% compounded semi-annually and has a maximum term of ten years. The notes are secured by a pledge of the purchased shares to the Company. The Company recorded the notes receivable from participants in this Program of $1,045,000 as a reduction of equity in the Consolidated Balance Sheet. Interest on the notes is neither being collected nor accrued.

The stock granted under the Program other than to one participant vested ratably over a four year period and is fully vested at December 31, 2005.

Warrants

There were warrants to purchase a total of 730,825 shares of common stock outstanding at December 31, 2005. All warrants were vested and exercisable at December 31, 2005. The warrants had various prices and terms as follows:

Summary of Warrants	Warrants Outstanding	Exercise Price	Expiration Date
2004 offering (a)	447,344	$ 7.10	2/24/09
2004 offering (a)	156,481	5.40	2/24/09
2003 financial advisor (b)	72,000	3.90	10/30/08
2003 scientific consultant (c)	30,000	3.00	1/1/06
2002 scientific consultant (d)	10,000	4.96	2/01/09
2001 scientific consultant (e)	15,000	3.00	1/1/08

Total	730,825

(a) In connection with offering of common stock in 2004, warrants to purchase a total of 603,825 shares of common stock were issued. All of the warrants are exercisable immediately and expire five years from date of issuance.

(b) During 2003, financial advisors received warrants to purchase 72,000 shares of common stock at any time from October 30, 2003 until October 30, 2008, for financial consulting services rendered in 2003 and 2004. All the warrants are exercisable. The fair value of the warrants was $2.82 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 2.9%, expected volatility 92% and a term of 5 years.

(c) During 2003, a director who is also 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, 2003 until January 1, 2006, for scientific consulting services rendered in 2003. The fair value of the warrants was $.99 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 3.26%, expected volatility 98% and a term of 3 years. The warrants expired on January 1, 2006 without being exercised.

(d) During 2002, a director who is also a scientific advisor received warrants to purchase 10,000 shares of common stock at an exercise price of $4.91 per share at any time from February 1, 2002 until February 1, 2009, for scientific consulting services rendered in 2002. The fair value of the warrants was $3.70 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 3.90%, expected volatility 81% and a term of 7 years.

(e) During 2001, a director who is also a scientific advisor received warrants to purchase 15,000 shares of common stock at an exercise price of $3.00 per share at any time from January 1, 2001 until January 1, 2008, for scientific consulting services rendered in 2001. The fair value of the warrants was $2.74 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 5.03%, expected volatility 118% and a term of 7 years.

2001 Restricted Stock Plan

We have a restricted stock plan, the 2001 Restricted Stock Plan, as amended, under which 400,000 shares of our authorized but unissued common stock were reserved for issuance to certain employees, directors, consultants and advisors. The restricted stock granted under the plan generally vests 25% two years after the grant date with additional 25% vesting every anniversary date. All stock is vested after five years. At December 31, 2005 there were 135,913 shares issued and 264,087 shares available for grant under the 2001 Restricted Stock Plan.

NOTE 10 - STOCK OPTION PLANS

We have a stock awards plan, (the “2005 Equity Incentive Plan”), under which 700,000 shares of our authorized but unissued common stock were reserved for issuance to employees of or consultants to one or more of the Company and its affiliates or to non-employee members of the Board or of any board of directors (or similar governing authority) of any affiliate of the Company. The 2005 Equity Incentive Plan replaced the previously approved stock option plan (the 1995 Stock Awards Plan”).

For the 2005 Equity Incentive Plan, 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 2005: dividend yield of 0%; volatility of 113%; risk-free interest rate of 4.71% expected lives of four years. The weighted average fair value of options granted was $1.70 per share during 2005.

Under the 2005 Equity Incentive Plan, 250,000 options were issued in 2005 and were outstanding at December 31, 2005. 70,000 options in the 2005 Equity Incentive Plan were exercisable at December 31, 2005. All of the options expire on November 2, 2015 and have an exercise price of $1.09 per share.

On February 11, 2000 we adopted the 2000 Special Stock Option Plan and Agreement (the “Plan”). The Plan provides for the award of options to purchase 500,000 shares of the authorized but unissued shares of common stock of the Company. At December 31, 2005, there were no additional shares available for grant under the Plan.

Under the 2000 Special Stock Option Plan, 500,000 options were issued in 2000 and are outstanding at December 31, 2005. All of the options in the 2000 Special Stock Option Plan were exercisable at December 31, 2005 and 2004, and 468,749 of the options were exercisable at December 31, 2003. All of the options expire on March 1, 2010 and have an exercise price of $2.50 per share.

Under the 1995 Stock Awards Plan, as amended, 2,500,000 shares of our authorized but unissued common stock were reserved for issuance to optionees including officers, employees, and other individuals performing services for us. At December 31, 2005, there were no additional shares available for grant under the 1995 Stock Awards Plan. A total of 2,370,220 options were issued under this plan.

Under the 1995 Stock Awards Plan, 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 2005, 2004 and 2003, respectively: dividend yield of 0% for all periods; volatility of 104%, 41% and 117%; risk-free interest rates of 4.15%, 3.61% and 2.26%, respectively, and expected lives of four years for all periods. The weighted average fair values of options granted were $1.29, $2.18 and $1.56 per share during 2005, 2004 and 2003, respectively.

Options granted under all 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.

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

	Shares	Weighted-average exercise price
Outstanding options at January 1, 2003	1,711,156	3.59
Granted, fair value of $1.56 per share	374,500	2.20
Exercised	(28,000)	2.55
Forfeited	(4,000)	2.70
Outstanding options at December 31, 2003	2,053,656	3.45
Granted, fair value of $2.18 per share	314,200	5.75
Exercised	(109,695)	2.38
Forfeited	(75,980)	4.21
Outstanding options at December 31, 2004	2,182,181	3.76
Granted, fair value of $1.29 per share	248,500	2.41
Forfeited	(279,297)	3.46
Outstanding options at December 31, 2005	2,151,384	3.64
Exercisable at December 31, 2003	1,389,185	3.49
Exercisable at December 31, 2004	1,671,160	3.64
Exercisable at December 31, 2005	2,033,800	3.68

Further information regarding options outstanding under the 1995 Stock Awards Plan at December 31, 2005 is summarized below:

		Weighted average			
Range of exercise prices	Number of shares outstanding	Remaining life in years	Exercise price	Number of shares exercisable	Weighted-average exercise price
$ 2.00-2.18	362,980	4.2	$ 2.01	346,459	$ 2.01
$ 2.30-2.81	525,100	7.6	2.43	453,100	2.45
$ 2.94-3.99	625,919	4.4	3.39	620,606	3.39
$ 4.05-7.8125	637,385	5.7	5.81	613,635	5.81
	2,151,384			2,033,800	

All issued options under the 1987 Stock Awards Plan expired in 2004. No further grants can be made. Summarized information for the 1987 Stock Awards Plan is as follows:

	Stock options	Weighted-average exercise price
Outstanding awards at January 1, 2003	17,178	23.31
Forfeited	(5,750)	35.00
Outstanding awards at December 31, 2003	11,428	17.42
Forfeited	(11,428)	17.42
Outstanding awards at December 31, 2004	—	

NOTE 11 - INCOME TAXES

Income tax expense differs from the statutory amounts as follows:

	2005	2004	2003
Income taxes at U.S. statutory rate	$ (438,000)	$ (3,442,000)	$ (2,358,000)
Change in valuation allowance	(2,051,000)	895,000	304,000
Change in miscellaneous items	397,000	598,000	(415,000)
Benefit of foreign losses not recognized	304,000	—	—
Expenses not deductible	738,000	7,000	40,000
Expiration of net operating loss and general business credit carryforwards, net of revisions	1,050,000	1,942,000	2,429,000
Total tax expense	$ —	$ —	$ —

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

	December 31,		
	2005	2004	2003
Deferred tax assets (liabilities)			
Net operating loss carryforwards	$ 20,261,000	$ 20,808,000	$ 20,193,000
General business credit carryforwards	2,261,000	2,094,000	1,960,000
Deferred gain on sale of oral/topical care assets	(1,490,000)	—	—
Property, equipment and goodwill	78,000	259,000	113,000
Gross deferred tax assets	21,110,000	23,161,000	22,266,000
Valuation allowance	(21,110,000)	(23,161,000)	(22,266,000)
Net deferred taxes	$ —	$ —	$ —

At December 31, 2005, we had approximately $50,864,000 of net operating loss carryforwards and approximately $2,234,000 of general business credit carryforwards. These carryforwards expire as follows:

	Net operating loss carryforwards	General business credit carryforwards
2006	$ 587,000	$ 38,000
2007	994,000	26,000
2008	4,004,000	138,000
2009	1,661,000	185,000
2010	2,171,000	140,000
Thereafter	41,447,000	1,707,000
	$ 50,864,000	$ 2,234,000

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 12 – QUARTERLY FINANCIAL DATA (UNAUDITED)

Our results of operations by quarter for the years ended December 31, 2005 and 2004 were as follows (in thousands, except per share amounts):

	2005 Quarter Ended			
	March 31	June 30	September 30	December 31
Loss from continuing operations	$ (1,616)	$ (2,988)	$ (1,612)	$ (1,339)
Income (loss) from discontinued operations	(806)	(798)	(451)	7,910
Net income (loss)	$ (2,422)	$ (3,786)	$ (2,063)	6,571
Basic and diluted income/loss per common share	$ (0.16)	$ (0.24)	$ (0.13)	$ 0.43

	2004 Quarter Ended			
	March 31	June 30	September 30	December 31
Loss from operations	$ (1,577)	$ (1,773)	$ (1,673)	$ (2,139)
Discontinued operations	(774)	(780)	(755)	(767)
Net loss	$ (2,351)	$ (2,553)	$ (2,428)	$ (2,906)
Basic and diluted loss per common share	$ (0.17)	$ (0.17)	$ (0.16)	$ (0.18)

Exhibit 10.22

SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT between Access Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Kerry Gray (hereinafter referred to as "Gray"), dated as of May 10, 2005 (the "Effective Date");

WHEREAS, Gray is a member of the Board of Directors of the Company (the "Board"), and President and Chief Executive Officer of the Company;

WHEREAS, Gray intends to resign and terminate his employment and all other positions with the Company and its subsidiaries, including the offices of President and Chief Executive Officer and Gray's membership on the Board;

WHEREAS, the Company intends to accept Gray's resignation and wishes to provide to Gray certain payments and to provide Gray with certain other benefits upon such termination and Gray agrees to give certain releases and provide certain services to the Company;

NOW, THEREFORE, in consideration of the mutual promises set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Resignation and Termination.

1.1. Gray hereby resigns from all positions he currently holds with the Company and any subsidiary of the Company, including without limitation the positions of President, Chief Executive Officer and Director, and member of the Board and any committee thereof, effective as of the Effective Date. Gray agrees to transfer any shares of any subsidiary or interest of any trust of the Company held by him as nominee or in any other capacity to the Company or its designee.

1.2. The Employment Agreement, dated as of April 1, 1998, by and between the Company and Gray is hereby terminated in its entirety as of the Effective Date and neither party thereto shall have any further rights or owe any further payment, duty or obligation to the other thereunder; notwithstanding the foregoing, (a) the non-competition obligation of Gray set forth in Section 7 of the Employment Agreement as it relates to (i) mucoadhesive film technology and (ii) products incorporating platinum for use as a chemotherapeutic agent and (b) the non-solicitation obligation of Gray set forth in Section 8 of the Employment Agreement shall each survive for a period of one year from the date of this Agreement.

2. Company Covenants.

2.1. Cash Payments. Commencing as of the Effective Date, Gray shall be entitled to the following cash payments:

(a) On the Effective Date, the Company shall pay to Gray a cash payment of $225,000; and

(b) For a period of eighteen (18) months following the Effective Date, the Company shall pay to Gray a payment of $33,333.33 on the penultimate business day of each calendar month, with the first such payment due and payable on May 30, 2005 making an aggregate payment of $600,000 under this Section 2.1(b).

2.2. Common Stock Issuances. For a period of eighteen (18) months following the Effective Date, the Company shall issue to Gray 3,500 shares of the Company's common stock on the penultimate business day of each calendar month, with the first such issuance due on May 30, 2005 making an aggregate issuance of 63,000 shares under this Section 2.2. The Company agrees to register the resale of such shares on the next registration statement that it files for which registration of such resale is allowed by the rules of the Securities and Exchange Commission.

2.3. Vesting and Exercise of Existing Options and Restricted Stock. On the Effective Date, all outstanding Company stock options and shares of restricted stock of the Company held by Gray shall immediately and fully vest. All outstanding Company stock options held by Gray shall remain exercisable by Gray until June 30, 2007, notwithstanding anything to the contrary in documents related to such option grants, and shall expire on such date.

2.4. Consulting. At the Company's sole discretion, Gray and the Company hereby agree that, beginning on July 1, 2005 and thereafter, the Company may request that Gray serve the Company in the capacity of a consultant. The Company shall pay to Gray the sum of $2,000 for each day worked by Gray as a consultant at the request of the Company pursuant to this Agreement. From the Effective Date until July 1, 2005 Gray agrees to cooperate with the Company, at no cost to the Company, in connection with the transition of operations of the Company to a new Chief Executive Officer of the Company.

2.5. Benefits. For a period of Twenty (20) months following the Effective Date, the Company shall, at its sole expense, continue to maintain and provide coverage under Gray's existing health coverage plan. For a period of Twelve (12) months following the Effective Date, the Company shall, at its sole expense, provide outplacement services appropriate to Gray's position.

2.6. Withholding. All payments required to be made by the Company hereunder to Gray shall be subject to the withholding of such amounts, if any, relating to tax and other payroll deductions as the Company may reasonably determine it must withhold pursuant to any applicable law or regulation.

2.7. No Duty to Mitigate Damages. Gray's payments and benefits under Sections 2.1, 2.2, 2.3 and 2.5 of this Agreement shall be considered severance pay in consideration of his past service, and as an inducement to him to enter into and become bound by this Agreement, and his entitlement thereto shall not be dependent upon whether or not Gray provides further services of any type to or for the Company or any third party.

3. Gray Covenants. Gray hereby covenants with the Company as follows:

3.1. Non-disclosure. Gray recognizes and acknowledges that he has had and will have access to certain highly sensitive, special, unique information of the Company that is confidential or proprietary. Gray hereby covenants and agrees not to use or disclose any Confidential Information (as hereinafter defined) except for disclosures made solely (i) to authorized representatives of the Company; or (ii) as required by any governmental, statutory or judicial authority, provided that prior to any such disclosure Gray shall provide the Company with notice of such requirement as is practicable and shall cooperate with the Company in responding to such requirement, including assisting the Company in procuring a protective order or other modification of such required disclosure.

3.2. Confidential Information. For purposes of this Agreement, "Confidential Information" means any data or information with respect to the business conducted by the Company that is material to the Company and not generally known by the public. To the extent consistent with the foregoing definition, Confidential Information includes without limitation; (i) reports, pricing, sales manuals and training manuals, selling and pricing procedures, and financing methods of the Company, together with any techniques utilized by the Company in designing, developing, manufacturing, testing or marketing its products or in performing services for clients, customers and accounts of the Company and (ii) the business plans and financial statements, reports and projections of the Company.

3.3. Return of Property. Gray covenants, agrees and acknowledges that all Confidential Information is and shall remain the sole, exclusive and valuable property of the Company and Gray has and shall acquire no right, title or interests therein. Any and all printed, typed, written or other material which Gray may have or obtain shall be and remain the exclusive property of the Company, and any and all material (including any copies) shall be promptly delivered by Gray to the Company. The Company acknowledges that the personal property listed on Exhibit B is and shall remain Gray's personal property unaffected by this Agreement

4. Indemnification. The Company shall indemnify Gray to the same extent provided to its other directors and officers by its charter and by-laws against all costs, charges and expenses, including, without limitation, attorneys' fees, incurred or sustained by Gray in connection with any action, suit or proceeding to which Gray may be made a party by reason of being an officer, director or employee of the Company for acts undertaken from the time of his employment by the Company through the Effective Date (the "Indemnification Period"), and Gray will be included as an insured individual under any liability insurance policy that insures other officers or directors of the Company for acts taken during the Indemnification Period.

5. Public Statement, Non-disparagement.

5.1. Gray and the Company shall make a press release announcing Gray's resignation in the form attached hereto as Exhibit A (the "Approved Public Statement") on the Effective Date. Neither Gray nor the Company shall make any public statement other than the Approved Public Statement or that is consistent with the Approved Public Statement.

5.2. Gray shall make no disparaging statements, whether public or private, with regard to the Company, its officers, employees, Oracle Partners or its affiliates or members of the Board unless and to the extent specifically compelled by any governmental agency or tribunal to make a statement.

5.3. The Company and the members of the Board shall make no disparaging statements, whether public or private, about Gray unless and to the extent specifically compelled by any government agency or tribunal to make a statement. In response to an inquiry, or as necessary or appropriate to make clear Gray's status with the Company or the circumstances of his departure, the Company and the members of the Board shall inform third parties that Gray is a shareholder of the Company and/or that he is not an employee, officer, director or other agent of the Company by saying that Gray remains a shareholder of the Company and that Gray resigned voluntarily, or other words of similar effect. Neither the Company nor the members of the Board shall make any statement that implies or suggests that

the reason for Gray's separation from the Company was anything other than Gray's voluntary action.

6. Mutual Release and Covenant Not to Sue.

6.1 Release and Covenant Not to Sue from Gray.

(a) Release. Gray hereby releases each of the Company and its officers, employees, directors, shareholders (in their capacities as such), attorneys, agents, successors, and assigns, from each and every right, claim, debt, demand, liability, cost, expense, and/or cause of action, which he has or may have had against any of such released parties as of the Effective Date, whether known or unknown.

(b) Covenant Not to Sue. Gray hereby covenants and agrees not to bring suit against any of the Company or any of its officers, employees, directors, attorneys, agents, successors, and assigns based upon any claim herein released.

(c) Rights Retained. Notwithstanding anything in this Agreement to the contrary, Gray expressly reserves his right to take action against the Company to preserve his rights under this Agreement in the event of a breach thereof by the Company, subject to Section 7 below.

6.2 Release and Covenant Not to Sue from the Company.

(a) Release. The Company hereby releases each of Gray and his attorneys, agents, successors, and assigns from each and every right, claim, debt, demand, liability, cost, expense, and/or cause of action arising out of Gray's service or status as an employee, officer, director, shareholder (in his capacity as such) or representative of shareholders of the Company, existing as of the Effective Date and whether known or unknown.

(b) Covenant Not to Sue. The Company hereby covenants and agrees not to bring suit against each of Gray and his attorneys, agents, successors, and assigns based upon any claim herein released.

(c) Rights Retained. Notwithstanding anything in this Agreement to the contrary, the Company expressly reserves its right to take action against Gray to preserve its rights under this Agreement in the event of a breach thereof by Gray, subject to Section 7 below.

7. Arbitration. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled exclusively by single-arbitrator arbitration, in Dallas, Texas, in accordance with the

Commercial Arbitration Rules of the American Arbitration Association then in effect, and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof.

8. Collateral. Payments owed to Gray by the Company pursuant to Section 2 hereof shall be secured by, and the Company hereby grants to Gray a security interest in and to, all of the assets of the Company, ranking junior only to the security interest granted to Cornell Capital Partners, LP and Highgate House Funds, Ltd. Any failure to pay timely any amount due under Section 2.1(b) shall result, automatically, in the full acceleration of all such payments not yet paid in full if such amount due is not paid within 10 days after written notice from Gray. With respect to the Company, any commencement of a bankruptcy proceeding, assignment for the benefit of creditors or the appointment of a receiver, trustee, liquidator or other similar official shall also result, automatically, in the full acceleration of all such payments not yet paid in full.

9. Legal Fees and Expenses. Each party hereto shall pay its own legal fees and expenses of counsel reasonably incurred by such party in connection with the negotiation, execution and delivery of this Agreement or in seeking in good faith to obtain any right or benefit to which such party believes it or he is entitled under this Agreement. In the event of a default by the Company with respect to any payments owed to Gray under this Agreement, the Company agrees to pay Gray any costs of collection, including but not limited to any reasonable attorneys fees, which shall be deemed additional payments that are secured pursuant to Section 8 hereto.

10. Notices. Any notices required to be given under this Agreement shall be in writing and shall be deemed given three (3) days after mailing in the continental United States by registered or certified mail, or upon personal receipt after delivery, telex, telecopy, or telegram, to the party entitled thereto at the address stated below or to such changed address as the addressee may have given by a similar notice:

To the Company: Access Pharmaceuticals, Inc.
2600 Stemmons Freeway, Suite 176
Dallas, TX 75207-2107
Attn: Chief Executive Officer

With a copy to: John J. Concannon III, Esq.
Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110

To Gray: Kerry Gray
4939 Stonyford Dr.
Dallas, Texas 75287

11. General Provisions.

11.1. Binding Agreement. This Agreement shall be binding upon and inure to the benefit of Gray and be enforceable by his personal or legal representatives or successors. If Gray dies while any amounts would still be payable to him hereunder, his rights herein shall still be exercisable by such representatives or successors. Such amounts shall be paid to Gray's estate in accordance with the terms of this Agreement. This Agreement shall not otherwise be assignable by Gray.

11.2. Successors. This Agreement shall inure to and be binding upon the Company's successors. The Company shall require any successor to all or substantially all of its business and/or assets by sale, merger (where the Company is not the surviving corporation), consolidation, lease or otherwise, by agreement in form and substance satisfactory to Gray, to assume this Agreement expressly. This Agreement shall not otherwise be assignable by the Company.

11.3. Amendment or Modification; Waiver. This Agreement may not be amended or modified unless agreed to in writing by Gray and the Company. No waiver by either party of any breach of this Agreement shall be deemed a waiver of any subsequent breach.

11.4. Severability. In the event that any provision of this Agreement shall be determined to be invalid or unenforceable, such provision shall be enforceable in any jurisdiction in which valid and enforceable, and in any event the remaining provisions shall remain in full force and effect to the fullest extent permitted by law.

11.5. Rights Granted. This Agreement shall not give Gray any right to compensation or benefits from the Company or any affiliate of the Company, except for the rights specifically stated herein, including those certain severance and other benefits that become payable on or after the Effective Date.

11.6. Governing Law. The validity, interpretation, performance, and enforcement of this Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to the principles of choice of law or conflicts of law.

11.7. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same Agreement.

11.8. Section Headings. The descriptive section headings in this Agreement have been inserted for convenience of reference only

and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

12. Exclusive Agreement. It is agreed and understood that this Agreement represents the entire agreement between the Company and Gray concerning the subject matter hereof and supersedes all prior agreements and understandings concerning Gray's rights upon the termination of his employment.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement under seal as of the day and year first above written.

Access Pharmaceuticals, Inc.

By: /s/ J. Michael Flinn
Name: J. Michael Flinn
Title: Chairman of the Board

Kerry Gray

/s/ Kerry P. Gray

Exhibit 10.23

May 10, 2005

Rosemary Mazanet, MDPhD
24 Daffodil Lane
Cos Cob, Connecticut, 06807

Dear Dr. Mazanet:

We are pleased to extend you an offer of employment with Access Pharmaceuticals, Inc. (the "Company") under the terms specified below:

1. The title of your position will be Acting Chief Executive Officer and you will report directly to, and be subject to the direction of, the Company's Board of Directors. Your duties will be commensurate with the position of Chief Executive Officer.

2. Your employment with the Company will be on an at-will basis, which means that it will not be for a definite period of time but it will be for no less than 3 months, and no more than 6 months without renegotiation of this contract. This agreement may be terminated with 30 days written notice at any time by either you or the Company for any reason. .

3. Your employment with the Company will be on a full-time basis, although you may pursue other previously existing business activities during your employment that are not competitive with the Company. You will be expected to periodically work at the Company's offices in Dallas, Texas at the mutual agreement of you and the Board of Directors. You will begin your employment on May 11, 2005 (your "Start Date").

4. Your compensation will consist of the following:

   a. Your salary will be payable at a weekly rate of $7,500 for the duration of this agreement.

   b. You will be granted a non-qualified option (the "Option") of 30,000 shares of the Company's common stock with an exercise price equal to the last sale price on AMEX for the Company's shares on your Start Date. The Option will vest monthly over a six (6) month period regardless of your remaining employed by the Company. Such options shall remain exercisable for one year after the termination of your employment and would be subject to the standard terms of the Company's stock option plan and stock option agreement except that such options shall vest immediately prior to a change of control event.

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   c. As an employee of the Company, to the extent that you are not otherwise covered by a similar benefit, you will be eligible for the benefits similar to that of the Company's executive officers.

   d. sign on bonus of $30,000 to compensate for lost consulting wages during this time.

   e. D and O insurance + tail coverage will be provided.

   f. The Company will pay or reimburse you for all reasonable expenses incurred or paid by you in the performance of your duties hereunder, upon presentation of expense statements or vouchers and such other information as the Company may require and according to the generally applicable policies and procedures of the Company.

   g. Upon mutual agreement, you and the Board will set milestones which would result in the issuance of additional stock options to you.

5. You will maintain the confidentiality of and not use or disclose except for Company purposes any information relating to the business or affairs of the Company, including any activities being or proposed to be undertaken by or on behalf of the Company and including any trade secrets, drawing, designs, information regarding product development or testing, business plans, financial plans, financial records and other financial, commercial, business or technical information of the Company or of those belonging to others who do business with the Company that is confidential or proprietary, except that you may disclose such information (i) to the extent required by any applicable law, regulation or court order or subpoena in which case you will notify the Company as promptly as practicable and shall fully cooperate with the Company in its efforts, if any, to obtain confidential treatment of such information or limit the scope of information to be disclosed, (ii) to your legal counsel, (iii) with the prior written consent of the Company, or (iv) that has become generally known to the public, other than by reason of your breach of this paragraph.

6. This letter contains all of the terms of the Company's offer to you. You acknowledge that you are not relying on any other statements, documents or representations you believe were made to you on behalf of the Company.

We are excited about the prospect of you joining Access Pharmaceuticals, Inc. If this offer is acceptable to you, please sign and return one duplicate original of this letter to me by fax. I and the other members of the Board of Directors look forward to working with

you.

Sincerely,

/s/ J. Michael Flinn

Michael Flinn
Chairman of the Board of Directors

ACCEPTED:

/s/ Rosemary Mazanet
Rosemary Mazanet

Exhibit 10.24

EMPLOYMENT AGREEMENT

AGREEMENT dated as of June 1, 2005 between ACCESS Pharmaceuticals, Inc. a Delaware Corporation located at 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207-2107, (the "Company"), and Stephen B. Thompson, an individual residing at 4231 Bowser Avenue, Dallas, Texas 75219 (the "Executive").

WITNESSETH:

WHEREAS, the Company desires that Executive serve as the Company's Vice President Chief Financial Officer; 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 service in this position on the terms and conditions hereinafter set forth;

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

1. Employment

The Company 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 Chief Financial Officer of the Company. Executive shall be responsible to the President and CEO of the Company, rendering the services and performing the duties prescribed by the President and CEO 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 $154,000, 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 13.5% of annual base salary payable in cash and 13.5% 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 of 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 $90,000. 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 and CEO of the Company and reasonably acceptable to the Executive. Notwithstanding any provision in the Section, the Company shall not be obligated to make any payment 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 $154,000, 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 $90,000.

4.4 The Executive shall be entitled to legal holidays and to annual paid vacation aggregating at least four (4) weeks 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 a 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 payment 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 the 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 guilt 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 and CEO 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 and CEO 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 purposed of the 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 one (1) year 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 of Control (as defined below), the Agreement may be

terminated by Executive upon the occurrence thereafter of one or more of the following events;

1) Termination of 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 results 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 Section 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 Affiliates, 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 and CEO 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 Terminate 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 service 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 the 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 difference 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 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 her 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 Notes

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 Freeway

Suite 176

Dallas, Texas 75207

Attn: Chief Executive Officer

Copy to:

John J. Concannon III, Esq.,

150 Federal Street

Bingham Dana LLP

Boston, MA 02110

If to the Executive:

Stephen B. Thompson

4231 Bowser Avenue

Dallas, Texas 75219

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

The Agreement and the offer letter dated November 8, 1990, 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 any 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 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

BY:	/s/ Stephen B. Thompson Stephen B. Thompson	BY:	/s/ Rosemary Mazanet Rosemary Mazanet
TITLE:	Executive	TITLE:	Acting Chief Executive Officer
DATE:	June 24, 2005	DATE:	June 24, 2005

Exhibit 10.25

Execution Copy

ASSET SALE AGREEMENT

THIS ASSET SALE AGREEMENT (the "**Agreement**"), is made as of the 12th day of October, 2005, by and between ULURU, Inc., a Delaware corporation ("**ULURU**"), and Access Pharmaceuticals, Inc., a Delaware corporation ("**Access**"). ULURU and Access are sometimes individually referred to herein as the "**Party**" and collectively as the "**Parties**."

BACKGROUND

A. Access has certain right, title and interest in and to the Takeda License Agreement (as hereinafter defined) and the Purchased Assets (as hereinafter defined), which includes, without limitation, certain tangible and intangible property relating to the manufacture, use, sale and distribution of the Products (as hereinafter defined).

B. ULURU desires to purchase and assume, and Access desires to sell and assign, the Purchased Assets and the Takeda License Agreement, respectively, pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the promises and the mutual covenants, agreements, guarantees and representations herein contained and intending to be legally bound, ULURU and Access agree as follows:

SECTION 1
DEFINITIONS

1.1 Definitions.

Where used in this Agreement the following words or phrases shall have the meanings set forth below:

(a) "**Access**" shall have the meaning set forth in the Preamble.

(b) "**Access Trade Dress**" means all trade dress relating to the Purchased Assets other than trade dress or marks relating to Access or its logo.

(c) "**Access Trademarks**" means (i) the Access name or any variations thereof or the names of any Access Affiliates or any variations thereof and (ii) all Trademarks, other than the Product Trademarks, currently used by Access or its Affiliates in connection with the manufacture, marketing, sale and distribution of their respective products.

(d) "**Adverse Experience(s)**" means any noxious, pathological or unintended change in anatomical, physiological or metabolic function as indicated by physical signs, symptoms and/or laboratory changes occurring in clinical trials, post-marketing surveillance, or clinical practice during use of the Products, or published in the medical literature, whether or not considered causally related to the Products. This includes an exacerbation of a pre-existing

condition, intercurrent illness, drug interaction, significant worsening of a disease under investigation or treatment, and significant failure of expected pharmacological or biological action.

(e) "**Affiliate**", when used to indicate a relationship with any person or entity, means (i) any corporation, firm, partnership or other entity, whether de jure or de facto, which directly or indirectly owns, is owned by or is under common ownership with such person or entity to the extent of at least fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) having the power to vote on or direct the affairs of the entity, or (ii) any person, firm, partnership, corporation or other entity actually controlled by, controlling or under common control with such person or entity.

(f) "**Agency**" or "**Agencies**" means any U.S. or foreign governmental regulatory authority responsible for granting approvals and clearance for manufacturing, marketing and sale of any Product.

(g) "**Agreement**" means this Asset Sale Agreement, together with the Schedules and Exhibits hereto, and any instrument amending this Agreement in accordance with Section 14.6; and the expression "Section" followed by a number refers to the specified Section of this Agreement.

(h) "**Amlexanox**" means the chemical compound of the formula 2–amino–7–isopropyl–5–oxo–5H–[1]benzopyrano–[2,3–b]–pyridine–3–carboxylic acid (also known by Takeda Code No.: AA-673).

(i) "**Ancillary Agreements**" means any other agreement to be executed by ULURU and/or Access in connection with this Agreement, including, without limitation, the Bill of Sale and Assignment Agreement, the Product Patents Assignment, the Product Trademarks Assignment and the License Agreement.

(j) "**Annual Net Sales**" means gross revenues received by ULURU and its Affiliates on the worldwide sale of the

Products in any calendar year, less (i) trade discounts actually allowed; and (ii) when borne by ULURU or its Affiliates in connection with the sale, transportation and handling charges; sales, use and excise taxes; import duties, tariffs or other governmental charges; and credits for claim or allowances, retroactive price reductions, refunds, returns, and recalls. There shall not be any imputed gross revenue for samples, free goods or other marketing programs whereby the Products are given away to induce sales thereof. For purposes of determining Annual Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or when the applicable Product is delivered, whichever occurs first. In the case of the transfer or sale of the Products by ULURU to an Affiliate, or by ULURU or its Affiliate to their respective distributor, or subdistributor for sale by such Affiliate, distributor or subdistributor, Annual Net Sales shall be based upon the greater of the total invoice price charged by ULURU to such Affiliate, distributor, subdistributor or the total invoice price charged by such Affiliate, distributor or subdistributor to its customers. Annual Net Sales for countries outside the U.S. shall be calculated by converting to U.S. currency using the exchange

rate in effect on the last business day of each quarter as published in the Wall Street Journal. Annual Net Sales shall also include Licensee Net Sales.

(k) "**Aphthasol Product**" means a topical oral paste formulation or mucoadhesive film formulation containing Amlexanox currently approved by the FDA for use in the treatment of aphthous ulcers.

(l) "**Assumed Liabilities**" has the meaning set forth in Section 2.2(a).

(m) "**Bill of Sale and Assignment Agreement**" means the bill of sale to be executed by Access and delivered to ULURU at Closing, substantially in the form of **Exhibit A** attached hereto.

(n) "**Closing**" and "**Closing Date**" have the meaning set forth in Section 13.1.

(o) "**Cumulative Net Sales**" means gross revenues received by ULURU and its Affiliates on the worldwide sale of the Products, less (i) trade discounts actually allowed; and (ii) when borne by ULURU or its Affiliates in connection with the sale, transportation and handling charges; sales, use and excise taxes; import duties, tariffs or other governmental charges; and credits for claim or allowances, retroactive price reductions, refunds, returns, and recalls. There shall not be any imputed gross revenue for samples, free goods or other marketing programs whereby the Products are given away to induce sales thereof. For purposes of determining Cumulative Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or when the applicable Product is delivered, whichever occurs first. In the case of the transfer or sale of the Products by ULURU to an Affiliate, or by ULURU or its Affiliate to their respective distributor, or subdistributor for sale by such Affiliate, distributor or subdistributor, Cumulative Net Sales shall be based upon the greater of the total invoice price charged by ULURU to such Affiliate, distributor, subdistributor or the total invoice price charged by such Affiliate, distributor or subdistributor to its customers. Cumulative Net Sales for countries outside the U.S. shall be calculated by converting to U.S. currency using the exchange rate in effect on the last business day of each quarter as published in the Wall Street Journal. Cumulative Net Sales shall also include Licensee Net Sales.

(p) "**Dental Product**" means [a product developed for use in the oral cavity or implanted in the oral cavity including implantation in teeth utilizing the Licensed Technology].

(q) "**Encumbrance**" has the meaning set forth in Section 5.3.

(r) "**Excluded Assets**" shall mean all assets of Access other than the Purchased Assets and the Assumed Liabilities and any assets or contracts that by their terms are not assignable.

(s) "**Excluded Intellectual Property**" means (i) Access Trademarks, (ii) the Access Trade Dress, (iii) the Licensed Technology and (iv) any Intellectual Property that does not relate to the Products.

(t) "**FDA**" means the U.S. Food and Drug Administration.

(u) "**Finished Goods**" means any Product packaged in sample and commercial sizes and ready for distribution to the ultimate customer.

(v) "**Intellectual Property**" means all (i) Patents and U.S. and other registered designs; (ii) U.S. and other mask works and copyrights in works of authorship of any type, including, but not limited to, computer software and industrial designs, registrations and applications for registration thereof; (iii) Trademarks and trade dress; (iv) trade secrets, know-how and other confidential or proprietary technical, business and other information, and all rights thereto in any and all jurisdictions, to limit the use or disclosure thereof; (v) rights to obtain and file for patents and registrations thereof; and (vi) rights to sue and recover damages or obtain injunctive relief for infringement, dilution, misappropriation, violation or breach thereof.

(w) "**Inventory**" means Access's inventory of Finished Goods, an electronic accounting of which is set forth on Schedule 1.1(w) attached hereto.

(x) "**Liabilities**" means any and all debts, liabilities and obligations, whether accrued or fixed, absolute or

contingent, matured or unmatured, or determined or determinable, including those arising from any Claim or other action by a third party under any law, action or governmental order and those arising under any contract, agreement, arrangement, commitment or undertaking, or otherwise. For the purposes of this definition "Claim" shall mean any action (including, without limitation, any proceedings to establish insurance coverage), claim, suit, arbitration or governmental, administrative, or other proceeding or investigation or judgment or equitable relief.

(y) "**License Agreement**" means that certain License Agreement, substantially in the form of **Exhibit B** attached hereto, entered into by and between Access and ULURU as of the Closing Date, pursuant to which Access shall grant to ULURU a license to the Licensed Technology on the terms and conditions set forth therein.

(z) "**Licensed Technology**" means Access's nanoparticle aggregate technology, to which Access shall grant to ULURU a license pursuant to the License Agreement, as such technology is further described in the License Agreement.

(aa) "**Licensee**" means a licensee of, or other third party otherwise engaged by, ULURU or its Affiliates for the purpose of selling or distributing any Product.

(bb) "**Licensee Net Sales**" means gross revenues received by a Licensee on the sale of any Product as requested in the applicable license agreements as reported to Access or ULURU. There shall not be any imputed gross revenue for samples, free goods or other marketing programs whereby any Product is given away to induce sales thereof. For purposes of determining Licensee Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or when a Product is delivered, whichever occurs first. In the case of the transfer or sale of a Product by the Licensee to an Affiliate, distributor or subdistributor of the Licensee for sales by such Affiliate, distributor or subdistributor, Licensee Net Sales shall be based upon the greater of the total invoice price charged by the Licensee to such Affiliate, distributor or subdistributor or the total invoice price charged by such Affiliate, distributor or subdistributor to its customers. Licensee Net Sales for countries outside the U.S. shall be calculated by converting to U.S.

currency using the exchange rate in effect on the last business day of each month as published in the Wall Street Journal.

(cc) "**Manufacturing Technology**" means all technology, trade secrets, research and development, formulae, know-how, inventions, discoveries, processes, compositions, test procedures, manufacturing procedures, techniques, developments, enhancements and modifications, confidential, technical, or proprietary information and knowledge not generally known to the public, whether or not patentable, commercially useful, or reducible to writing or practice that enable Access to make, have made, use, offer for sale, sell and import any Product that is a Purchased Asset and are owned or controlled by Access as of the Closing Date; provided that Manufacturing Technology shall not include any Manufacturing Technology relating to any Excluded Assets.

(dd) "**Marketing Materials**" means those marketing materials used by Access solely with respect to the Products in the U.S. that are in existence as of the Closing Date, to the extent such materials are within the possession or control of Access and relate to the Purchased Assets, as set forth on Schedule 1.1(dd).

(ee) "**Material Adverse Effect**" means an event, change or occurrence which, individually or together with any other event, change or occurrence, has a material adverse effect on the Purchased Assets taken as a whole, but shall not include (i) any adverse effect due to changes, after the date of this Agreement, in conditions generally affecting (A) the healthcare industry or (B) the worldwide, U.S. or European economy as a whole, (ii) any change or adverse effect caused by, or relating to, the announcement of this Agreement and the transactions contemplated by this Agreement or (iii) any adverse effect due to legal or regulatory changes effective after the date of this Agreement.

(ff) "**Mucoadhesive Product**" means an erodible multi-layer strip or patch which adheres to the teeth or the oral mucosa for the purpose of controlled delivery of an active ingredient either to the surface of the teeth or oral mucosa or for release of the active into the oral cavity.

(gg) "**NDA**" means a New Drug Application filed with the FDA pursuant to 21 C.F.R., Part 314, and all supplements, amendments, revisions thereto and all correspondence between Access and FDA relative thereto.

(hh) "**Party**" or "**Parties**" shall have the meaning set forth in the Preamble.

(ii) "**Patents**" means all U.S. and foreign patents, patent applications and statutory invention registrations (which, for the purposes of this Agreement, shall be deemed to include provisional applications, invention disclosures, certificates of invention and applications for certificates of invention), including reissues, divisions, continuations, continuations-in-part, supplementary protection certificates, extensions and reexaminations thereof, all inventions disclosed therein, all rights therein provided by international treaties and conventions, and all rights to obtain and file for patents and registrations thereto.

(jj) "**Premises Agreement**" means that certain 2600 Stemmons Freeway License Agreement, to be entered into by and between Access and ULURU as of the Closing

Date, substantially in the form of **Exhibit E** attached hereto, pursuant to which ULURU shall sublease from Access certain space at the

premises located at 2600 Stemmons Freeway, Dallas Texas.

(kk) "**Products**" means, collectively, the Aphthasol Product, the Mucoadhesive Product and the ResiDerm Product and any product developed or sold under the License Agreement, and any improvements or corollaries thereto.

(ll) "**Product Intellectual Property**" means (i) all Product Patents, (ii) all Product Trademarks, (iii) the Manufacturing Technology, (iv) the Product Trade Dress, (v) the Marketing Materials, (vi) the domain name "www.Aphthasol.biz" and (vii) all other Intellectual Property primarily related to the Products, but excluding (in all cases) Excluded Intellectual Property, Excluded Assets and the "Technology and Know How" of Takeda, as such term is defined in Section 1.6 of the Takeda License Agreement.

(mm) "**Product Patents**" means those Patents set forth on Schedule 1.1(ll) attached hereto.

(nn) "**Product Patents Assignment**" means that assignment agreement to be executed by Access and delivered to ULURU at Closing, substantially in the form of **Exhibit C** attached hereto.

(oo) "**Product Registrations**" means registrations required by applicable Agencies in the U.S. relating to the manufacture, sale and distribution of the Products in the U.S. and foreign countries, including, without limitation, NDAs relating to the Products.

(pp) "**Product Trade Dress**" means, collectively, the current trade dress of each of the Products, including, but not limited to, product packaging associated with the sale of the Products in the U.S., but excluding the Access Trade Dress.

(qq) "**Product Trademarks**" means those Trademarks set forth on Schedule 1.1(pp) attached hereto.

(rr) "**Product Trademarks Assignment**" means the assignment agreement to be executed by Access and delivered to ULURU at Closing, substantially in the form of **Exhibit D** attached hereto.

(ss) "**Purchase Price**" has the meaning set forth in Section 3.1.

(tt) "**Purchased Assets**" has the meaning set forth in Section 2.1(a).

(uu) "**ResiDerm Product**" means a topical formulation utilizing the proprietary zinc technology, exemplified by Zindaclin, a zinc-clindamycin phosphate topical product.

(vv) "**Retained Liabilities**" has the meaning set forth in Section 2.2(b).

(ww) "**Scientific and Regulatory Material**" means all technological, scientific, chemical, biological, pharmacological, toxicological, regulatory and clinical trial materials and

information primarily related to the Products and all rights thereto in any and all jurisdictions to limit the use or disclosure thereof, to the extent such materials are within the possession or control of Access.

(xx) "**Takeda**" means Takeda Chemical Industries, Ltd.

(yy) "**Takeda License Agreement**" means the agreement, dated November 12, 1987, by and between Takeda and Chemex Pharmaceuticals, Inc. ("**Chemex**"), which is currently known as Access, a copy of which is attached hereto as **Exhibit F**.

(zz) "**Tax**" or "**Taxes**" means any domestic, foreign, national, regional or local income, gross receipts, payroll, withholding, license, unemployment, premium, excise, real or personal property, capital stock, franchise, profits, environmental, unemployment disability, social security, severance, value added, sales, use, transfer, registration, alternative or add-on minimum, estimated or any other tax or similar governmental charge of any kind whatsoever, including interest, penalties, and additions to tax with respect thereto, whether disputed or not.

(aaa) "**Tooth Whitening Product**" means a Mucoadhesive Product formulated with an active ingredient which adheres to the surface of teeth to enhance the whiteness of the tooth surface.

(bbb) "**Tax Return**" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

(ccc) "**Trademarks**" means all U.S. and other trademarks, trade names, brand names, logotypes, symbols, service marks, designs, domain names, URLs and tradenames, including registrations and applications for registrations thereof and all renewals, modifications and extensions thereof.

(ddd) "**Transition Team**" shall have the meaning set forth in Section 8.2.

(eee) "**ULURU**" shall have the meaning set forth in the Preamble.

(fff) "**U.S.**" means the United States of America, its territories and possessions, including without limitation the Commonwealth of Puerto Rico and the District of Columbia.

In this Agreement, words importing the singular number shall include the plural and vice versa, words importing a specific gender shall include the other genders and references to persons shall include corporations and one or more persons, their heirs, executors, administrators or assigns as the case may be. References to "including" shall mean "including but not limited to".

1.2 Currency. All currency amounts referred to in this Agreement are in U.S. Dollars.

1.3 Headings, Etc. The division of this Agreement into Sections and the insertion of headings are for convenience of reference only and shall not affect the interpretation hereof.

SECTION 2
PURCHASED ASSETS; LIABILITIES

2.1 Assets to Be Sold and Purchased.

(a) Upon the terms and subject to the conditions of this Agreement, Access agrees to sell, assign, transfer, convey and deliver to ULURU and ULURU agrees to purchase from Access, all rights, title and interest of Access and its Affiliates in and to the following assets, regardless of where such assets are situated (the "**Purchased Assets**"), free and clear of all Encumbrances, except as set forth on Schedule 5.3:

(i) all Product Intellectual Property;

(ii) the Product Registrations, to the extent transferable;

(iii) the Inventory;

(iv) the existing lists of all current trade/wholesale customers (including the address and contact information for each such customer) for the Products and the pricing of the Products for such customers; provided, however, that Access shall retain all rights of access and ownership of such information with respect to sales of Access's and Access's Affiliates' other products;

(v) copies of Access's files pertaining to the Product Registrations and correspondence with the FDA and other Agencies, in each case such as is in existence and in the possession or control of Access, as of the Closing Date;

(vi) all Marketing Materials;

(vii) all Scientific and Regulatory Material;

(viii) the equipment, telephone numbers, internet or domain names or URL's associated with Access's development, manufacture or commercialization of any Product, as set forth on Schedule 2.1(a)(viii);

(ix) all contracts or agreements associated with the development, manufacture, sale, license or commercialization of the Products that are by their terms assignable, except as set forth on Schedule 2.1(a)(ix);

(x) records and files that relate to the Products manufacturing and manufacturing processes;

(xi) all communications to and from third parties relating to the Products or the Product Intellectual Property; and

(xii) all laboratory notebooks specifically related to the Purchased Assets and copies of pages from notebooks which are not specifically related to the Purchased Assets which include scientific data and results related to the Purchased Assets.

The Parties expressly agree and acknowledge that the Purchased Assets shall not include the Excluded Intellectual Property and the Excluded Assets and the Takeda License Agreement.

(b) ULURU acknowledges and agrees that Access, at its own expense, may retain one (1) copy of all or part of the documentation that it delivers to ULURU in confidential, restricted ULURU files, for use in the event a dispute arises between the Parties hereunder, in connection with fulfilling its obligations under this Agreement or in order to comply with applicable law.

2.2 Liabilities. Except as set forth on Schedule 2.2(1) attached hereto:

(a) ULURU agrees to assume, be responsible for and pay, perform and discharge, when due and whenever asserted, all Liabilities (other than the Retained Liabilities) existing or arising in connection with the Purchased Assets and the Products, but only to the extent that such Liabilities arise in respect of circumstances or events occurring on or after the Closing Date (collectively, the "**Assumed Liabilities**"). In addition, ULURU shall assume, be responsible for and pay, perform and discharge, when due and whenever asserted, all costs, expenses, exchanges and rebates related to customer returns of any of the Products, including, without limitation, Finished Goods, which occur or arise after the Closing Date. The foregoing costs, expenses, exchanges and rebates related to customer returns of the Products shall be included within the definition of Assumed Liabilities. ULURU shall not assume any Liabilities relating to a breach contract, breach of warranty, tort, infringement or violation of law by Access, its Affiliates and/or its or their respective directors, officers, employees and agents occurring prior to the Closing Date and arising out of any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

(b) Access agrees to retain, be responsible for and pay, perform and discharge, when due and whenever asserted, all Liabilities (other than the Assumed Liabilities) arising in connection with the Purchased Assets and the Products, but only to the extent such Liabilities arise in respect of circumstances or events occurring prior to the Closing Date (collectively, the "**Retained Liabilities**"). Notwithstanding the foregoing, Access shall not be responsible for any costs, expenses, exchanges and rebates relating to customer returns of the Products, including, without limitation, Finished Goods, occurring after the Closing Date. Access shall not retain any Liabilities relating to a breach of contract, breach of warranty, tort, infringement or violation of law by ULURU, its Affiliates and/or its or their respective directors, officers, employees, agents

(1) Schedule 2.2 to list deviations from the pre(Access)/post(ULURU)-Closing allocation of Liabilities, as mutually agreed to by the Parties.

or Licensees, occurring as of and after the Closing Date and arising out of any charge, complaint, action, suit, proceeding, hearing, investigation, claim or demand.

(c) Subject to the provisions of Section 9 below, ULURU shall be responsible for all Liabilities whatsoever other than the Retained Liabilities.

(d) Subject to the provisions of Section 9 below, Access shall be responsible for all Liabilities whatsoever other than the Assumed Liabilities.

2.3 **Proration**. Access and ULURU agree to prorate as of the Closing Date any amounts under any license agreement or other agreement relating to the Products which become due and payable after the Closing Date to the extent the benefit is attributable to the period prior to the Closing Date.

2.4 **Ancillary Agreements**. Access and ULURU acknowledge that this Agreement does not act as a conveyance, transfer or assignment of any property but that all of the Purchased Assets and the Takeda License Agreement are conveyed, transferred or assigned by way of the Bill of Sale and Assignment Agreement, the Product Patents Assignment, the Product Trademarks Assignment and other documents delivered pursuant to the terms of this Agreement.

2.5 **Takeda License Agreement.**

(a) Upon the terms and subject to the conditions of this Agreement, and notwithstanding anything to the contrary contained herein, Access agrees to assign, transfer, convey and deliver to ULURU and ULURU agrees to assume from Access, on the Closing Date, all rights, Liabilities (other than the Retained Liabilities), title and interest of Access and its Affiliates in and to the Takeda License Agreement, free and clear of all Encumbrances, except as set forth in Schedule 5.3.

(b) ULURU agrees to assume, be responsible for and pay, perform and discharge, when due and whenever asserted, all Liabilities existing or arising in connection with the Takeda License Agreement, but only to the extent that such Liabilities arise in respect of circumstances or events occurring on or after the Closing Date.

(c) Access agrees to retain, be responsible for and pay, perform and discharge, when due and whenever asserted, all Liabilities arising in connection with the Takeda License Agreement, but only to the extent such Liabilities arise in respect of circumstances or events occurring prior to the Closing Date.

(d) ULURU shall be solely responsible for accounting and payment to Takeda, in accordance with Article VIII of the Takeda License Agreement, of any royalties payable to Takeda under the Takeda License Agreement on Access's Net Sales (as defined in the Takeda License Agreement) of the Aphthasol Product after the Closing Date. ULURU shall deliver to Access a copy of any statement or royalty report required to be provided to Takeda which accounts for royalties payable to Takeda on Access's Net Sales (as defined in the Takeda License Agreement) of the Aphthasol Product.

2.6 **Third Party Consents**. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree that Access will not assign to ULURU any contract or agreement that by its terms requires, prior to such assignment, the consent of any other contracting party thereto unless such consent has been obtained. With respect to each such contract or agreement not assigned on the

Closing Date, after the Closing Date Access shall, at ULURU's sole expense, continue to deal with the other contracting party(ies) to such contract or agreement as the prime contracting party, and ULURU and Access shall use their best efforts to obtain the consent of all required parties to the assignment of such contract or agreement. Such contract or agreement shall be promptly assigned by Access to ULURU after receipt of such consent after the Closing Date, and upon such assignment shall be deemed a Purchased Asset. Notwithstanding the absence of any such consent, ULURU shall be entitled to the benefits and subject to the burdens of any such contract or agreement accruing after the Closing Date, and ULURU agrees to perform all of the obligations of Access to be performed under any such contract or agreement after the Closing Date and to indemnify the Access Indemnified Parties (as defined in Section 9.1) against any Losses (as defined in Section 9.1) as a result of such performance or any non-performance by ULURU of any such contract or agreement.

SECTION 3
PURCHASE PRICE AND OTHER PAYMENTS

3.1 Purchase Price. The Purchase Price payable in consideration for the acquisition of the Purchased Assets shall be Thirteen Million Four Hundred Thousand Dollars ($13,400,000) (the "**Purchase Price**"). Such Purchase Price shall be paid by ULURU to Access as follows:

(a) Eight Million Seven Hundred Thousand Dollars ($8,700,000) delivered to Access by ULURU at the Closing; provided that ULURU may deliver on behalf of Access an aggregate of up to $2,994,766.80 of such amount to Cornell Capital Partners, LP and Highgate House Funds, Ltd. (plus an additional $504.96 for each day after October 11, 2005) in order to retire the Secured Debentures of Access due March 30, 2006 held by Cornell Capital Partners, LP and Highgate House Funds, Ltd.;

(b) Three Million Seven Hundred Thousand Dollars ($3,700,000) delivered to Access by ULURU on the date that is twelve (12) months after the Closing Date; provided that Three Hundred Thousand Dollars ($300,000) of such amount shall be accelerated and paid earlier upon the occurrence of any of :

(i) Notification from the FDA that no PDUFA fees are payable for the Products for the fiscal year ending September 30, 2006, or

(ii) ULURU entering into an agreement or understanding (oral or written) with either Takeda or Zambon Group to defer amounts due and payable by ULURU to such parties under the agreements with such parties that are Purchased Assets hereunder, or

(iii) The consummation by ULURU on or prior to January 30, 2006 of the sale by ULURU in a Private Placement or PIPE offering, in one or

more related transactions, of securities for an aggregate purchase price of at least Three Million Dollars ($3,000,000). For purposes of clarity this excludes any proceeds related to any sale of securities under a Standby Equity Distribution Agreement with Cornell Capital or the initial financing of ULURU.

(c) One Million Dollars ($1,000,000) upon the earliest to occur of:

(i) The U.S. launch of OraDisc A (or its substantial equivalent); or

(ii) The U.S. launch of OraDisc B (or its substantial equivalent); or

(iii) The two (2) year anniversary of the date of this Agreement.

3.2 Milestone Payments.

(a) In further consideration for the transactions contemplated under this Agreement and in addition to the Purchase Price, ULURU shall pay to Access the following non-refundable milestone payments in the form and manner described below:

(i) Within five (5) business days after ULURU commences Phase II clinical testing of any drug Product or pivotal testing of any device Product, other than a Dental Product, utilizing the Licensed Technology that is the subject matter of the License Agreement, ULURU shall pay Access the sum of Three Hundred Seventy Five Thousand Dollars ($375,000);

(ii) Within five (5) business days after ULURU commences Phase II clinical testing of any drug Product or pivotal testing of any device Product, other than (A) any Product for which it makes payment under Section 3.2(a)(i) and/or (B) a Dental Product, utilizing the Licensed Technology that is the subject matter of the License Agreement, ULURU shall pay Access the sum of Three Hundred Seventy Five Thousand Dollars ($375,000);

(iii) Within five (5) business days after ULURU signs a license agreement (with a third party) regarding any Product, other than a Dental Product, utilizing the Licensed Technology that is the subject matter of the License Agreement, ULURU shall pay Access the sum of Three Hundred Seventy Five Thousand Dollars ($375,000);

(iv) Within five (5) business days after ULURU signs a license agreement (with a third party) regarding any Product, other than (A) any Product for which it makes payment under Section 3.2(a)(iii) and/or (B) a Dental Product, utilizing the Licensed Technology that is the subject matter of the License Agreement, ULURU shall pay Access the sum of Three Hundred Seventy

Five Thousand Dollars ($375,000);

(v) Within five (5) business days after ULURU signs a license agreement (with a third party) regarding any Product, other than any Product for which it makes payment under Sections 3.2(a)(iii) or (iv), utilizing the Product Intellectual Property relating to the Mucoadhesive Product, ULURU shall pay Access the sum of Three Hundred Seventy Five Thousand Dollars ($375,000);

(vi) Within five (5) business days after ULURU signs a license agreement (with a third party) regarding any Tooth Whitening Product utilizing the Product Intellectual Property relating to the Mucoadhesive Product, ULURU shall pay Access the sum of Seven Hundred Fifty Thousand Dollars ($750,000); and

(vii) ULURU shall pay to Access the following payments based upon the achievement of the following (including, without limitation, the U.S.) Annual Net Sales or Cumulative Net Sales, as the case may be, of the Products by ULURU, its Affiliates and its and their respective Licensees after the Closing Date (including, without limitation, under the License Agreement):

PAYMENT	MILESTONE
$ 500,000	On achievement of Annual Net Sales of the Products of $20,000,000
$ 1,125,000	On achievement of Annual Net Sales of the Products of $40,000,000
$ 1,500,000	On achievement of Annual Net Sales for any one Product of $20,000,000
$ 750,000	On achievement of Cumulative Net Sales of the Products of $50,000,000
$ 750,000	On achievement of Cumulative Net Sales of the Products of $100,000,000

ULURU hereby agrees and acknowledges that it shall not sell, assign, convey or otherwise transfer the Purchased Assets or this Agreement without the permitted assignee or transferee agreeing to be bound by all of the terms of this Agreement, including, without limitation, the payment obligations of this Section 3.

(b) Within ninety (90) days after the end of each calendar quarter, commencing with the first full calendar quarter following the Closing Date, ULURU shall submit to Access a written report setting forth the Annual Net Sales (to-date) and Cumulative Net Sales of each of the Products, respectively, for such quarter; provided, however, that the first such quarterly report shall include only Cumulative Net Sales for each of the Products from the Closing Date to the end of the first full calendar quarter following the Closing Date. In the event that a Licensee sells or distributes any of the Products, the sales report provided to Access by ULURU or its Affiliates pursuant to this Section 3.2(b) shall also include a copy of the sales report from such Licensees for such calendar quarter. ULURU shall permit, and shall cause its Affiliates and its and their respective Licensees to permit, an independent certified public accounting firm (the "**Auditor**") of nationally recognized standing selected by Access and reasonably acceptable to ULURU, at Access's expense (except as set forth below), to have access

upon reasonable notice during normal business hours to the records of ULURU and/or its Affiliates and its or their respective Licensees (subject to ULURU's rights under its license agreements) as may be reasonably necessary to verify the accuracy of the Annual Net Sales and Cumulative Net Sales reported by ULURU pursuant to this Section 3.2(b). When, in any quarterly report, one (1) of the Annual Net Sales or Cumulative Net Sales milestones set forth in Section 3.2(a)(vii) have been achieved, ULURU shall make the corresponding milestone payment to Access within ninety (90) days after the end of the calendar quarter in which the milestone is achieved. In the event that the Auditor, in the course of any review conducted pursuant this Section 3.2(b), discovers that ULURU underpaid, or failed to pay, Access of any of the milestone payments due Access under Section 3.2(a)(vii), (i) all expenses incurred by Access in connection with such review shall be borne entirely by ULURU and (ii) any payment required as a result of such review shall be immediately paid to Access and shall bear interest from the date such amount should otherwise have been paid until the date of actual payment at the rate of ten percent (10%) per annum.

3.3 Allocation of Purchase Price. The Purchase Price and all other amounts constituting consideration hereunder shall be allocated among the Purchased Assets, and otherwise as the Parties shall have agreed, in the manner set forth on **Exhibit G** attached hereto. Except as otherwise required by applicable law, each of the Parties agrees to report (and to cause its Affiliates to report) the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, including the allocation set forth on **Exhibit G** attached hereto, and agrees not to take any position inconsistent therewith in any Tax Return, in any refund claim, in any litigation or otherwise. Any subsequent adjustment to the Purchase Price shall be reflected in the allocation statement as revised by the Parties hereunder in a manner consistent with the allocation statement as originally prepared, except as otherwise required by applicable law. **Exhibit G** attached hereto shall be amended by the Parties to reflect any agreed upon changes to the allocation statement.

3.4 Transfer Taxes; Withholding Taxes. All transfer, sales, value added, stamp duty and similar Taxes payable in connection with the transactions contemplated hereby shall be borne equally by Access and ULURU. Access shall pay all Taxes payable on any income or gain resulting from the sale of the Purchased Assets to ULURU.

SECTION 4
PAYMENT TERMS

4.1 **Payment.** ULURU shall pay the Purchase Price, in the installments set forth in Sections 3.1(a) and (b), and any and all milestone payments, if any, as set forth in Section 3.2, in cash by wire transfer of immediately available funds to a bank account or bank accounts to be designated by Access or its Affiliate.

4.2 **Post-Closing Adjustments.** The Purchase Price set forth in Section 3.1 shall be subject to adjustment, as set forth in this Section 4.2, as follows:

(a) In the event any consideration is payable during the period beginning the Closing Date and ending on the date that is twelve months thereafter to any person as a condition to the assignment of the Takeda License Agreement to ULURU, the Purchase Price shall be

reduced, on a dollar-for-dollar basis, by the amount of such consideration and the payment payable by ULURU pursuant to Section 3.1(b) shall be reduced, accordingly, on a dollar-for-dollar basis, up to a maximum of $1,000,000, by the amount of such consideration and ULURU shall be entitled to deduct the actual amount of such payment from the amount due Access pursuant to Section 3.1(b). ULURU agrees and acknowledges that no post-Closing adjustment shall be made under this Section 4.2(a) after the date that is twelve (12) months after the Closing Date.

(b) In the event that the Parties do not obtain consent from Takeda to the assignment of the Takeda License Agreement by Access to ULURU, and ULURU incurs actual damages solely due to the failure to obtain such assignment, as ULURU's sole remedy, the Purchase Price shall be reduced, on a dollar-for-dollar basis, by the amount of such actual damages, up to a maximum of $1,000,000, and the payment payable by ULURU pursuant to Section 3.1(b) shall be reduced, accordingly, on a dollar-for-dollar basis, by the amount of such actual damages and ULURU shall be entitled to deduct the actual amount of such actual damages from the amount due Access pursuant to Section 3.1(b).

(c) Subject to the following sentence, in the event Discus Dental, Inc. ("**Discus**") terminates that certain license and supply agreement, dated April 15, 2005, by and between Discus and Access (the "**Discus License**"), within sixty (60) days of the Closing Date, as ULURU's sole remedy, the Purchase Price shall be reduced, on a dollar-for-dollar basis, by $500,000, and the payment payable by ULURU pursuant to Section 3.1(b) shall be reduced, accordingly, on a dollar-for-dollar basis, by $500,000 and ULURU shall be entitled to deduct $500,000 from the amount due Access pursuant to Section 3.1(b). Notwithstanding the foregoing, in the event that ULURU licenses the products and technology covered by the Discus License in the United States within eighteen (18) months of any such termination by Discuss on terms substantially similar to the Discus License, ULURU shall, within seven (7) days of receipt by ULURU of any consideration payable to ULURU under such license, pay to Access $500,000.

(d) In the event that Access fails to make payments due to Kerry P. Gray under that certain Separation Agreement, dated as of May 10, 2005, by and between Access and Mr. Gray (the "**Separation Agreement**"), as ULURU's and Mr. Gray's sole remedy, the Purchase Price shall be reduced, on a dollar-for-dollar basis, by the amount of any such non-payment, and the payment payable by ULURU pursuant to Section 3.1(b) shall be reduced, accordingly, on a dollar-for-dollar basis, by the amount of such non-payment and ULURU shall be entitled to deduct the amount of such non-payment from the amount due Access pursuant to Section 3.1(b), such non-payment amount due from Access to be increased by a penalty of 10% per annum compounded monthly commencing on the date Access first fails to make a payment due under the Separation Agreement.

SECTION 5
REPRESENTATIONS AND WARRANTIES OF ACCESS

Except to the extent modified or disclosed on the Schedules hereto and except to the extent that all representations and warranties in this Section 5 are modified and supplemented by the knowledge of ULURU and Kerry P. Gray (and no breach of any representation or warranty

shall exist to the extent that ULURU or Kerry P. Gray has knowledge thereof), Access hereby represents and warrants to ULURU as follows:

5.1 **Incorporation, Organization and Qualification of Access.** Access is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has the necessary corporate power to own, lease and operate its property and to carry on its business as now being conducted by it. Access is duly qualified and licensed to do business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes such qualification necessary, except where the failure to so qualify or be in good standing does not have a Material Adverse Effect.

5.2 **Authorization and Validity of Agreement.** Access has the corporate power and legal authority to execute and deliver this Agreement and the Ancillary Agreements and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements and the performance of Access's obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action by Access, and no other corporate proceedings on the part of Access are necessary to authorize such execution, delivery and performance. This Agreement has been, and the other agreements to be executed by Access in connection with this Agreement will be, duly and validly executed by Access and constitute or will constitute, as the case may be, the valid and binding obligations of Access enforceable against Access in accordance with its or their terms, subject to bankruptcy, insolvency

or similar laws of general application affecting the enforcement of rights of creditors, and subject to equitable principles limiting rights to specific performance or other equitable remedies, and subject to the effect of federal and state securities laws on the enforceability of indemnification provisions relating to liabilities arising under such laws. Execution of this Agreement, the Ancillary Agreements and any other agreements to be executed by Access in connection with this Agreement and consummation of the transactions contemplated hereby and thereby will not (a) result in the violation of or conflict with any of the terms and provisions of the articles of incorporation or by-laws of Access, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, modification, cancellation or acceleration or loss of material benefits) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, contract, agreement, permit, license, lease, purchase order, sales order, arrangement or other commitment or obligation to which Access is a party or may be subject or which is included in the Purchased Assets or (c) violate any order, writ, injunction, decree, statute, treaty, rule or regulation applicable to Access or the Purchased Assets, except, in the case of clauses (b) and (c), as would not have a Material Adverse Effect; provided, however, the Parties acknowledge that to the extent that any contract or agreement (including, without limitation, the Takeda License Agreement) is not assignable, as set forth on Schedule 5.2, it shall be governed by Section 2.5, and such non-assignability shall not be deemed a breach of this Agreement.(2)

5.3 Title to Purchased Assets. Except as set forth on Schedule 5.3, Access is the owner of, and/or is the lawful holder of all rights to, the Purchased Assets with good, valid and

(2) Schedule 5.2 to indicate certain contracts that may not be assignable and that any assignment of same could give rise to a right of a party to terminate or sue for damages.

marketable title thereto, free and clear of any mortgage, lien, charge, security interest, pledge, restriction on transferability, option, adverse claim or other encumbrance on title whatsoever (collectively, "**Encumbrances**"), and at the Closing, Access will transfer to ULURU good, valid and marketable title thereto, free and clear of all Encumbrances.

5.4 Compliance With Law. Access has conducted and is currently conducting the manufacturing, processing, packaging, labeling, marketing and sale of the Products in the U.S. in compliance with all applicable laws, rules, regulations and court or administrative orders and processes. Except as would not have a Material Adverse Effect, Access has not received any written notice of violation of any applicable law, regulation or requirement relating to the Products or the Purchased Assets within the past three (3) years.

5.5 Litigation. Except as would not have a Material Adverse Effect, (a) there are no actions, suits, proceedings, investigations, arbitration proceedings or other proceedings pending or, to the best knowledge of Access, threatened against or affecting, in whole or in part, the Purchased Assets or the Products by or before any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or by or before any arbitrator, and (b) there is not currently outstanding against Access any judgment, decree, injunction, rule, settlement, order or award of any court, governmental department, commission, board, bureau, agency, instrumentality, domestic or foreign, or arbitrator that relate, in whole or in part, to the Purchased Assets or the Products or would question or challenge the validity of this Agreement.

5.6 Intellectual Property Rights. Except as set forth on Schedule 5.6:

(a) (i) Access is the sole owner, free and clear of any Encumbrance, except as set forth in Schedule 5.3, of all right, title and interest in the Product Intellectual Property and (ii) Access has the right to use the Product Intellectual Property in the manufacture, sale and distribution of the Products.

(b) All of the Product Patents and Product Trademarks (i) have been duly registered or filed with the appropriate government authorities or registries, and (ii) to the best knowledge of Access are currently in force as to all applicable jurisdictions.

(c) To the knowledge of Access, no third party is infringing or misappropriating any of the Product Intellectual Property.

(d) To the knowledge of Access none of the Product Intellectual Property infringes or conflicts with any Intellectual Property right of a third party and there are, and have been, no claims asserted in writing against Access alleging that Access's development, manufacture and sale of Products infringes or misappropriates any Intellectual Property of any other person, corporation, limited liability company, partnership, other business entity.

(e) Access has not granted any license or sublicense with respect to the Product Intellectual Property.

(f) Access has delivered to ULURU correct and complete copies of all patents, registrations, applications, licenses and agreements relating to the Product Intellectual Property.

5.7 Inventory. The Inventory has been stored in compliance with all applicable federal and state laws, has not been adulterated and has otherwise been maintained according to the requirements of federal and state law. The Inventory is merchantable and fit for the purpose for which it was manufactured, is not defective and shall have a remaining shelf life of at least eighteen (18) months from the Closing Date.

5.8 Government Approvals. Except as set forth on Schedule 5.8, no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any applicable laws, rules or regulations currently in effect, is or will be necessary for, or in connection with, the offer and sale of the Purchased Assets, the execution and delivery by Access of this Agreement, the Ancillary Agreements and any other agreement or instrument executed in connection herewith, the consummation of the transactions contemplated hereby or thereby, or the performance by Access of its obligations under this Agreement, the Ancillary Agreements and any other agreements.

5.9 Purchased Assets. Except for the Excluded Assets and as otherwise stated herein or as would not cause a Material Adverse Effect, the Purchased Assets include all property, rights, assets, information, files and materials necessary for ULURU to develop, manufacture, sell and distribute the Products in a manner substantially similar to Access's practices as of the Closing Date.

5.10 Brokers. Access has not employed any investment banker, broker, finder or intermediary in connection with the transactions contemplated hereby who might be entitled to a fee or commission upon the execution of this Agreement or the consummation of such transactions.

5.11 Disclosure. The representations and warranties contained in this Section 5 do not contain any untrue statement of fact or omit to state a fact necessary in order to make the statements and information contained in this Section 5 not misleading (other than those facts of which ULURU or Kerry P. Gray has knowledge).

5.12 No Implied Representations. WITH REGARD TO ANY STATEMENT CONTAINED IN THIS SECTION 5 OR ANY OTHER PROVISION OF THIS AGREEMENT OR ANY ANCILLARY AGREEMENT ULURU AND ACCESS ACKNOWLEDGE AND AGREE THAT NEITHER ACCESS NOR ANY OF ITS AFFILIATES, AGENTS, EMPLOYEES OR REPRESENTATIVES IS MAKING OR IMPLYING, WHETHER CONTAINED IN OR REFERRED TO IN THE DUE DILIGENCE AND EVALUATION MATERIALS THAT HAVE BEEN OR SHALL HEREAFTER BE PROVIDED TO ULURU OR ANY OF ITS AFFILIATES, AGENTS OR REPRESENTATIVES, ANY REPRESENTATION OR WARRANTY WHATSOEVER BEYOND THOSE EXPRESSLY GIVEN BY ACCESS IN THIS AGREEMENT OR ANY ANCILLARY AGREEMENT,

INCLUDING BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OR REPRESENTATION AS TO THE VALUE, CONDITION, MERCHANTABILITY OR SUITABILITY AS TO ANY OF THE PURCHASED ASSETS.

SECTION 6
COVENANTS OF ACCESS

6.1 Assistance with ULURU Regulatory Filings. Access shall use commercially reasonable efforts to assist ULURU in its preparation and filing with the FDA or any other Agency of filings required to be filed by ULURU for the manufacture, marketing and distribution of the Products. It is understood and agreed that ULURU, as the owner of the Product Registrations, shall have the responsibility for all regulatory filings after the Closing Date. All costs and fees associated with such regulatory filings shall be borne by ULURU.

6.2 Litigation. From the date hereof until the date six (6) years after the Closing, Access shall notify ULURU promptly upon receipt of any communication or legal process which commences or threatens litigation which might materially and adversely affect the value of any of the Purchased Assets.

6.3 Notice of Developments. For a period of one (1) year after the Closing Date, Access will give written notice to ULURU of all material developments of which it has actual knowledge affecting the Purchased Assets.

6.4 Proprietary Information. From and after the Closing Date, each Party shall not disclose or make use of, and shall use its best efforts to cause all of its Affiliates not to disclose or make use of, any knowledge, information or documents of a confidential nature or not generally known to the public with respect to the other Party or its respective businesses (including the financial information, technical information or data relating to the other Party's products and names of customers of the other Party), except to the extent that such knowledge, information or documents shall have become public knowledge other than through improper disclosure by the other Party or an Affiliate. Each Party shall enforce, for the benefit of the other Party, all confidentiality, invention assignments and similar agreements between such Party and any other party relating to the Purchased Assets.

6.5 Hired Employees' Options, Bonuses and Restricted Stock. Within seven (7) days of the Closing, Access shall (a) pay to each Hired Employee (as defined in Section 8.8) by wire transfer of immediately available funds or by certified check an amount equal to the bonus payment due and payable by Access to each such Hired Employee, as set forth opposite the name of such Hired Employee on Schedule 6.5, (b) deliver to each Hired Employee written confirmation that all unvested options to purchase shares of Access common stock held as of the Closing Date by such Hired Employee terminated as of the Closing Date and that such Hired Employee may exercise during the twelve (12) month period following the Closing Date any vested options to purchase shares of Access common stock held as of the Closing Date by such Hired Employee, in each case as set forth opposite the name of such Hired Employee on Schedule 6.5, and (c) deliver to each Hired Employee written confirmation that the unvested shares of Access restricted common stock currently held by such Hired Employee, as set forth opposite the name of such Hired Employee on Schedule 6.5, vested in full as of and upon the

Closing, and provided that within seven (7) days of the Closing Date a stock certificate is issued for the common stock for each Hired Employee in an amount as set forth opposite the name of such Hired Employee on Schedule 6.5.

SECTION 7
REPRESENTATIONS AND WARRANTIES OF ULURU

ULURU hereby represents and warrants to Access as follows:

7.1 Incorporation, Organization and Qualification of ULURU. ULURU is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has the necessary corporate power to own, lease and operate its property and to carry on its business as now being conducted by it. ULURU is duly qualified and licensed to do business as a foreign corporation and is in good standing in every jurisdiction where the nature of the business conducted by it makes qualification necessary, except where the failure to so qualify or be in good standing would not prevent or materially delay the consummation of the transactions contemplated hereby.

7.2 Corporate Action. ULURU has the corporate power and legal authority to execute and deliver this Agreement and the Ancillary Agreements and to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and the Ancillary Agreements and the performance of ULURU's obligations hereunder and thereunder have been duly and validly authorized by all necessary corporate action, and no other corporate proceedings on the part of ULURU are necessary to authorize such execution, delivery and performance. This Agreement has been, and any other agreements executed in connection herewith have been, duly and validly executed by ULURU, and constitute the valid and binding obligations of ULURU, enforceable against ULURU in accordance with its or their terms, subject to bankruptcy, insolvency or similar laws of general application affecting the enforcement of rights of creditors, and subject to equitable principles limiting rights to specific performance or other equitable remedies, and subject to the effect of federal and state securities laws on the enforceability of indemnification provisions relating to liabilities arising under such laws. Execution of this Agreement, the Ancillary Agreements and any other agreements executed by ULURU in connection with this Agreement and consummation of the transactions contemplated hereby and thereby will not (a) result in the violation of or conflict with any of the terms and provisions of the articles of incorporation or by-laws of ULURU, (b) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, modification, cancellation or acceleration or loss of material benefits) under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, contract, agreement, permit, license, lease, purchase order, sales order, arrangement or other commitment or obligation to which ULURU is a party or may be subject to or (c) violate any order, writ, injunction, decree, statute, treaty consummation of such transactions, rule or regulation applicable to ULURU except, in the case of clauses (b) and (c), as would not prevent or materially delay the consummation of the transactions contemplated hereby.

7.3 Governmental Approvals. No government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any applicable

laws, rules or regulations currently in effect, is or will be necessary for, or in connection with, the purchase of the Purchased Assets, the execution and delivery by ULURU of this Agreement, the Ancillary Agreements and any other agreement or instrument executed in connection herewith, the consummation of the transactions contemplated hereby or thereby, or for the performance by it of its obligations under this Agreement, the Ancillary Agreements and any other agreements.

7.4 Compliance With Law. ULURU has conducted and is currently conducting its business in compliance with all applicable laws, rules, regulations and court or administrative orders and processes. Except as would not have a Material Adverse Effect, ULURU has not received any written notice of violation of any applicable law, regulation or requirement relating to its business within the past five (5) years.

7.5 Litigation. Except as would not have a Material Adverse Effect, there are no actions, suits, proceedings, investigations, arbitration proceedings or other proceedings pending or, to the best knowledge of ULURU, threatened against or affecting, in whole or in part, ULURU's business by or before any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, or by or before any arbitrator and, to the best knowledge of ULURU, there is not currently outstanding against ULURU any judgment, decree, injunction, rule, settlement, order or award of any court, governmental department, commission, board, bureau, agency, instrumentality, domestic or foreign, or arbitrator that would question or challenge the validity of this Agreement.

7.6 Brokers. ULURU has not employed any investment banker, broker, finder or intermediary in connection with the transactions contemplated hereby who might be entitled to a fee or commission upon the execution of this Agreement or the consummation of such transactions.

7.7 Disclosure. The representations and warranties contained in this Section 7 do not contain any untrue statement of fact or omit to state a fact necessary in order to make the statements and information contained in this Section 7 not misleading.

SECTION 8
MUTUAL COVENANTS

8.1 Transfer of Registrations, Etc. The Parties shall cooperate to effectuate the consummation of the transactions contemplated by this Agreement and the transfer of the Purchased Assets and the Takeda License Agreement in accordance with Section 2 hereof. The Parties agree to use their commercially reasonable efforts, before and after the Closing, to take any other actions required by the FDA or any other Agency to effect the transfer of the Purchased Assets, including notices to the FDA and other Agencies regarding the transfer from Access to ULURU of the Product Registrations and to obtain any required third party consents necessary to consummate the transactions contemplated by this Agreement.

8.2 Transition Team. Access and ULURU shall establish a transition team (the "**Transition Team**"), which shall be comprised of the persons set forth on Schedule 8.2 attached hereto and which shall have the responsibilities set forth in this Section 8.2. For a period of not

longer than one hundred eighty (180) days, the Transition Team shall (a) coordinate the joint efforts of Access and ULURU, consistent with the terms and conditions of this Agreement; (b) effect the transfer of the Purchased Assets in accordance with Section 2.1 and Section 10.1(k); (c) obtain any required consents, licenses, permits, waivers, approvals, authorizations or orders; (d) make any required filings or submissions; (e) effect a smooth transition from Access to ULURU with respect to the manufacture and sale of the Products in the U.S.; and (f) take any other commercially reasonable actions necessary for the consummation of the transactions contemplated by this Agreement.

8.3 Certain Tax and Financial Statement Matters. ULURU and Access, and each Party's respective Affiliates, shall cooperate, to the extent reasonably requested by the other Party, in connection with the preparation and filing of any Tax Return, audit, litigation, information statement, proceeding or similar items with respect to Taxes and to furnish the other Party with a copy of such item in draft form within a reasonable time before its due date, as well as a copy of such item as filed. In addition Access, and its Affiliates, shall cooperate, to the extent reasonably requested by ULURU, in connection with the preparation, audit and filing of any financial statements related to the Purchased Assets, including the preparation, audit and filing of any financial statements required to be included in any registration statement filed by ULURU with the Securities and Exchange Commission.

8.4 Adverse Experience Reports. On or prior to the Closing Date, Access shall provide ULURU with all information relating to the investigation and reporting of Adverse Experiences regarding the Products since three (3) years prior to the Closing Date and all information which is relevant to the safe use of the Products as of the Closing Date, in each case to the extent received by, or in the possession of, Access, and will confer with ULURU on Adverse Experience history related to the Products. After the Closing Date, Access and its Affiliates shall promptly submit to ULURU all such Adverse Experience information or customer complaints brought to the attention of Access or its Affiliates in respect of the Products, as well as any material events and matters concerning or affecting the safety or efficacy of the Products. Such information or customer complaints shall be forwarded to ULURU, Attention: Kerry P. Gray. Beginning on the Closing Date, ULURU shall have all responsibility for required reporting of Adverse Experiences for the Products.

8.5 Response to Medical Inquiries and Products Complaints. Upon Closing, ULURU shall assume all responsibility for responding to any medical inquiries or complaints about the Products. Access shall promptly refer all such inquiries and complaints that it receives to ULURU for response to such inquiries or complaints.

8.6 Customer Receipts. In the event that Access or any of its Affiliates receive payment after the Closing Date on invoices relating to sales of the Products by ULURU or any of its Affiliates after the Closing Date, Access will promptly notify ULURU of such receipt and will promptly remit, or will cause such Affiliate to promptly remit such payment to ULURU. In the event that ULURU or any of its Affiliates receive payment after the Closing Date on invoices or any other payments relating to the Products with respect to the period prior to the Closing Date, ULURU will promptly notify Access of such receipt and will promptly remit, or will cause such Affiliate to promptly remit such payment to Access.

8.7 Sharing of Data. Access shall have the right for a period of seven years following the Closing Date to have reasonable access to such books, records and accounts, including financial and tax information, correspondence, production records, employment records and other records that are transferred to ULURU pursuant to the terms of this Agreement for the limited purposes of concluding its involvement in the business conducted by Access prior to the Closing Date and for complying with its obligations under applicable securities, tax, environmental, employment or other laws and regulations. ULURU shall have the right for a period of seven years following the Closing Date to have reasonable access to those books, records and accounts, including financial and accounting records (including the work papers of Access's independent accountants), tax records, correspondence, production records, employment records and other records that are retained by Access pursuant to the terms of this Agreement to the extent that any of the foregoing is needed by ULURU for the purpose of conducting the business of Access after the Closing and complying with its obligations under applicable securities, tax, environmental, employment or other laws and regulations. Neither ULURU nor Access shall destroy any such books, records or accounts retained by it without first providing the other Party with the opportunity to obtain or copy such books, records, or accounts at such other Party's expense.

8.8 Hired Employees. As of the Closing, ULURU shall offer employment to the employees of Access set forth on Schedule 8.8, at substantially the same level of compensation and benefits as provided by Access immediately prior to the Closing, to continue working in connection with the development of the Product Intellectual Property, provided that Access makes no representation as to whether any such employees will accept employment by ULURU and it shall not be a breach of this Agreement by Access if any such employee does not accept employment by ULURU (all such hired employees, the "**Hired Employees**"); provided, however, that

nothing contained in this Section 8.8 shall require that ULURU continue to employ any Hired Employee after the Closing Date or restrict ULURU's ability to change the level of compensation and benefits provided to any Hired Employee after the Closing Date. ULURU shall be responsible for all compensation expenses relating to the Hired Employees, to the extent accrued or payable after the Closing Date, including, without limitation, severance (including any severance or displacement pay, if any, due for any Hired Employee subsequently terminated by ULURU, with any such obligations to be determined by the terms of the severance or displacement pay arrangements maintained by Access and ULURU, respectively), benefits, vacation, sick time and all such other expenses. During the period from the Closing Date through December 31, 2005, Access shall continue to pay all compensation expenses due the Hired Employees, provided that ULURU shall reimburse Access for all such payments made to the Hired Employees within one (1) day upon notice from Access of its making any such payment. Beginning January 1, 2006, ULURU shall pay all such compensation expenses due the Hired Employees and Access shall have no obligation to make any payments in connection therewith.

SECTION 9
INDEMNIFICATION

9.1 Indemnification by Access. Access shall indemnify and hold ULURU, its Affiliates and their respective employees, officers and directors (collectively, the "**ULURU Indemnified Parties**") harmless from and against any and all losses, damages, liabilities, obligations, claims, costs and expenses (including reasonable attorneys' fees) (each, a "**Loss**" and

collectively, the "**Losses**") sustained, suffered or incurred by such ULURU Indemnified Parties and relating to, directly or indirectly: (a) the breach of any representation or warranty of Access contained herein (without regard to materiality qualifiers provided in such representations or warranties other than the references to Material Adverse Effect) (other than any breach in existence or caused by events or facts of which ULURU or Kerry Gray has knowledge); (b) the breach of any covenant or agreement of Access contained herein; or (c) any claim or cause of action arising from the Retained Liabilities, except that Access shall have no obligation to indemnify ULURU for any Losses that arise from or relate to the Takeda License Agreement or the performance or nonperformance of such agreement or under Section 4.2 (except as set forth in Section 4.2).

9.2 Indemnification by ULURU. ULURU shall indemnify and hold Access, its Affiliates and their respective employees, officers and directors (collectively, the "**Access Indemnified Parties**") harmless from and against any and all Losses sustained, suffered or incurred by such Access Indemnified Parties and relating to, directly or indirectly: (a) the breach of any representation or warranty of ULURU contained herein, (without regard to materiality qualifiers provided in such representations or warranties); (b) the breach of any covenant or agreement of ULURU contained herein; (c) any Losses that arise from or relate to the Takeda License Agreement or the performance or non-performance of such agreement; or (d) any claim or cause of action arising from the Assumed Liabilities.

9.3 Notification of Claims.

(a) If any Access Indemnified Party or ULURU Indemnified Party receives notice of any event, circumstance, demand or claim that may give rise to a Loss for which such Party is or may be entitled to indemnification under this Agreement (each such party, an "**Indemnified Party**"), such Indemnified Party shall promptly notify the Party required to provide such indemnification (the "**Indemnifying Party**") in writing of the existence of such potential Loss and of the amount at issue. The failure to provide such notice will not affect any rights hereunder except to the extent the Indemnifying Party is materially prejudiced thereby.

(b) If the event or circumstance giving rise to a Loss involves any third party claim, the Indemnifying Party shall have the right to direct, through counsel of its own choosing, which counsel shall be reasonably satisfactory to the Indemnified Party, the defense or settlement of any claim or proceeding the subject of indemnification hereunder at its own expense. If the Indemnifying Party elects to assume the defense of any such claim or proceeding, the Indemnified Party may participate in such defense, but in such case the expenses of the Indemnified Party shall be paid by the Indemnified Party. The Indemnified Party shall provide the Indemnifying Party with access to its records and personnel relating to any such claim, assertion, event or proceeding during normal business hours and shall otherwise cooperate with the Indemnifying Party in the defense or settlement thereof, and the Indemnifying Party shall reimburse the Indemnified Party for all its reasonable out-of-pocket expenses in connection therewith. If the Indemnifying Party elects to direct the defense of any such claim or proceeding, the Indemnified Party shall not pay, or permit to be paid, any part of any claim or demand arising from such asserted loss unless the Indemnifying Party consents in writing to such payment or unless the Indemnifying Party withdraws from the defense of such asserted loss or unless a final

judgment from which no appeal may be taken by or on behalf of the Indemnifying Party is entered against the Indemnified Party for such loss. No settlement in respect of any third party claim may be effected by the Indemnifying Party without the Indemnified Party's prior written consent, unless the settlement involves a full and unconditional release of the Indemnified Party. If the Indemnifying Party shall fail to undertake in a timely manner the defense of any third party claim or it is reasonably determined by outside counsel mutually selected by the Indemnified Party and the Indemnifying Party that representation by the Indemnifying Party's counsel of both the Indemnifying Party and the Indemnified Party may present a conflict of interest, the Indemnified Party shall have the right to undertake the defense or settlement thereof at the Indemnifying Party's expense. If the Indemnified Party assumes the defense of any such claim or proceeding pursuant to this Section 9.3 and proposes to settle such claim or proceeding prior to a final judgment thereon or to forgo any appeal with respect thereto, then the Indemnified Party shall give the Indemnifying Party timely written notice and the Indemnifying Party shall have the right to participate in the settlement or assume or reassume the defense of such claim or proceeding.

SECTION 10
CLOSING AND POST-CLOSING DELIVERIES

10.1 Documents/Items to Be Delivered by Access at Closing. At the Closing, Access shall deliver, or cause to be delivered, to ULURU the following:

(a) Any instruments of conveyance, assignment and transfer, in form and substance satisfactory to ULURU and Access, as shall be appropriate to convey, transfer and assign to, and vest in ULURU, good title to the Purchased Assets free and clear of all Encumbrances, except as set forth on Schedule 5.3;

(b) executed Product Patents Assignment;

(c) executed Product Trademarks Assignment;

(d) executed Bill of Sale and Assignment Agreement;

(e) reports of Adverse Experience, as provided in Section 8.4;

(f) a certificate dated as of the Closing Date and executed by a principal executive or financial officer of Access certifying the satisfaction of the conditions specified in Section 11.1;

(g) a certificate dated as of the Closing Date and executed by the secretary or an assistant secretary of Access, certifying:

(i) attached thereto is a complete and correct copy of resolutions adopted by the board of directors of Access authorizing the execution, delivery and performance of this Agreement and the Ancillary Agreements executed in connection herewith by Access and the transfer of the Purchased Assets and the Assumed Liabilities to ULURU hereunder, and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date thereof; and

(ii) that the person named in the foregoing officer's certificate delivered pursuant to Section 10.1(f) has been duly elected, qualified and is an acting officer of Access and that set forth therein is a genuine signature or true facsimile thereof of such officer.

(h) the Purchased Assets, to the extent deliverable at Closing, in accordance with the procedures set forth in Section 2.1. If the Purchased Assets cannot be delivered at Closing, they shall be delivered by Access as soon as practicable after the Closing, in accordance with the procedures set forth in Section 2.1;

(i) an electronic recording of the Inventory existing as of the Closing Date;

(j) executed Premises Agreement;

(k) executed License Agreement; and

(l) such other documents, instruments and certificates as Access and ULURU may mutually agree upon.

10.2 Documents/Items to Be Delivered by ULURU at Closing. At the Closing, ULURU shall deliver, or cause to be delivered, to Access the following:

(a) a certificate dated as of the Closing Date and executed by a principal executive or financial officer of ULURU certifying the satisfaction of the conditions specified in Section 12.1;

(b) a certificate dated as of the Closing Date and executed by the secretary or an assistant secretary of ULURU, certifying:

(i) attached thereto is a complete and correct copy of resolutions adopted by the board of directors of ULURU authorizing the execution, delivery and performance of this Agreement and the Ancillary Agreements executed in connection herewith by ULURU and the transfer of the Purchased Assets and the Assumed Liabilities to ULURU hereunder, and that such resolutions, approvals and consents have not been amended or modified in any respect and remain in full force and effect as of the date thereof (or, in the alternative, a statement to the effect that no such board of directors approval is necessary regarding the execution, delivery and performance of this Agreement and the Ancillary Agreements and the transfer of the Purchased Assets and the Assumed Liabilities to ULURU); and

(ii) that the person named in the foregoing officer's certificate delivered pursuant to Section 10.2(b) has been duly elected, qualified and is an acting officer of ULURU and that set forth therein is a genuine signature or true facsimile thereof of such officer.

(c) executed Premises Agreement;

(d) executed License Agreement;

(e) the first installment of the Purchase Price, as set forth in Sections 3.1(a) and 4.1;

(f) lien release letters, executed and delivered by each of Cornell Capital Partners, LP, Highgate House Funds, Ltd. and Kerry P. Gray, pursuant to which such parties agree to terminate and release certain security interests in Access's assets granted by Access to such parties; and

(g) such other documents, instruments and certificates as Access and ULURU may mutually agree upon.

10.3 Post-Closing Deliveries. Promptly after receipt at any time after the Closing Date of any consent to assignment of any contract or agreement constituting a Purchased Asset, Access shall deliver such consent to ULURU.

SECTION 11
ULURU'S CONDITIONS OF CLOSING

The sale and purchase of the Purchased Assets in accordance with the terms of this Agreement are subject to the following terms and conditions, each of which is included for the exclusive benefit of ULURU, to be fulfilled or performed at or prior to the Closing:

11.1 Representations and Warranties at Closing. The representations and warranties of Access to ULURU contained in this Agreement shall be true and correct as of the Closing in all material respects with the same force and effect as though such representations and warranties had been made at such time (without regard to materiality qualifiers set forth therein), except (a) where failure to be so true and correct would not prevent or materially delay the consummation of the transactions contemplated hereby, (b) that those representations and warranties which address matters only as of a particular date or period of time shall remain true and correct as of such date or period of time, except where failure to be so true and correct would not prevent or materially delay the consummation of the transactions contemplated hereby, and (c) where ULURU or Kerry P. Gray has knowledge that any such representation or warranty was not so true and correct on the date hereof or the Closing Date. Access shall deliver to ULURU at the Closing a certificate by an officer of Access to such effect.

11.2 Compliance with Terms and Conditions. Access shall have performed, or complied with, in all material respects, all of the terms, covenants and conditions of this Agreement to be complied with or performed by Access at or before the Closing.

11.3 Ancillary Agreements; Other Agreements. Access shall have executed and delivered the Product Patents Assignment, the Product Trademarks Assignment, the Bill of Sale and Assignment Agreement, the License Agreement, and the Premises Agreement.

SECTION 12
ACCESS'S CONDITIONS OF CLOSING

The sale and purchase of the Purchased Assets in accordance with the terms of this Agreement is subject to the following terms and conditions, each of which is included for the exclusive benefit of Access, to be fulfilled or performed at or prior to the Closing.

12.1 Representations and Warranties at Closing. The representations and warranties of ULURU to Access contained in this Agreement shall be true and correct as of the Closing in all material respects with the same force and effect as though such representations and warranties had been made at such time (without regard to materiality qualifiers set forth therein), except where failure to be so true and correct would not prevent or materially delay the consummation of the transactions contemplated hereby, and except that those representations and warranties which address matters only as of a particular date or period of time shall remain true and correct as of such date or period of time, except where failure to be so true and correct would not prevent or materially delay the consummation of the transactions contemplated hereby. ULURU shall deliver to Access at the Closing a certificate by an officer of ULURU to such effect.

12.2 Compliance with Terms and Conditions. ULURU shall have performed, or complied with, in all material respects, all the terms, covenants and conditions of this Agreement to be complied with or performed by ULURU at or before the Closing.

12.3 Ancillary Agreements; Other Agreements. ULURU shall have executed the License Agreement and the Premises Agreement.

SECTION 13
CLOSING DATE

13.1 Closing. Upon the terms and subject to the conditions of this Agreement, the sale and purchase of the Purchased Assets shall take place at a closing (the "**Closing**") to be held at the offices of Bingham McCutchen LLP, 150 Federal Street, Boston MA 02110, on such date as Access and ULURU may mutually agree upon in writing (the day on which the Closing takes place being the "**Closing Date**").

SECTION 14
MISCELLANEOUS

14.1 Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such costs and expenses, whether or not the Closing shall have occurred. Except as provided in Section 9, in the event of any dispute among the Parties hereto relating to the subject matter of this Agreement, each Party shall pay its own out-of-pocket costs and fees and disbursements of counsel.

14.2 Further Assurances and Actions. Each of the Parties hereto, upon the request of the other Party hereto, whether before or after the Closing and without further consideration, shall, and shall cause their respective Affiliates to, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement.

14.3 Announcements. No Party shall make a public announcement regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other Party; provided that nothing herein shall restrict Access or ULURU from making any public announcement of the transactions contemplated by this Agreement to the extent that such announcement is required by law; provided that, prior to any such disclosure, the disclosing Party shall provide the other Party a reasonable time to review and comment upon such disclosure. Additionally, ULURU may disclose this Agreement and the transactions contemplated hereby, to the extent reasonably necessary, in connection with any registration of one (1) or more of the Products with any state or Federal agency.

14.4 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 14.4):

(a) if to Access, then:

Access Pharmaceuticals, Inc.
2600 Stemmons Freeway
Suite 176
Dallas, TX 75207
Telephone : (214) 905-5100
Telecopy : (214) 905-5101
Attn: Chief Executive Officer

with a copy to:

Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Telephone: (617) 951-8000
Telecopy: (617) 951-8736
Attn: John J. Concannon III, Esq.

(b) if to ULURU, then:

ULURU, Inc.
4939 Stonyford Drive
Dallas, TX 75287
Telephone: (972) 250-6383
Telecopy: (972) 250-6383
Attn: Kerry P. Gray

with a copy to:

McGuireWoods LLP
1345 Avenue of the Americas, 7th Floor
New York, NY 10105
Telephone: (212) 548-2138
Telecopy: (212) 548-2175
Attn: Louis W. Zehil, Esq.

14.5 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to principles of conflict of laws. Each Party to this Agreement expressly and irrevocably (a) consents that legal action or proceeding against it arising out of this Agreement may be brought in any court of the State of Delaware or in the U.S. District Court for the District of Delaware, (b) consents and submits to the personal jurisdiction of any of such courts solely for purposes of such action or proceeding, (c) consents to the service of any complaint, summons, notice or other process solely for purposes of such action or proceeding by delivery thereof to him, her or it by hand or by any other manner provided for in Section 14.4 and (d) waives any claim or defense solely for purposes of such action or based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens or any similar basis. Nothing in this Section shall affect or impair in any manner or to any extent the right of any Party to commence legal proceedings or otherwise proceed against any other Party in any jurisdiction or to serve process in any manner permitted by law.

14.6 Entire Agreement; Amendments. This Agreement, including the Exhibits and Schedules hereto, constitutes the entire agreement among the Parties hereto with respect to the transactions provided for herein and as stated herein and in the agreements, instruments and documents executed and to be executed and delivered in connection herewith, contains all of the agreements between the Parties hereto. There are no verbal agreements or understandings between the Parties hereto not reflected in this Agreement. This Agreement may not be amended or modified in any respect except by written instrument executed by each of the Parties hereto.

14.7 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original and all of which together, shall constitute the same Agreement.

14.8 No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the Parties hereto and their permitted successors and assigns and nothing herein, express or implied, is intended to or shall confer upon any person or entity, any legal or equitable rights, benefits or remedies.

14.9 Assignment. Neither Party may assign its rights or obligations under this Agreement without the prior written consent of the other Party and any purported assignment in violation hereof shall be null and void; provided, however, that either Party may assign its rights and obligations under this Agreement, without the prior written consent of the other Party, to an Affiliate or to a successor of the assigning Party's business by reason of merger, sale of all or substantially all of its assets or any similar transaction, provided that such successor agrees in writing to be bound by this Agreement (including, without limitation, in the case of any such

event involving ULURU, ULURU's payment obligations under Section 3). Such consent shall not be unreasonably withheld or delayed. Any permitted assignee shall assume all obligations of its assignor under this Agreement (including, without limitation, in the case of an assignment by ULURU, ULURU's payment obligations under Section 3). No assignment shall relieve either Party of its responsibility for the performance of any obligation that accrued prior to the effective date of such assignment hereunder. ULURU agrees that in connection with any merger or sale of all or substantially all of the assets of ULURU such transaction shall not be consummated unless and until the other party(ies) to such transaction agree in writing to assume all of the obligations of ULURU under this Agreement and each agreement contemplated hereby.

14.10 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

14.11 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE ANCILLARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FOR ANY COUNTERCLAIM THEREIN.

14.12 No Waiver of Remedies. No delay on the part of ULURU or Access in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either ULURU or Access of any right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver of any terms or conditions of this Agreement shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or waiver of any other term or condition, of this Agreement. The failure of any Party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

[The remainder of this page is left blank intentionally.]

IN WITNESS WHEREOF, this Agreement has been executed by the Parties hereto as of the date first above written.

ACCESS PHARMACEUTICALS, INC.

By /s/ Rosemary Mazanet
Name: Rosemary Mazanet
Title: Acting CEO

ULURU, INC.

By /s/ Kerry P. Gray
Name: Kerry P. Gray
Title: President & CEO

/s/ Kerry P. Gray
Kerry P. Gray, individually solely with respect to Sections 5, 8.4, 9.1 and 11.1

[*Signature Page to Asset Sale Agreement]*

Exhibit 10.26

Execution Copy

LICENSE AGREEMENT

THIS LICENSE AGREEMENT (this "Agreement") is made and entered into effective as of October 12, 2005 (the "Effective Date"), by and between Access Pharmaceuticals, Inc., a Delaware corporation ("Licensor") and ULURU, Inc., a Delaware corporation ("Licensee").

RECITALS:

A. Licensor and Licensee have entered into an Asset Sale Agreement of even date herewith (the "ASA") whereby Licensor is selling certain of its assets and liabilities to Licensee as of the Closing Date (as defined therein).

B. Pursuant to the ASA, Licensor has retained ownership of certain patents and patent applications, including certain patent applications related to its nanoparticle aggregate technology (as described in Exhibit A attached hereto, the "Patents").

C. Licensee desires to obtain from Licensor, and Licensor desires to grant to Licensee, an exclusive, fully-paid up, worldwide license under the Patent Rights (as defined below) in the Field of Use described below, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual representations, warranties, covenants and agreements contained herein, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings set forth in the ASA.

(a) "Affiliate" when used to indicate a relationship with any person or entity, means (i) any corporation, firm, partnership or other entity, whether de jure or de facto, which directly or indirectly owns, is owned by or is under common ownership with such person or entity to the extent of at least fifty percent (50%) of the equity (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) having the power to vote on or direct the affairs of the entity, or (ii) any person, firm, partnership, corporation or other entity actually controlled by, controlling or under common control with such person or entity.

(b) "Confidential Information" means any information which is disclosed by Licensee or Licensor during the term of this Agreement which is or should be reasonably understood by the receiving party to be confidential or proprietary to the disclosing party, including, without limitation, any non-public information of Licensee or Licensor, and any scientific or technical data, know-how or expertise of Licensee or Licensor that relates to a Licensed Product (whether existing at or after the Effective Date); provided, however, that "Confidential Information" shall not include information that (i) was in the receiving party's possession or was known to it prior to its receipt from the disclosing party, as evidenced by the receiving party's written records; (ii) is or becomes public

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knowledge without the fault of the receiving party; (iii) is or becomes rightfully available on an unrestricted basis to the receiving party from a source other than a party owing an obligation of confidentiality to the disclosing party; or (iv) is independently developed by employees of the receiving party who have not had direct or indirect access to the disclosing party's Confidential Information, as evidenced by the receiving party's written record.

(c) "FDA" means the Food and Drug Administration of the U.S. Department of Health and Human Services.

(d) "Field of Use"means all applications of the Patent Rights excluding subcutaneous or intramuscular drug delivery implants.

(e) "Improvements" means, individually and collectively, all discoveries, inventions, know-how, techniques, methodologies, modifications, improvements, designs and data (whether or not protectable under patent, trade secrecy or similar laws) relating to additions, developments, enhancements, updates and other changes in or to the Patent Rights.

(f) "Licensed Product" means any product or device that: (i) is developed, designed, modified, improved, manufactured, used, imported, sold or offered for sale by or on behalf of the Licensee or its Affiliates (or its or their sublicensees) that would, in the absence of this Agreement, infringe a Valid and Enforceable claim in the Patent Rights; or (ii) incorporates the Patent Rights.

(g) "Patent Rights" means each and all of the following: (i) all right, title and interest of Licensor and its Affiliates in the Patents, any Valid and Enforceable claim in any patent issuing from any patent applications, and any Valid and Enforceable claim in any issued patent, claiming priority to any of the foregoing, including any reissues, re-examinations, divisionals, continuations and continuations-in-part, and extensions thereof; and (ii) any corresponding foreign patents or patent applications related or claiming priority thereto.

(h) "Valid and Enforceable" means, with respect to any patent claim, a claim in any unexpired patent which has not been held invalid or unenforceable by a decision of a court or other governmental agency of competent jurisdiction, unappealable

or unappealed within the time period allowed for appeal, or which has not been admitted to be invalid through reissue, reexamination or disclaimer.

2. License.

(a) Grant. Licensor hereby grants to Licensee and its Affiliates an exclusive, worldwide, nontransferable right and license, with the right to grant sublicenses as set forth in Section 2(b), under the Patent Rights (including, without limitation, any Improvements conceived or reduced to practice by an employee, agent, or consultant of Licensor) to develop, design, modify, improve, make, have made, use, import, offer to sell and sell the Licensed Products solely in the Field of Use during the term of this Agreement. Licensee hereby acknowledges that: (i) Licensor is the sole and exclusive

owner of all right, title and interest in and to the Patent Rights, and (ii) Licensor retains the right to use the Patent Rights for its own purposes and to use and grant to others licenses to use the Patent Rights outside the Field of Use. Except as set forth in this Agreement, Licensee shall not have any right, title or interest in or to the Patent Rights. Licensee and its Affiliates shall have no right to manufacture, use, import, offer to sell or sell Licensed Products outside of the Field of Use. Licensee will own all rights, title and interest in and to any Improvement conceived or reduced to practice by an employee, agent, or consultant of Licensee or its Affiliates.

(b) Sublicenses. Licensee and its Affiliates may grant sublicenses under the Patent Rights without the prior written consent of the Licensor solely in the Field of Use; *provided*, however, that (i) such sublicenses are no less protective of Licensor's rights as the provisions set forth in this Agreement, and to the extent applicable, shall include all of the rights and obligations due to Licensor hereunder; and (ii) Licensee makes payments to Licensor based upon milestones and sales of Licensed Products by its Affiliates and such sublicensees in accordance with Section 3, as if such milestones and sales of Licensed Product were reached and/or made by Licensee.

(c) Patent Marking. Licensee, its Affiliates and all sublicensees shall mark all Licensed Products in accordance with the statutes of any country where a patent application has been filed or a patent issued relating to the Patent Rights. To the extent the Licensed Product cannot be marked, such marking shall be included in the literature and/or marketing materials describing the Licensed Product.

3. Payments.

(a) Milestone Payments. In consideration of the licenses granted herein, Licensee shall make the milestone payments to Licensor as set forth in Section 3.2 of the ASA.

(b) Notice of Triggering Events. Licensee shall provide Licensor with prompt written notice of: (i) the commencement of Phase II clinical testing of any Licensed Product; (ii) execution of any agreement by and between Licensee or its Affiliates and any third party with respect to any Patent Rights or a Licensed Product; and (iii) the first commercial sale of each Licensed Product ("First Commercial Sale").

(c) Books and Records. Licensee agrees to keep, and shall cause its Affiliates and sublicensees to keep, complete and accurate books of account and records covering all transactions relating to this Agreement, including Annual Net Sales as reported pursuant to Section 3.2 of the ASA. All such books of account and records shall be kept available for at least two (2) years after the termination or expiration of this Agreement.

(d) Expenses. Unless otherwise specifically set forth herein, all fees, costs and expenses incurred by Licensee in developing, manufacturing, promoting, marketing and selling Licensed Products or otherwise incurred under this Agreement shall be borne solely by Licensee.

4. Regulatory Approval and Commercialization.

(a) Regulatory Approvals. Licensee shall be responsible, at its expense, for filing, obtaining, and maintaining all necessary authorizations from the FDA and any comparable foreign regulatory authorities for the marketing and sale of Licensed Products in the United States and such foreign countries as Licensee, in its sole discretion, determines. Licensee's obligations under this Section 4(b) shall include the preparation and filing of any required submissions and the establishment and oversight of any required clinical investigations and clinical follow-up relating to future commercial sale of the Licensed Products.

(b) Manufacturing and Sales. Upon receipt of a substantially equivalent letter from the FDA clearing the Licensed Product for marketing, Licensee shall be responsible for manufacturing, marketing and selling such Licensed Product and Licensee shall use commercially reasonable efforts to market and sell such Licensed Product.

5. Licensee's Representations and Warranties. Licensee hereby represents and warrants to Licensor that as of the date hereof:

(a) Licensee is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and this Agreement has been duly authorized by all necessary corporate action on the part of Licensee.

(b) This Agreement is the legal, valid and binding obligation of Licensee, enforceable against Licensee in accordance with its terms.

(c) Neither the execution and delivery of this Agreement nor the compliance with the terms and conditions hereof will conflict with, result in a breach or violation by Licensee of or constitute a default under any of the terms, conditions or provisions of any contract, agreement or other instrument to which Licensee is or may be bound or affected.

(d) Licensee will comply with all applicable laws in performing its obligations under this Agreement.

6. Licensor's Representations and Warranties. Licensor hereby represents and warrants to Licensee that as of the date hereof:

(a) Licensor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, and this Agreement has been duly authorized by all necessary corporate action on the part of Licensor.

(b) This Agreement is the legal, valid and binding obligation of Licensor, enforceable against Licensor in accordance with its terms.

(c) Neither the execution and delivery of this Agreement nor the compliance with the terms and conditions hereof will conflict with, result in a breach or violation by

Licensor of or constitute a default under any of the terms, conditions or provisions of any contract, agreement or other instrument to which Licensor is or may be bound or affected.

(d) Licensor will comply with all applicable laws in performing its obligations under this Agreement.

EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES IN SECTIONS 5 AND 6, THE PATENT RIGHTS ARE LICENSED ON AN "AS IS" BASIS, AND NO PARTY MAKES ANY OTHER EXPRESS OR IMPLIED WARRANTY HEREUNDER, INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF TITLE, NON-INFRINGEMENT, OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND EACH HEREBY DISCLAIMS THE SAME.

7. Term and Termination.

(a) Term. The term of this Agreement shall commence on the Effective Date and shall remain in force, unless terminated earlier in accordance with Section 7(b), until the last to expire of the Patent Rights.

(b) Termination. Notwithstanding the provisions of Section 7(a), this Agreement may be terminated upon mutual written agreement of the parties.

(c) Rights and Obligation on Termination. In the event of termination or expiration of this Agreement for any reason, the parties shall have the following rights and obligations:

(i) Licensee shall remain responsible for any payment due to Licensor that has accrued prior to the effective date of termination.

(ii) The licenses granted to Licensee under Sections 2(a) and 2(b) above shall immediately terminate and be of no further force and effect. Licensor, at its sole discretion, shall determine whether any or all sublicenses entered into by and between Licensee and its sublicensees prior to the effective date of termination of this Agreement shall be canceled or assigned to Licensor.

(iii) Sections 1, 2(c), 3, 5, 6, 7, 8, 9, 10, 11 and 12 shall survive termination of this Agreement.

(iv) Subject to its obligations under Section 3, Licensee, its Affiliates and sublicensees shall be permitted to sell any inventory of Licensed Product in fully-finished form on hand at the effective date of termination.

(v) Each party will return to the other party or certify in writing to the other party that it has destroyed all documents and other tangible items it or its employees or agents have received or created pursuant to this Agreement pertaining, referring or relating to the Confidential Information of the other party.

8. Patent Prosecution and Infringement.

(a) Patent Matters. Licensor shall pay when due all maintenance fees for the Patent Rights in accordance with applicable laws and regulations. Licensor shall have sole responsibility for the prosecution of the Patent Rights before the applicable governing examining authority, except that the Licensee shall have the right to participate, at its own expense, in the prosecution on any patent claims before the applicable examining authority that encompass subject matter in the Field of Use, including, but not limited to, the drafting and submitting to the examining authority of new patent claims in the Field of Use either in a pending, continuation or divisional application ("New Patent Claims") and to review and approve any submissions to the examining authority by Licensor that pertain to claims encompassing subject matter in the Field of Use. In the event Licensee requests that Licensor prosecute any New Patent Claims, Licensor shall prosecute such New Patent Claims at Licensee's expense, subject to Licensee's right to participate as set forth above. Licensor shall keep Licensee promptly apprised of all proceedings concerning prosecution of the Patent Rights before the applicable examining authority and timely provide copies of all correspondence, filings and actions with such authorities. If Licensor intends to abandon any of the Patent Rights, it shall so notify Licensee of its intent at least 30 days prior to such abandonment and shall assign any such rights to prosecute to Licensee. Following such assignment, Licensee shall have the right to prosecute such abandoned Patent Rights in its own name at its own expense. Licensee and Licensor shall cooperate fully with each other to execute all necessary documentation to enable each party to perform its duties and exercise its rights under the terms of this Section 8(a).

(b) Infringement. (i) When information comes to the attention of Licensor or Licensee to the effect that any of the Patent Rights in the Field of Use have been or are threatened to be infringed or misappropriated by a third party, Licensee, or Licensor, should Licensee decline to do so (as shall be evidenced by Licensee delivering notice to Licensor of its election not to take action) (as applicable, the "Prosecuting Party"), shall have the right, but not the obligation, at its expense, to take such action as the Prosecuting Party may deem necessary to prosecute or prevent such infringement or misappropriation, including the right to bring or defend any suit, action or proceeding involving any such disclosure, infringement or misappropriation. Licensor or Licensee, as applicable, shall notify the other party hereto promptly of the receipt of any such information with respect to third party infringement or misappropriation and of the commencement of any such suit, action or proceeding related thereto. If the Prosecuting Party determines that it is necessary or desirable for the other party hereto to join any such suit, action or proceeding, the other party hereto shall execute all documents and perform such other acts as may be reasonably required. The Prosecuting Party will reimburse the other party for its reasonable expenses incurred in connection with such matters, after the Prosecuting Party's reimbursement of its own costs and expenses.

(ii) The Prosecuting Party may collect for its own use all damages, profits, settlements and awards of whatever nature recoverable from such suit or in settlement thereof, and shall have the right to first reimburse itself, out of any such sums recovered in such suit or in settlement thereof for all costs and expenses, including reasonable

attorneys' fees, reasonably involved in the prosecution of such suit. Any funds that shall remain from said recovery shall then be used to reimburse the cooperating party, if applicable, for its reasonable expenses, with the remainder to be retained by the Prosecuting Party.

9. Indemnification.

(a) Indemnification by Licensor. Licensor shall indemnify, hold harmless, defend and protect Licensee and its Affiliates, sublicensees, successors, assigns, employees, representatives and agents ("Licensee Indemnitees") from and against any and all claims, causes of action, costs, expenses, losses, damages and liabilities (including, without limitation, reasonable attorneys' fees) ("Losses") imposed upon the Licensee Indemnitees by a third party arising out of or resulting from (i) the breach of Licensor's representations, warranties or obligations under this Agreement; or (ii) any negligence or intentional misconduct by Licensor (or its Affiliates agents, consultants or employees) in performing its obligations under this Agreement. The foregoing indemnification action shall not apply in the event and to the extent that a court of competent jurisdiction determines that such Losses arose as a result of any Licensee Indemnitees' negligence, intentional misconduct or breach of this Agreement or are the subject of Section 9(b).

(b) Indemnification by Licensee. Licensee shall indemnify, hold harmless, defend and protect Licensor and its Affiliates, successors, assigns, employees, representatives and agents ("Licensor Indemnitees"), from and against any and all Losses imposed upon the Licensor Indemnitees by a third party arising out of or resulting from (i) the breach of Licensee's representations, warranties or obligations under this Agreement, (ii) any negligence or intentional misconduct by Licensee (or its Affiliates agents, consultants or employees) in performing its obligations under this Agreement; or (iii) any claim related to the development, design, manufacture, use, import, offer or sale of the Licensed Products by Licensee. The foregoing indemnification action shall not apply in the event and to the extent that a court of competent jurisdiction determines that such Losses arose as a result of any Licensor Indemnitees' negligence, intentional misconduct or breach of this Agreement or are the subject of Section 9(a).

(c) Procedure. If a claim by a third party is made against an indemnified party and if the indemnified party intends to seek indemnity with respect thereto under this Section 9, such indemnified party shall promptly notify the indemnifying party of such claim; *provided* that failure to give timely notice shall not affect the rights of the indemnified party so long as the failure to give timely notice does not adversely affect the indemnifying party's ability to defend such claim against a third party. The indemnifying party shall be entitled to assume the defense thereof, with counsel selected by the indemnifying party. The indemnifying party shall have control of the defense of any such action, including any appeals and negotiations for the settlement or compromise thereof and shall have full authority to enter into a binding settlement or compromise; *provided* that the indemnifying party shall not enter into any settlement or compromise which may adversely affect the indemnified party without the indemnified party's consent, which consent shall not be unreasonably withheld. If the indemnifying party

assumes the defense of such claim, the indemnifying party shall not be responsible for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof. The indemnified party may participate, at its own cost and expense, in the defense of any such claim; *provided* that the indemnifying party shall control such defense.

(d) Cooperation as to Indemnified Liability. Each indemnified party hereto shall, at the expense of the indemnifying party, cooperate fully with the indemnifying party with respect to access to books, records, or other documentation within the indemnified party's control, if deemed reasonably necessary or appropriate by the indemnifying party in the defense of any claim that may give rise to indemnification hereunder.

10. Confidentiality. (a) Confidential Information. Confidential Information of each party is the exclusive property of such party. Confidential Information of either party may be used by the other party only in connection with the performance of or as authorized by this Agreement. Each party will protect the confidentiality of Confidential Information of the other party in the same manner that it protects the confidentiality of its own proprietary and confidential information, including, without limitation, by entering into appropriate confidentiality agreements with Affiliates, sublicensees, employees, independent contractors and subcontractors. Access to and use of Confidential Information will be restricted to those of Licensor's and Licensee's Affiliates, employees or contractors engaged in a use permitted under this Agreement and who have been apprised of the confidential nature of such information. Each party will be responsible for any breaches of this Section 10 by its Affiliates, employees or contractors. Confidential Information may not be copied or reproduced without the disclosing party's prior written consent, except as necessary for use in connection with this Agreement. Upon request of the other party or termination of this Agreement, each party shall return all such Confidential Information to the other party.

(b) Disclosure Upon Process. In the event either party receives a subpoena, or other validly-issued administrative or judicial process, requesting that Confidential Information of the other party be disclosed, it will promptly notify the other party of such receipt. The party receiving such request will thereafter be entitled to comply with such subpoena or other process, only to the extent required by law.

(c) Breach. If either party learns of any breach of this Section 10, it shall promptly notify the other party. Breach or threatened breach of this Section 10 could cause irreparable harm to the affected party and such party shall be entitled, without first exhausting other remedies or procedures, to equitable relief, including injunctive relief, in addition to all of its other rights and remedies at law or in equity that may be available to it.

11. Limitation of Liability. EXCEPT FOR: (i) BREACH OF CONFIDENTIALITY OBLIGATIONS UNDER SECTION 9, (ii) AMOUNTS PAYABLE WITH RESPECT TO THIRD PARTY INDEMNIFICATION CLAIMS, AND (iii) AMOUNTS PAYABLE WITH RESPECT TO LICENSOR'S FAILURE TO PROSECUTE AND MAINTAIN

THE PATENT RIGHTS AS PROVIDED HEREIN, NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR LOST PROFITS OR FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, PUNITIVE OR EXEMPLARY DAMAGES IN CONNECTION WITH THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT, HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY.

12. Miscellaneous.

(a) Expenses. Except as otherwise specified in this Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

(b) Further Assurances and Actions. Each of the parties hereto, upon the request of the other party hereto, whether before or after the Effective Date and without further consideration, shall, and shall cause their respective Affiliates to, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary to effect complete consummation of the transactions contemplated by this Agreement.

(c) Announcements. No party shall make a public announcement regarding the execution of this Agreement without the prior written consent of the other party; *provided* that nothing herein shall restrict Licensor or Licensee from making any public announcement of the execution of this Agreement to the extent that such announcement is required by law; *provided* that, prior to any such disclosure, the disclosing party shall provide the other party a reasonable time to review and comment upon such disclosure. Additionally, Licensee may disclose this Agreement and the transactions contemplated hereby, to the extent reasonably necessary, in connection with any registration of one (1) or more of the Licensed Products with any state or Federal agency. Once the Agreement is executed, the Licensee shall be free to make public announcements regarding advancements in the development and commercialization of the technology and other relevant issues deemed appropriate by the Licensee without any prior consent of the Licensor.

(d) Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be

given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section):

if to Licensor, then:
Access Pharmaceuticals, Inc.
2600 Stemmons Freeway

Suite 176
Dallas, TX 75207
Telephone : (214) 905-5100
Telecopy : (214) 905-5101
Attn: Chief Executive Officer

with a copy to:
Bingham McCutchen LLP
150 Federal Street
Boston, MA 02110
Telephone: (617) 951-8000
Telecopy: (617) 951-8736
Attn: John J. Concannon III, Esq.

if to Licensee, then:

ULURU, Inc.
4939 Stonyford Drive
Dallas, TX 75287
Telephone: (972) 250-6383
Telecopy: (972) 250-6383
Attn: Kerry P. Gray

with a copy to:

McGuireWoods LLP
1345 Avenue of the Americas, 7th Floor
New York, NY 10105
Telephone: (212) 548-2138
Telecopy: (212) 548-2175
Attn: Louis W. Zehil, Esq.

(e) Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to principles of conflict of laws. Each party to this Agreement expressly and irrevocably (a) consents that legal action or proceeding against it arising out of this Agreement may be brought in any court of the State of Delaware or in the U.S. District Court for the District of Delaware, (b) consents and submits to the personal jurisdiction of any of such courts solely for purposes of such action or proceeding, (c) consents to the service of any complaint, summons, notice or other process solely for purposes of such action or proceeding by delivery thereof to him, her or it by hand or by any other manner provided for in Section 12(d) and (d) waives any claim or defense solely for purposes of such action or based on any alleged lack of personal jurisdiction, improper venue or forum non conveniens or any similar basis. Nothing in this Section shall affect or impair in any manner or to any extent the right of any party to commence legal proceedings or

otherwise proceed against any other party in any jurisdiction or to serve process in any manner permitted by law.

(f) Entire Agreement; Amendments. This Agreement and the Asset Sale Agreement, including the Exhibits hereto and thereto, constitute the entire agreement among the parties hereto with respect to the transactions provided for herein and as stated herein and in the agreements, instruments and documents executed and to be executed and delivered in connection herewith, contains all of the agreements between the parties hereto. There are no verbal agreements or understandings between the parties hereto not reflected in this Agreement. This Agreement may not be amended or modified in any respect except by written instrument executed by each of the parties hereto.

(g) Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed to be an original and all of which together, shall constitute the same Agreement.

(h) No Third Party Beneficiaries. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their permitted successors and assigns and nothing herein, express or implied, is intended to or shall confer upon any

person or entity, any legal or equitable rights, benefits or remedies.

(i) Assignment. Neither party may assign its rights or obligations under this Agreement without the prior written consent of the other party and any purported assignment in violation hereof shall be null and void; *provided* that either party may assign its rights and obligations under this Agreement, without the prior written consent of the other party, to (i) an Affiliate, or (ii) a successor of the assigning party's business or the applicable business unit by reason of merger, sale of all or substantially all of the assets of the business or applicable business unit, *provided* that such successor to the business or applicable business unit agrees in writing to be bound by this Agreement. Such consent shall not be unreasonably withheld or delayed. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve either party of its responsibility for the performance of any obligation that accrued prior to the effective date of such assignment hereunder.

(j) Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(k) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT, THE ANCILLARY AGREEMENTS, INSTRUMENTS AND DOCUMENTS CONTEMPLATED HEREBY OR THE TRANSACTIONS CONTEMPLATED HEREBY AND FOR ANY COUNTERCLAIM THEREIN.

(l) No Waiver of Remedies. No delay on the part of Licensee or Licensor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of either Licensee or Licensor of any right, power or privilege hereunder nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The waiver of any terms or conditions of this Agreement shall not be construed as a waiver of any subsequent breach or a subsequent waiver of the same term or condition, or waiver of any other term or condition, of this Agreement. The failure of any party to assert any of its rights hereunder shall not constitute a waiver of any of such rights.

(m) Relationship. This Agreement shall not constitute either party as the legal representative, partner, joint venturer or agent of the other party hereto, nor shall either party have the right or authority to assume, create, or incur any liability or any obligation of any kind, express or implied, against or in the name of or on behalf of the other party hereto.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

ACCESS PHARMACEUTICALS, INC.

By /s/ Rosemary Mazanet
Name: Rosemary Mazanet
Title: Acting CEO

ULURU, INC.

By /s/ Kerry P. Gray
Name: Kerry P. Gray
Title: President & CEO

Exhibit 10.27

AMENDMENT TO RIGHTS AGREEMENT

This Amendment to Rights Agreement, dated as of October 31, 2005 (the "Amendment"), is by and between Access Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and American Stock Transfer & Trust Company, a New York corporation (the "Rights Agent"), amending certain provisions of the Rights Agreement, dated as of October 31, 2001 (as amended and in effect from time to time, the "Agreement"), by and between the Company and the Rights Agent. Terms not otherwise defined herein which are defined in the Agreement shall have the same respective meanings herein as therein.

WHEREAS, in accordance with Section 28 of the Agreement, the Company has directed prior to the Distribution Date that it and the Rights Agent amend certain provisions of the Agreement as specifically set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment to Agreement. The Agreement is hereby amended as follows:

(a) The defined term "Acquiring Person" in Section 1(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Acquiring Person" means any Person who, together with all Affiliates and Associates of such Person, is the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding or who was such a Beneficial Owner at any time after the date hereof, whether or not such Person continues to be the Beneficial Owner of 15% or more of the Common Shares then outstanding, but will not include the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding securities of the Company organized, appointed, or established by the Company or any Subsidiary for or pursuant to the terms of any such plan. Notwithstanding the foregoing, (i) Heartland, will not be deemed to be an Acquiring Person so long as Heartland does not own, in the aggregate, in excess of 20% of the issued and outstanding Common Shares, (ii) Oracle will not be deemed to be an Acquiring Person so long as Oracle does not own, in the aggregate, in excess of 35% of the issued and outstanding Common Shares, and (iii) no Person will become an "Acquiring Person" solely as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding, or in the case of Heartland or Oracle, to 20% or 35%, respectively, or more of the Common Shares of the Company then outstanding; *provided, however*, that if a Person becomes the Beneficial Owner of 15% or more, or in the case of Heartland or Oracle, 20% or 35%, respectively, or more, of the

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Common Shares of the Company then outstanding by reason of share purchases by the Company, and after such share purchases by the Company becomes the Beneficial Owner of any additional Common Shares of the Company, then such Person will be deemed to be an "Acquiring Person." Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Rights Agreement."

(b) Section 3(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"(a) Until the earlier of:

(i) the close of business on the tenth Business Day after the Shares Acquisition Date; or

(ii) the tenth Business Day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer, the consummation of which would result in any Person (other than Heartland or Oracle) becoming the Beneficial Owner of Common Shares aggregating 15% or more of the then outstanding Common Shares, or in the case of Heartland or Oracle, the consummation of which would result in such Person becoming the Beneficial Owner of Common Shares aggregating 20% or 35%, respectively, or more of the then outstanding Common Shares;

(including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earliest of such dates being herein referred to as the "Distribution Date"):

(x) no Right may be exercised;

(y) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the

names of the holders thereof (which certificates will also be deemed to be certificates for Rights) and not by separate certificates; and

(z) the Rights (and the right to receive certificates therefor) will be transferable only in connection with the transfer of the underlying Common Shares.

As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and if requested, the Rights Agent will send) by first-class, postage-prepaid mail or other appropriate means, to each record holder of Common Shares as of the Close of Business on the Distribution Date, at the address of such holder shown on the records of the Company, a certificate for Rights, in substantially the form of the attached Exhibit B (collectively, "Rights Certificates"), evidencing one Right for each Common Share so held. As of and after the Distribution Date, the Rights will be evidenced solely by Rights Certificates."

(c) The second paragraph of Exhibit C of the Agreement is hereby deleted in its entirety and replaced with the following:

"Initially, the Rights will be attached to all certificates representing Common Shares then outstanding, and no separate Rights certificates will be distributed. Until the earlier to occur of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more, or in the case of Heartland Advisors, Inc., together with all of its affiliates and associates ("Heartland"), or Oracle Partners LP, together with all of its affiliates and associates ("Oracle"), 20% or 35%, respectively, or more, of the outstanding Common Shares (the date of such an announcement being a "Shares Acquisition Date"), or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group (other than Heartland or Oracle) 15% or more, or in the case of Heartland or Oracle, 20% or 35%, respectively, or more, of such outstanding Common Shares (in either case, (i) or (ii), the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificates together with a copy of this Summary of Rights."

2. Condition to Effectiveness. This Amendment shall not become effective until executed by the Company and the Rights Agent.

3. Ratification, Etc. Except as expressly amended hereby, all terms and conditions of the Agreement are hereby ratified and confirmed in all respects and shall continue in full force and effect. The Agreement and this Amendment shall be read and

construed as a single agreement. All references to the Agreement shall hereafter refer to the Agreement, as amended hereby.

4. No Waiver. Nothing contained herein shall constitute a waiver of, impair or otherwise affect, any obligation of the Company under the Agreement or any rights of any party consequent thereon.

5. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

6. Governing Law. This amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware (without reference to conflict of laws).

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as a document under seal as of the date first above written.

ACCESS PHARMACEUTICALS, INC.

By: /s/ Stephen B. Thompson
Name: Stephen B. Thompson
Title: Vice President CFO

AMERICAN STOCK TRANSFER &
TRUST COMPANY, as Rights Agent

By: /s/ Herbert J. Lemmer
Name: Herbert J. Lemmer
Title: Vice President

Exhibit 10.28

AMENDMENT TO 7.0% (SUBJECT TO ADJUSTMENT) CONVERTIBLE
PROMISSORY NOTES DUE SEPTEMBER 13, 2005

This Amendment to 7.0% (Subject to Adjustment) Convertible Promissory Notes Due September 13, 2005, dated as of November 3, 2005 (the "Amendment"), is by and among Access Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and each of Oracle Partners LP, Oracle Institutional Partners LP, SAM Oracle Investments Inc. and Oracle Offshore Ltd. (each, a "Holder"), amending certain provisions of those certain 7.0% (Subject to Adjustment) Convertible Promissory Notes Due September 13, 2005 No. R-1 (each as amended and in effect from time to time, a "Note") from the Company to each Holder in the original principal amount of $2,524,500, $698,500, $660,000 and $132,000, respectively. Terms not otherwise defined herein which are defined in any Note shall have the same respective meanings herein as therein.

WHEREAS, the Company and each Holder have agreed to modify certain terms and conditions of each Note as specifically set forth in this Amendment.

NOW, THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment to Each Note. Each Note is hereby amended as follows:

(a) The title of each Note is hereby deleted in its entirety and replaced with the following:

"7.0% (Subject to Adjustment) Convertible Promissory Note Due April 28, 2007."

(b) All references to "September 13, 2005" in the preamble (the "Preamble") of each Note and the first sentence of Section 2(a) of each Note are hereby deleted and replaced with "April 28, 2007."

(c) The following text is hereby added following the word "annum" and before the word " provided" in the first sentence of the Preamble:

"(and shall pay interest from September 13, 2006, or from the most recent interest payment date to which interest has been paid or duly provided for, on April 28, 2007)."

(d) The following text is hereby added following the words "September 1" and before the word "(whether" in the second sentence of the Preamble:

"(and April 1 in the case of the interest payment due on April 28, 2007)."

(e) All references to "$5,500" in each Note, including, without limitation, in the first sentence of Section 1 of each Note, the first sentence of Section 2(a) of each Note, the defined term "Conversion Price" in Section 2(j) of each Note and the second sentence of Section 7(c) of each Note, are hereby deleted and replaced with "$1,000."

(f) The following text is hereby added as a new paragraph following the first paragraph of Section 2(a) of each Note:

"Automatically and without further action, immediately upon the Closing Price of the Company Stock exceeding 1.5 times the Conversion Price for any period of 20 consecutive Trading Days, this Security (or any portion of the principal amount hereof then outstanding) shall convert into fully paid and nonassessable shares (calculated to the nearest 1/100 of a share) of Common Stock of the Company at the rate of 1,000 shares of Common Stock for each $1,000 principal amount of Security. Upon such conversion of this Security (or any portion of the principal amount hereof then outstanding), the holder of this Security shall surrender this Security, duly endorsed or assigned to the Company or in blank to the Company at the Designated Office. Upon surrender of this Security upon such conversion, the holder will be entitled to receive the interest accruing on the principal amount of this Security then being converted from the interest payment date next preceding the date of such conversion to such date of conversion. No payment or adjustment is to be made on conversion for dividends on the Common Stock issued on conversion hereof. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest, the Company shall pay a cash adjustment, computed on the basis of the Closing Price of the Common Stock on the date of conversion, or, at its option, the Company shall round up to the next higher whole share."

(g) Sections 3(a) through (i) of each Note are hereby deleted in their entirety and replaced with the following:

"3. Conversion Upon Change in Control. (a) In the event that a Change in Control (as hereinafter defined) shall occur, then automatically and without further action immediately prior to such Change in Control, this Security (or any portion of the principal amount hereof then outstanding) shall convert into fully paid and nonassessable shares (calculated to the nearest 1/100 of a share) of Common Stock at the rate of 1,000 shares of Common Stock for each $1,000 principal amount of Security. Upon such conversion of this Security (or any portion of the principal amount hereof then outstanding), the holder of this Security shall surrender this Security, duly endorsed or assigned to the Company or in blank to the Company at the Designated Office. Upon surrender of this Security upon such conversion, the holder will be entitled to receive the interest accruing on the principal amount of this Security then being converted from the interest payment date next preceding the date of such conversion to such date of conversion. No payment or

adjustment is to be made on conversion for dividends on the

common stock issued on conversion hereof. No fractions of shares or scrip representing fractions of shares will be issued on conversion, but instead of any fractional interest, the Company shall pay a cash adjustment, computed on the basis of the amount payable per share of Common Stock upon such Change in Control, or, at its option, the Company shall round up to the next higher whole share. Notwithstanding the foregoing, this Security (or any portion of the principal amount hereof then outstanding) shall not convert automatically under this Section 3(a) in the event of a Change in Control in which the amount payable per share of Common Stock is less than 1.5 times the Conversion Price unless, immediately prior to the consummation of such Change in Control, the Company pays to the holder of this Security, in cash or, subject to the fulfillment by the Company of the conditions set forth in Section 3(b), by delivery of shares of Common Stock, an amount such that the aggregate amount per share of Common Stock payable to the holder of this Security in connection with such Change in Control equals 1.5 times the Conversion Price. The Company agrees to give the holder of this Security notice of any Change in Control, by facsimile transmission confirmed in writing by overnight courier service, promptly and in any event within two Trading Days of the occurrence thereof.

(b) The Company may elect to deliver shares of Common Stock in payment under Section 3(a), if and only if the following conditions have been satisfied:

(1) Each share of Common Stock deliverable as payment under Section 3(a) shall have a fair market value as of the date of the consummation of the Change in Control (the "Change in Control Closing Date") of not less than the sum obtained by subtracting the amount payable per share of Common Stock upon such Change in Control from the Conversion Price. For purposes of this Section 3(b), the fair market value of a share of Common Stock shall be equal to 95% of the average of the Closing Prices for the five consecutive Trading Days ending on and including the third Trading Day immediately preceding the Change in Control Closing Date;

(2) In the event any shares of Common Stock to be issued under Section 3(a) require registration under any Federal securities law before such shares may be freely transferable without being subject to any transfer restrictions under the Securities Act of 1933, as amended, upon issuance, such registration shall have been completed and shall have become effective prior to the Change in Control Closing Date;

(3) In the event any shares of Common Stock to be issued under Section 3(a) require registration with or approval of any governmental authority under any State law or any other Federal law before such shares may be validly issued or delivered upon repurchase, such registration shall have been completed, have become effective and such approval shall have been obtained, in each case, prior to the Change in Control Closing Date;

(4) Immediately prior to the Change in Control Closing Date the shares of Common Stock deliverable as payment under Section 3(a) shall have been approved for trading or listed on the American Stock Exchange or the principal national securities

exchange or interdealer quotation system on which the Common Stock is then admitted to trading or listed; and

(5) All shares of Common Stock deliverable as payment under Section 3(a) shall be issued out of the Company's authorized but unissued Common Stock and will, upon issue, be duly and validly issued and fully paid and non-assessable and free of any preemptive rights.

If all of the conditions set forth in this Section 3(b) are not satisfied in accordance with the terms thereof, the Company shall pay the holder of this Security all amounts payable under Section 3(a) only in cash."

(h) Section 3(j) of each Note is hereby re-numbered as Section 3(c).

2. Condition to Effectiveness. This Amendment shall not become effective until each Holder receives a counterpart of this Amendment executed by the Company.

3. Ratification, Etc. Except as expressly amended hereby, all terms and conditions of each Note are hereby ratified and confirmed in all respects and shall continue in full force and effect. Each Note and this Amendment shall be read and construed as a single agreement. All references to any Note shall hereafter refer to such Note, as amended hereby.

4. No Waiver. Nothing contained herein shall constitute a waiver of, impair or otherwise affect, any obligation of the Company under any Note or any rights of any Holder consequent thereon.

5. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

6. Governing Law. This amendment shall be governed by, and construed in accordance with, the laws of the State of Texas (without reference to conflict of laws).

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment as a document under seal as of the date first above written.

Company:

ACCESS PHARMACEUTICALS, INC.

By: /s/ Rosemary Mazanet
Name: Rosemary Mazanet
Title: Acting CEO

Holders:

ORACLE PARTNERS LP

By: /s/ Larry Feinberg
Name: Larry Feinberg
Title: Managing Partner

ORACLE INSTITUTIONAL PARTNERS LP

By: /s/ Larry Feinberg
Name: Larry Feinberg
Title: Managing Partner

SAM ORACLE INVESTMENTS INC.

By: /s/ Larry Feinberg
Name: Larry Feinberg
Title: Managing Partner

ORACLE OFFSHORE LTD.

By: /s/ Larry Feinberg
Name: Larry Feinberg
Title: Managing Partner

EXHIBIT 21

Subsidiaries of the Registrant

Access Pharmaceuticals Australia Pty. Limited, a New South Wales, Australia company

Tacora Corporation, a Delaware company

Virologix Corporation, a Delaware company

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We have issued our report dated April 25, 2006, accompanying the consolidated financial statements included in the Annual Report of Access Pharmaceuticals, Inc. on Form 10-K for the year ended December 31, 2005. We hereby consent to the incorporation by reference of said report in the Registration Statements of Access Pharmaceuticals, Inc. on Form S-1 (File No. 333-125349), Forms S-3 (File Nos. 333-92210, 333-39330, 333-37786, 333-52030, 333-95413 and 333-64904) and on Form S-8 (File Nos. 33-10626, 33-41134, 333-45646 333-75136 and 333-125796).

/s/ Grant Thornton LLP

Dallas, Texas
April 25, 2006

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Rosemary Mazanet, the Acting Chief Executive Officer of Access Pharmaceuticals, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Access Pharmaceuticals, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant' most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 25, 2006

/s/ Rosemary Mazanet
Rosemary Mazanet
Acting Chief Executive Officer

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen B. Thompson, the Chief Financial Officer of Access Pharmaceuticals, Inc., certify that:

1. I have reviewed this annual report on Form 10-K of Access Pharmaceuticals, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15e and 15d-15e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant' most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 25, 2006

/s/ Stephen B. Thompson
Stephen B. Thompson
Chief Financial Officer

Exhibit 32

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

This certification set forth below is hereby made solely for the purposes of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

A signed original of this written statement required by Section 906 has been provided to Access Pharmaceuticals, Inc. and will be retained by Access Pharmaceuticals, Inc. and furnished to the SEC or its staff upon its request.

Pursuant to Section 906 of the Public Company Accounting Reform and Investor Act of 2002 (18 U.S.C. 1350, as adopted, the "Sarbanes-Oxley Act"), Rosemary Mazanet, Acting Chief Executive Officer of Access Pharmaceuticals, Inc. (the "Company"), and Stephen B. Thompson, Vice President and Chief Financial Officer of the Company, each hereby certifies that to his knowledge the Annual Report on Form 10-K for the period ended December 31, 2005 of the Company filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period specified.

Signed at the City of Dallas, in the State of Texas, this 25th day of April, 2006.

/s/ Rosemary Mazanet
Rosemary Mazanet
Acting Chief Executive Officer

/s/ Stephen B. Thompson
Stephen B. Thompson
Chief Financial Officer