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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

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 Frwy, Suite 176, Dallas, TX 75207

(Address of principal executive offices)

Telephone Number (214) 905-5100

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 requirement for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock outstanding as of August 14, 1998	3,426,695 shares, $0.01 par value

Total No. of Pages 14

PART I -- FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

The response to this Item is submitted as a separate section of this report.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Access Pharmaceuticals, Inc. ("Access" or the "Company") is a Delaware corporation in the development stage. The Company is a site-directed drug targeting company using bioresponsive carriers to target and control the release of therapeutic agents into sites of disease activity and significantly improve the side effect profile of the agents. The Company has proprietary patents or rights to four technology platforms: synthetic polymers, Residerm(TM), carbohydrate targeting technology and selective muscle and nerve delivery systems. In addition, Access' partner Block Drug Company is marketing Aphthasol(TM) in the United States, the first FDA approved product for the treatment of canker sores. Access is currently licensing this product in

international markets and developing new delivery forms.

Except for the historical information contained herein, the following discussions and certain statements in this Form 10-Q are forward-looking statements that involve risks and uncertainties. In addition to the risks and uncertainties set forth in this Form 10-Q, other factors could cause actual results to differ materially, including but not limited to Access' research and development focus, uncertainties associated with research and development activities, future capital requirements, anticipated option and licensing revenues, dependence on others, ability to raise capital, the year 2000 issue, and other risks detailed in the Company's reports filed under the Securities Exchange Act, including but not limited to the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

Since its inception in February 1988, Access has devoted its resources primarily to fund its research and development programs. The Company has been unprofitable since inception and to date has not received any revenues from the sale of products. No assurance can be given that the Company will be able to generate sufficient product revenues to attain profitability on a sustained basis or at all. The Company expects to incur losses for the next several years as it continues to invest in product research and development, preclinical studies, clinical trials and regulatory compliance. At June 30, 1998, the Company's accumulated deficit was approximately $21.6 million.

RECENT DEVELOPMENTS

On June 18, 1998, in conjunction with the first closing of a private placement, the Company effected a recapitalization of the Company through a one-for-twenty reverse stock split of its common stock, $0.04 par value per share (the "Common Stock"), which decreased the number of authorized shares of Common Stock from 60.0 million, at $0.04 par value per share, to 20.0 million shares, $0.01 par value per share, and decreased the authorized shares of preferred stock

of the Company from 10.0 million to 2.0 million (the "Recapitalization"). The Recapitalization decreased the number of outstanding shares of Common Stock from approximately 41.5 million to 2.1 million.

An investment bank has been engaged to assist the Company in raising funds to support the Company's research and development activities. As discussed below, from March to July 1998, the Company raised an aggregate of $5.0 million. Up to an additional $4.0 million may be raised. There can be no assurances that any additional closings of the private placement will take place.

The Company raised $1,200,000 in gross proceeds ($725,000 received on March 20, 1998 and $475,000 received on April 11, 1998) less cash issuance costs of $33,750, from the placement of 48 units, each unit consisting of 8,333 shares of Common Stock and warrants to purchase 8,333 shares of Common Stock at an exercise price of $3.00 per share. The placement agent received warrants to purchase 44,527 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 45,277 shares of Common Stock in lieu of certain sales commissions and expenses.

On June 18, 1998, the Company, assisted by an investment bank, raised an aggregate of $2.9 million in gross proceeds, less cash issuance costs of $202,000, from the first closing of a private placement of 953,573 shares of Common Stock at $3.00 per share. The placement agent for such offering received warrants to purchase 101,653 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 62,949 shares of Common Stock in lieu of certain sales commissions and expenses. Legal fees and other issuance costs were $122,000 through June 30, 1998. The proceeds of the offering will be used to fund research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes.

On July 30, 1998, the Company raised an aggregate of $900,000 in gross proceeds, less cash issuance costs of $24,000, from the second closing of a private placement of 300,000 shares Common Stock at $3.00 per share. The placement agent for such offering received warrants to purchase 33,445 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 34,450 shares of Common Stock in lieu of certain sales

commissions and expenses.

If and when the Company satisfies all listing requirements, the Company intends to submit an application for listing on NASDAQ or an alternate exchange. There can be no assurances that the Company will be listed on NASDAQ or an alternate exchange.

All share numbers and prices referenced herein have been adjusted to reflect the Recapitalization.

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

28, 1998, the Company announced that it signed a binding Letter of Intent with Strakan Limited to license amlexanox 5% paste for the treatment of canker sores for the United Kingdom and Ireland. Under the terms of the agreement, Strakan Limited will be responsible for and bear all costs associated with the regulatory approval process in the United Kingdom and European Community, will pay milestones based on cumulative sales revenue and will pay a royalty on sales.

Liquidity and Capital Resources

As of July 30, 1998 the Company's principal source of liquidity is $2,850,000 of cash and cash equivalents. Working capital as of June 30, 1998 was $1,712,000, representing an increase in working capital of $1,928,000 as compared to the working capital deficit as of December 31, 1997 of $216,000. The increase in working capital at June 30, 1998 was due to $4.1 million in gross proceeds received from the private placement of the Company's Common Stock sold on June 18, 1998 and the private placement of units on March 20 and April 11, 1998.

Since its inception, the Company's expenses have significantly exceeded its revenues, resulting in an accumulated deficit of $21,570,000 at June 30, 1998. The Company has funded its operations primarily through private sales of its equity securities, contract research payments from corporate alliances and the January 1996 merger.

The Company has incurred negative cash flows from operations since its inception, and has expended, and expects to continue to expend in the future, substantial funds to complete its planned product development efforts. The Company expects that its existing capital resources will be adequate to fund the Company's operations through the second quarter of 1999. The Company is dependent on raising additional capital to fund its development of technology and to implement its business plan. Such dependence will continue at least until the Company begins marketing its new technologies.

If anticipated revenues are delayed or do not occur or the Company is unsuccessful in raising additional capital on acceptable terms, the Company would be required to curtail research and development and general and administrative expenditures so that working capital would cover reduced operations into the third quarter of 1999. There can be no assurance, however that changes in the Company's operating expenses will not result in the expenditure of such resources before such time.

The Company will require substantial funds to conduct research and development programs, preclinical studies and clinical trials of its potential products. The Company's future capital requirements and adequacy of available funds will depend on many factors, including the successful commercialization of amlexanox; the ability to establish and maintain collaborative arrangements for research, development and commercialization of products with corporate partners; continued scientific progress in the Company's research and development programs; the magnitude, scope and results of preclinical testing and clinical trials; the costs involved in filing, prosecuting and enforcing patent claims; competing technological

developments; the cost of manufacturing and scale-up; and the ability to establish and maintain effective commercialization activities and arrangements.

The Company intends to seek additional funding through research and development or licensing

arrangements with potential corporate partners, public or private financing, or from other sources. The Company does not have any committed sources of additional financing and there can be no assurance that additional financing will be available on favorable terms, if at all. In the event that adequate funding is not available, the Company may be required to delay, reduce or eliminate one or more of its research or development programs or obtain funds through arrangements with corporate collaborators or others that may require the Company to relinquish greater or all rights to product candidates at an earlier stage of development or on less favorable terms than the Company would otherwise seek. Insufficient financing may also require the Company to relinquish rights to certain of its technologies that the Company would otherwise develop or commercialize itself. If adequate funds are not available, the Company's business, financial condition and results of operations will be materially and adversely affected.

Second Quarter 1998
Compared to
Second Quarter 1997

The Company had $50,000 in licensing revenue in the second quarter of 1997 as compared to no revenues in the second quarter 1998. Second quarter 1997 revenues were comprised of licensing income from an ongoing agreement with an emerging pharmaceutical company which made certain milestone payments and will make royalty payments in the future if a product is developed from the technology.

Total research spending for the second quarter of 1998 was $501,000, as compared to $538,000 for the same period in 1997, a decrease of $37,000. The decrease in expenses was the result of lower salary and related costs- $55,000; lower equipment rent- $26,000; and lower other net costs totaling- $35,000; offset by higher internal lab costs- $57,000; higher external contract research costs- $22,000. If the Company is successful in raising additional capital, research spending is expected to increase in future quarters as the Company intends to hire additional scientific management and staff and will accelerate activities to develop the Company's product candidates. If the Company is not successful in raising additional capital, research spending will be curtailed.

Total general and administrative expenses were $359,000 for the second quarter of 1998, a decrease of $65,000 as compared to the same period in 1997. The decrease in spending was primarily due to the following: decreased general business consulting fees- $107,000; and lower director and officer insurance costs- $51,000; offset by increased patent costs due to the filing of new patents- $90,000; and other net increases totalling- $3,000. If the Company is not successful in raising additional capital, general and administrative spending will be curtailed.

Depreciation and amortization was $66,000 for the second quarter 1998 as compared to $30,000 for the same period in 1997 reflecting the additional depreciation of the assets acquired in the Tacora merger and amortization of licenses.

Interest and miscellaneous income was $6,000 for the second quarter of 1998 as compared to $37,000 for the same period in 1997, a decrease of $31,000. The decrease was due to lower interest income from lower cash balances in 1998.

Total operating expenses in the second quarter of 1998 were $926,000 with interest income of $6,000, and interest expense of $5,000 resulting in a loss for the quarter of $926,000 or a $0.42 basic and diluted loss per common share.

Six Months ended June 30, 1998
Compared to
Six Months ended June 30, 1997

Net revenues for the six months ended June 30, 1997 were $188,000 as compared to no revenues for the same period in 1998. 1997 revenues were comprised of licensing income from an ongoing agreement with an emerging pharmaceutical company which made certain milestone payments and will make royalty payments in the future if a product is developed from the technology.

Research spending for the six months ended June 30, 1998 was $936,000 as compared to $1,042,000 for the same period in 1997, a decrease of $106,000. The decrease in expenses was due to: lower salary and related costs- $113,000; lower equipment rent- $55,000; lower travel expenses- $26,000; and other net decreases totaling- $21,000; offset by higher internal lab costs- $72,000; and higher external lab costs- $37,000. If the Company is successful in raising additional capital, research spending is expected to increase in future quarters as the Company intends to hire additional scientific management and staff and will accelerate activities to develop the Company's product candidates. If the Company is not successful in raising additional capital, research spending will be curtailed.

General and administrative expenses were $750,000 for the six months ended June 30, 1998, a decrease of $79,000 as compared to the same period in 1997. The decrease was primarily due to the following: lower general business consulting fees and expenses- $159,000; and lower director and officer insurance costs- $58,000; offset by higher patent expenses- $130,000; and other net increases totalling- $8,000.

Depreciation and amortization was $130,000 for the six months ended June 30, 1998 as compared to $62,000 for the same period in 1997 reflecting the additional depreciation of the assets acquired in the Tacora merger and amortization of licenses.

Interest and miscellaneous income was $8,000 for the six months ended June 30, 1998 as compared to $84,000 for the same period in 1997, a decrease of $76,000. The decrease was due to lower interest income from lower cash balances in 1998.

Accordingly, this resulted in a loss for the six months ended June 30, 1998 of $1,822,000, or a $0.95 basic and diluted loss per common share.

Year 2000 Issue

The Company relies on PC-based systems and does not expect to incur material costs to transition to Year 2000 compliant systems in its internal operations. However, even if the internal systems of the Company are not materially affected by the Year 2000 Issue, the Company could be affected through disruptions in the operations of enterprises with which the Company interacts. As such, there can be no assurance that the Year 2000 Issue will not have a material adverse effect on the Company's business, financial condition or results of operations.

PART II -- OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None

ITEM 2 CHANGES IN SECURITIES

On June 18, 1998, in conjunction with the first closing of a private placement, the Company effected a recapitalization of the Company through a one-for-twenty reverse stock split of its common stock, $0.04 par value per share (the "Common Stock"), decreased the number of authorized shares of Common Stock from 60.0 million shares, $0.04 par value per share, to 20.0 million shares, par value $0.01 per share, and decreased the authorized shares of preferred stock of the Company from 10.0 million to 2.0 million (the "Recapitalization"). The Recapitalization decreased the number of outstanding shares of Common Stock from approximately 41.5 million to 2.1 million.

On June 18, 1998 the Company sold to 25 individual accredited investors an aggregate of 953,573 shares of Common Stock at $3.00 per share. The

placement agent for such offering received warrants to purchase 101,650 shares of Common Stock at $3.00 per share in accordance with the offering terms and elected to receive 62,949 shares of Common Stock in lieu of certain sales commissions and expenses. The Company raised an aggregate of $2,900,000 in gross proceeds. The shares issued in the Private Placement have not been registered; however, the Company has agreed to file a registration statement for the resale of such shares no later than August 30, 1998. The Company relied on Section 4(2) and/or 3(b) of the 1933 Securities Act of 1933 and the provisions of Regulation D as exemptions from the registration thereunder. The proceeds of the offering will be used to fund research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes.

ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of stockholders was held on June 12, 1998 in Tarrytown, NY. At that meeting the following matters were submitted to a vote of the stockholders of record. The proposals were approved by the stockholders, as follows:

* Herbert H McDade, Jr., Kerry P. Gray and J. Michael Flinn were reelected Directors for three year terms. The votes were: McDade 25,075,818 - - For and 196,290 - Withheld Authority; Gray 25,099,746 - For and 172,362 - Withheld Authority; and, Flinn 25,230,408 - For and 41,700 - Withheld Authority.

* A proposal to amend the Company's 1995 stock option plan, as amended, was approved with 19,175,592 - For, 499,504 - Against, and 48,636 - Abstain.

* A proposal to ratify the appointment of KPMG Peat Marwick LLP as independent certified public accountants for the Company for the fiscal year ending December 31, 1998 was approved with 25,176,882 - For 38,773 - Against and 56,453 - Abstain.

ITEM 5 OTHER INFORMATION

None

ITEM 6 EXHIBITS AND REPORTS ON FORM 8-K

Exhibits: 3.8 Certificate of Amendment of Certificate of Incorporation filed June 18, 1998
10.13 Agreement between Access Pharmaceuticals, Inc. and Block Drug Company, Inc.
10.14 Sales Agency Agreement
10.15 Registration Rights Agreement
27.1 Financial Data Schedule

Reports on Form 8-K: None

SIGNATURES

Pursuant to the requirements 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: August 14, 1998 By: /s/ Kerry P. Gray
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Kerry P. Gray

President and Chief Executive Officer
(Principal Executive Officer)

Date: August 14, 1998 By: /s/ Stephen B. Thompson
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Stephen B. Thompson
Chief Financial Officer
(Principal Financial and Accounting Officer)

ACCESS PHARMACEUTICALS, INC. AND SUBSIDIARY
a development stage company

Condensed Consolidated Balance Sheets

<TABLE>
<CAPTION>

	June 30, 1998	December 31, 1997
Assets	(unaudited)	
<S>	<C>	<C>
Current Assets		
Cash and cash equivalents	$ 2,174,000	$ 438,000
Accounts receivable	2,000	1,000
Prepaid expenses and other current assets	27,000	51,000
Total Current Assets	2,203,000	490,000
Property and Equipment, at cost	1,007,000	1,047,000
Less accumulated depreciation and amortization	(722,000)	(625,000)
	285,000	422,000
Licenses, net of accumulated amortization of $50,000 and $25,000 at June 30, 1998 and December 31, 1997, respectively	450,000	475,000
Other Assets	108,000	60,000
Total Assets	$ 3,046,000	$ 1,447,000
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	$ 390,000	$ 434,000
Royalties payable	-	53,000
Accrued insurance premium	13,000	38,000
Current portion of obligations under capital leases	88,000	181,000
Total Current Liabilities	491,000	706,000
Obligations under capital leases, net of current portion	75,000	142,000
Total Liabilities	566,000	848,000
Stockholders' Equity		
Preferred stock, $.01 par value, authorized 2,000,000 Shares, none issued or outstanding at June 30, 1998; $.01 par value, authorized 10,000,000 shares, none issued or outstanding at December 31, 1997	-	-
Common stock, $.01 par value, authorized 20,000,000 Shares, 3,092,245, issued and outstanding at June 30, 1998; Authorized 3,000,000 shares, 1,630,450 issued and outstanding at December 31,1997	31,000	16,000
Additional paid-in capital	24,019,000	20,331,000

Deficit accumulated during the development stage	(21,570,000)	(19,748,000)
Total Stockholders' Equity	2,480,000	599,000
Total Liabilities and Stockholders' Equity	$ 3,046,000	$ 1,447,000

</TABLE>

See accompanying notes to condensed consolidated financial statements

ACCESS PHARMACEUTICALS, INC. AND SUBSIDIARY
a development stage company

Condensed Consolidated Statements of Operations
(unaudited)

<TABLE>
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	Three Months ended June 30,		Six Months ended June 30,		February 24, 1988 (inception) to
	1998	1997	1998	1997	June 30, 1998
<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Research and development	$ -	$ -	$ -	$ -	$ 2,711,000
Option income	-	-	-	-	2,149,000
Licensing revenues	-	50,000	-	188,000	325,000
Total Revenues	-	50,000	-	188,000	5,185,000
Expenses					
Research and development	501,000	538,000	936,000	1,042,000	9,545,000
General and administrative	359,000	424,000	750,000	829,000	7,613,000
Depreciation and amortization	66,000	30,000	130,000	62,000	1,186,000
Write-offexcess purchase price	-	-	-	-	8,894,000
Total Expenses	926,000	992,000	1,816,000	1,933,000	27,238,000
Loss From Operations	(926,000)	(942,000)	(1,816,000)	(1,745,000)	(22,053,000)
Other Income (Expense)					
Interest and miscellaneous income	6,000	37,000	8,000	84,000	782,000
Interest expense	(5,000)	(7,000)	(14,000)	(15,000)	(172,000)
	1,000	30,000	(6,000)	69,000	610,000
Loss Before Income Taxes	(925,000)	(912,000)	(1,822,000)	(1,676,000)	(21,443,000)
Provision for Income Taxes	-	-	-	-	127,000
Net Loss	$ (925,000)	$ (912,000)	$(1,822,000)	$(1,676,000)	$(21,570,000)
Basic and Diluted Loss Per Common Share	$ (0.42)	$ (0.58)	$ (0.95)	$ (1.07)	
Weighted Average Basic and Diluted Common Shares Outstanding	2,209,775	1,569,566	1,920,564	1,569,566	

</TABLE>

See accompanying notes to condensed consolidated financial statements

ACCESS PHARMACEUTICALS, INC. AND SUBSIDIARY
a development stage company

Condensed Consolidated Statements of Cash Flows
(unaudited)

<TABLE>

<CAPTION>

	Six Months ended June 30,		February 24, 1988 (inception) to
	1998	1997	June 30, 1998
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities			
Net Loss	$(1,822,000)	$(1,676,000)	$(21,570,000)
Adjustments to reconcile net loss to cash used in operating activities:			
Write-off of excess purchase price	-	-	8,894,000
Consulting expense related to warrants granted	-	-	532,000
Research expenses related to common stock granted and donated equipment	8,000	-	108,000
Depreciation and amortization	130,000	62,000	1,186,000
Unearned revenue	-	-	(110,000)
Change in operating assets and liabilities:			
Accounts receivable	(1,000)	(9,000)	(3,000)
Prepaid expenses and other current assets	24,000	46,000	(28,000)
Other assets	2,000	-	(6,000)
Accounts payable and accrued expenses	(122,000)	(288,000)	110,000
Net Cash Used In Operating Activities	(1,781,000)	(1,865,000)	(10,887,000)
Cash Flows From Investing Activities			
Capital expenditures	(3,000)	(24,000)	(1,167,000)
Sales of capital equipment	-	-	6,000
Purchase of Tacora, net of cash acquired	-	-	(124,000)
Other assets	(50,000)	-	(100,000)
Net Cash Used In Investing Activities	(53,000)	(24,000)	(1,385,000)
Cash Flows From Financing Activities			
Proceeds from notes payable	-	-	721,000
Payments of principal on obligations under capital leases	(133,000)	(77,000)	(587,000)
Cash acquired in merger with Chemex	-	-	1,587,000
Proceeds from stock issuances, net	3,703,000	-	12,725,000
Net Cash Provided By (Used In) Financing Activities	3,570,000	(77,000)	14,446,000
Net Increase (Decrease) in Cash and Cash Equivalents	1,736,000	(1,966,000)	2,174,000
Cash and Cash Equivalents at Beginning of Period	438,000	4,428,000	-
Cash and Cash Equivalents at End of Period	$ 2,174,000	$ 2,462,000	$ 2,174,000
Cash paid for interest	$ 14,000	$ 15,000	$ 164,000
Cash paid for income taxes	-	-	127,000
Supplemental disclosure of noncash transactions			
Payable accrued for fixed asset purchase	$ -	$ -	$ 47,000
Elimination of note payable to Chemex Pharmaceuticals due to merger	-	-	100,000
Stock issued for License on patents	-	-	500,000
Equipment purchases financed through capital leases	-	-	82,000
Net liabilities assumed in			

acquisition of Tacora Corporation	-	-	455,000

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See accompanying notes to condensed consolidated financial statements

ACCESS PHARMACEUTICALS, INC. AND SUBSIDIARY
a development stage company
Notes to Condensed Consolidated Financial Statements
Six Months Ended June 30, 1998 and 1997
(unaudited)

(1) Interim Financial Statements

The consolidated balance sheet as of June 30, 1998 and the consolidated statements of operations for the three and six months ended and cash flows for the six months ended June 30, 1998 and 1997 were prepared by management without audit. In the opinion of management, all adjustments, including only normal recurring adjustments necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made. Certain reclassifications have been made to prior year financial statements to conform with the June 30, 1998 presentation. The accompanying Consolidated Balance Sheets and Statements of Operations have been retroactively restated to reflect the Recapitalization including the one-for-twenty reverse stock split.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the period ended June 30, 1998 are not necessarily indicative of the operating results which may be expected for a full year. The consolidated balance sheet as of December 31, 1997 contains financial information taken from the audited financial statements as of that date.

In 1997, the Company adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share." In accordance with SFAS No. 128, the Company has presented basic loss per share, computed on the basis of the weighted average number of common shares outstanding during the period, 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 period. The adoption of this new accounting standard, which required the restatement of all presented periods' earnings per share data, did not have a material impact on previously reported earnings per share. Potentially dilutive effect of the Company's outstanding options and common stock warrants has not been considered in the computation of diluted net loss per common share since their inclusion would be anti-dilutive.

Effective with fiscal years beginning after December 15, 1997, companies are required to adopt Statement of Financial Accounting Standards ("SFAS") No. 130 "Reporting Comprehensive Income." The Statement establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income includes net income and other comprehensive income, which comprises certain specific items previously reported directly in stockholders' equity. Other comprehensive income comprises items such as unrealized gains and losses on debt and equity securities classified as available-for-sale securities, minimum pension liability adjustments, and foreign currency translation adjustments.

Since the Company does not currently have any of these other comprehensive income items, SFAS No. 130 has no impact on the way the Company reports or has reported its financial statements.

(2) Liquidity

The Company has incurred negative cash flows from operations since its inception, and has expended, and expects to continue to expend in the future, substantial funds to complete its planned product development efforts. The Company expects that its existing capital resources will be adequate to fund the

Company's operations through the second quarter of 1999. The Company is dependent on raising additional capital to fund its development of technology and to implement its business plan. Such dependence will continue at least until the Company begins marketing its new technologies.

If the anticipated revenues are delayed or do not occur or the Company is unsuccessful in raising additional capital on acceptable terms, the Company would be required to curtail research and development and general and administrative expenditures so that working capital would cover reduced operations into the third quarter of 1999. There can be no assurance, however that changes in the Company's operating expenses will not result in the expenditure of such resources before such time.

The Independent Auditor's Report on the Company's 1997 consolidated financial statements included an emphasis paragraph regarding the uncertainty of the Company's ability to continue as a going concern.

(3) Recapitalization

On June 18, 1998, in conjunction with the first closing of a private placement, the Company effected a recapitalization of the Company through a one-for-twenty reverse stock split of Access common stock, $.04 par value per share (the "Common Stock"), which decreased the number of authorized shares of Common Stock from 60.0 million shares, at $0.04 par value per share, to 20.0 million shares, par value $0.01 per share, and decreased the authorized shares of preferred stock of the Company from 10.0 million to 2.0 million (the "Recapitalization"). The Recapitalization decreased the number of outstanding shares of Common Stock from approximately 41.5 million to 2.1 million.

If and when the Company satisfies all listing requirements, the Company intends to submit an application for listing on NASDAQ or an alternate exchange. There can be no assurances that the Company will be listed on NASDAQ or an alternate exchange.

(4) Private Placement

The Company raised $1,200,000 in gross proceeds ($725,000 received on March 20, 1998 and $475,000 received on April 11, 1998) less cash issuance costs of $33,750, from the placement of 48 units, each unit consisting of 8,333 shares of Common Stock and warrants to purchase 8,333 shares of Common Stock at an exercise price of $3.00 per share. The placement agent received warrants to purchase 44,527 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 45,277 shares of Common Stock in lieu of certain sales commissions and expenses.

On June 18, 1998, the Company, assisted by an investment bank, raised an aggregate of $2.9 million in gross proceeds, less cash issuance costs of $202,000, from the first closing of a private placement of 953,573 shares Common Stock at $3.00 per share. The placement agent for such offering received warrants to purchase 101,653 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 62,949 shares of Common Stock in lieu of certain sales commissions and expenses. Legal fees and other issuance costs were $122,000 through June 30, 1998. The proceeds of the offering will be used to fund research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes.

On July 30, 1998, the Company raised an aggregate of $900,000 in gross proceeds, less cash issuance costs of $24,000, from the second closing of a private placement of 300,000 shares Common Stock at $3.00 per share. The placement agent for such offering received warrants to purchase 33,445 shares of Common Stock at $3.00 per share, in accordance with the offering terms and elected to receive 34,450 shares of Common Stock in lieu of certain sales commissions and expenses. The proceeds of the offering will be used to fund research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes.

The investment bank has been engaged to assist the Company in raising up to an additional $4.0 million to fund research and development, working capital, acquisitions of complementary companies or technologies and general corporate purposes. There can be no assurances that any additional closings of the private placement will take place.

AGREEMENT
BETWEEN
ACCESS PHARMACEUTICALS, INC.
AND
BLOCK DRUG COMPANY, INC

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This Agreement, dated this 5th day of March, 1998, is by and between Block Drug Company, Inc., 257 Cornelison Avenue, Jersey City, New Jersey 07302 ("Block") and Access Pharmaceuticals, Inc., 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207 ("Access").

WHEREAS Block has certain rights in and to a topical product for treating aphthous ulcers containing amlexanox;

WHEREAS Access wishes to develop such product itself in various countries and to seek partners in various countries to develop such product;

NOW THEREFORE, in consideration of the following mutual promises and obligations and intending to be legally bound, the parties agree as follows:

ARTICLE 1 DEFINITIONS

1.1 Access: means Access Pharmaceuticals, Inc. The term "Access" shall, as required by the circumstances, also mean and include any company or business entity that controls or is controlled by, either directly or indirectly, Access Pharmaceuticals, Inc., its officers, agents and employees or any partnership or joint venture in which Access Pharmaceuticals, Inc. is a participant or any company or business entity that is under common control with Access Pharmaceuticals, Inc. The term "control" means the power to direct the affairs of such entity by

reason of ownership of at least fifty percent (50%) of such entity by voting stock, equity interest, contract or otherwise.

1.2 Access Know-How: means (a) any and all information in the possession of Access at any time during the Term of this Agreement which Access has the right to license or sublicense relating to the physical and chemical analysis and stability of the Product, its clinical effects and indications for use, and (b) any and all information in the possession of Access as of the date of execution of this Agreement which Access the right to license or sublicense relating to the method of use, packaging, formulation, or method of administration of the Product that, at the time it is communicated to Block, was not rightfully in Block's possession and was not common general knowledge. Information relating to Takeda's process of manufacture of amlexanox shall be excluded from the scope of Access Know-How.

1.3 Access Net Sales: For purposes of determining compensation to Block for direct sales of Access under Paragraph 3.1 and Paragraph 7.1 of this Agreement, "Access Net Sales" means gross revenues received by Access on the sale of any Product less (a) trade discounts actually allowed; and (b) when borne by Access 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 Product is given away to induce sales thereof. For purposes of determining Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or

when the Product is delivered, whichever occurs first. In the case of the transfer or sale of Product by Access to an Affiliate or distributor of Access for sales by such Affiliate or distributor, Net Sales shall be based upon the greater of the total invoice price charged by Access to such Affiliate or distributor or the total invoice price charged by such Affiliate or distributor to its customers. 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.

1.4 Affiliate: means any corporation or business entity controlled by, controlling, or under common control with Access or Block, respectively. For this purpose, "control" shall mean the direct or indirect beneficial ownership of at least fifty percent (50%) of the voting stock, or at least a fifty percent (50%) interest in the income of such corporation or other business entity, or such other relationship as, in fact, constitutes actual control.

1.5 Amlexanox: means 2 - amino - 7 - isopropyl - 5 - oxo - 5H - [1] benzopyrano - [2,3 - b] - pyridine - 3 - carboxylic acid (Takeda Code No. AA-673).

1.6 Block: means Block Drug Company, Inc.

1.7 Block-Chemex Agreement: means that asset purchase and royalty agreement between Block Drug Company, Inc. and Chemex Pharmaceuticals, Inc., dated as of June 7, 1995.

1.8 Block Know-How: means (a) any and all information in the possession of Block at any time during the Term of this Agreement which Block has the right to license or sublicense relating to the physical and chemical analysis and stability of the Product, its clinical effects and indications for use, and (b) any and all information in the possession of Block as of the date of execution of this Agreement which Block the right to license or sublicense relating to the method of use, packaging, formulation, or method

of administration of the Product that, at the time it is communicated to Access, was not rightfully in the possession of Access and was not common general knowledge. Information relating to Takeda's process of manufacture of Amlexanox shall be excluded from the scope of Block Know-How.

1.9 Block Net Sales: means gross revenues received by Block on the sale of any Product less (a) trade discounts actually allowed; and (b) when borne by Block 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 Product is given away to induce sales thereof. For purposes of determining Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or when the Product if delivered, whichever occurs first. In the base of the transfer or sale of Product by Block to an Affiliate or distributor of Block for sales by such Affiliate or distributor, Net Sales shall be based upon the greater of the total invoice price charged by

Block to such Affiliate or distributor or the total invoice price charged by such Affiliate or distributor to its customers.

1.10 Dermatological Use: means all uses for the treatment of diseases and disorders of the integument including, but not limited to, therapeutic, prophylactic and immunological uses. For the purposes of this definition, integument is skin and its appendages, including hair, hair follicles, sebaceous glands, sweat glands, nails, and component and migratory cells of the skin.

1.11 Effective Date: means the date first set forth above.

1.12 First Sale: means the date on the first invoice to any customer purchasing a Product or an Improvement on a country by country basis after the Effective Date of this Agreement.

1.13 Formulation: means the topical formulation containing Amlexanox attached hereto as Exhibit A.

1.14 Improvement: means all inventions, developments or improvements, whether or not patentable, originated or acquired by either party hereto that relate to the Product.

1.15 Improvement Patent: means any patent or patent application covering any Improvement.

1.16 Licensed Patents: means all patents and applications set forth in Exhibit B to this Agreement and all Takeda Sublicensed Patents.

1.17 Notice: shall have the meaning set forth in Paragraph 11.4 hereof. "Notify" shall mean to provide Notice in accordance with Paragraph 11.4 hereof.

1.18 Product: means the Formulation and any topical formulation containing Amlexanox for Dermatological Use, excluding any formulation for treatment of the cause or symptoms of oral mucositis, covered by any claim or any Licensed Patent in any country, whether or not granted.

1.19 Revenue: for purposes of determine compensation to Block for sales to or by a sublicensee or other party of Access under Paragraph 3.2 and Paragraph 7.2 of this Agreement, "Revenue" means the net profits received by Access for the sale of the Products by Access or by any third party. As used herein, "net profits" shall mean:

(a) the full amount of any nonrecurring or nonperiodic payments made to Access by any third party as full or partial payment for any rights granted to such third party relating to any Product or Improvement including, but not limited to, milestone payments and reimbursement for fees expended to obtain permission from any governmental authority to make, use or sell a Product or Improvement (unless such fees have not been deducted under Paragraph 5.2 or 7.3 of this Agreement;

(b) the full amount of any royalties, including advance royalties, or other periodic or recurring payments, paid to Access by any third party as full or partial payment for any rights granted to such third party relating to any Product or Improvement;

(c) the full fair market value of any non-monetary consideration paid to Access by any third party as full or partial payment for any rights granted to such third party relating to any Product or Improvement; and

(d) the net consideration received by Access for sales of any Product or Improvement to any third party for resale. As used herein, "net consideration" means the gross consideration received by Access for sales of any Product or Improvement less either: (1) if Access manufactures such Product or Improvement, Access' direct and indirect manufacturing costs incurred in making such Product or Improvement, recorded on Access' books in accordance with generally accepted principles; or (2) if Access has such Product or Improvement made by a third party, Access' out-of-pocket payments to such third party for such Product or Improvement. All manufacturing costs and out-of-pocket payments are subject to audit by Block. This audit right is in addition to and separate from Block's audit right pursuant to Paragraph 11.12. Any royalties paid by Access to Block under this Agreement or any other agreement and royalties paid be Access to any other party for sales hereunder may also be deducted from gross consideration;

(e) net profits shall not include any royalties or other payments made by Block to Access under any provision of this Agreement, or any other agreement.

1.20 Sublicensee Net Sales: means gross revenues received by the sublicensee on the sale of any Product less (a) trade discounts actually allowed; and (b) when borne by the sublicensee 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 Product is given away to induce sales thereof. For purposes of determining Net Sales, a sale shall be deemed to have occurred when the sale is invoiced or when the Product is delivered, whichever occurs first. In the case of the transfer or sale of Product by the sublicensee to an Affiliate or distributor of the sublicensee for sales by such Affiliate or distributor, Net Sales shall be based upon the greater of the total invoice price charged by the sublicensee to such Affiliate or distributor or the total invoice price charged by such Affiliate or distributor to its customers.

1.21 Takeda: means Takeda Chemical Industries, Ltd., a Japanese corporation and all parents, subsidiaries and affiliates thereof.

1.22 Takeda License Agreement: means that agreement between Chemex and Takeda dated November 12, 1987 regarding licensing of patent rights from Takeda to Chemex. A copy of that agreement is set forth in Exhibit C to this Agreement.

1.23 Takeda Sublicensed Patents: means any and all patent applications and patents now or hereafter owned or controlled by Takeda in the Territory relating to the Product, including any and all patents issuing or maturing from such patent applications, or any reissue application, divisions extensions, Improvements, and continuations-in-part thereof. Such current Takeda Patents and patent applications in the Territory are listed in Exhibit D to this Agreement.

1.24 Takeda Supply Agreement: means that agreement between Chemex and Takeda dated November 12, 1987 regarding supply of material from Takeda to Chemex. A copy of that agreement is set forth in Exhibit E to this Agreement.

1.25 Term: means the term of this Agreement, as set forth in Article 9 hereof.

1.26 Territory: means all countries in the world in which Block has been granted rights by Takeda except the United States of America and Israel. Block has not been granted rights in Japan and other countries.

ARTICLE 2 GRANT

2.1 Grant: Block hereby grants Access the exclusive right under the Licensed Patents and the Block Know-How to make, use, have made and sell or have sold any Product within the Territory during the Term, including the right to make or have made outside the Territory for sale in the Territory. The rights granted hereunder, however, are subject to the rights granted to Block by Takeda as set forth in the Takeda License Agreement and the Takeda Supply Agreement. Access agrees to be bound by the royalty provisions in such agreements, as amended from time to time. Access shall have the right to sublicense the rights granted hereunder within the Territory at its sole discretion subject to approval by Takeda.

ARTICLE 3 ACCESS ROYALTIES

3.1 Royalty Rate for Direct Sales by Access: On a country by country basis, if Access sells a Product directly to retail pharmacies or other dispensaries, then Access shall pay to Block a royalty of * of Access Net Sales of such Product in such country.

3.2 Royalty Rate in all Other Instances: For any consideration received by Access for sales to or by a sublicensee or other party other than as set forth in Paragraph 3.1, Access shall pay Block * of any Revenue received by Access on any Product.

* - Confidential portions have been omitted and are on file separately with the Commission

3.3 No Offset on Other Royalties: No payment received by Block from Access in accordance with Paragraphs 3.1 or 3.2 shall reduce or offset any amounts paid as an advance royalty in the Block-Chemex Agreement. No Access Net Sales of any Product or any sales by any party resulting in any Revenue under Paragraph 3.2 shall be considered as any form of sale covered by the Block-Chemex Agreement.

ARTICLE 4 ADDITIONAL OBLIGATIONS OF THE PARTIES

4.1 Access to Pay Registration Fees and Costs: Access or its sublicensees shall pay all registration fees, clinical evaluation costs and any other costs associated with obtaining approval to market any Product within any country in the Territory.

4.2 Access to Pay Takeda Royalties to Block: Access shall pay all royalties due to Takeda for sales of Products within the Territory directly to Block, and Block shall be solely responsible for remitting all such payments due to Takeda for sales of Product within the Territory under the terms of the Takeda License Agreement.

4.3 Advance Notice of Studies: Access shall provide Block with no less than sixty (60) days' advance written Notice of the commencement of any study or other sponsored research relating to any Product. Access shall not proceed with any study or other sponsored research without the written approval of Block, which shall not be unreasonably withheld or delayed.

4.4 Access to Provide Data: Access shall supply Block, without compensation, with all clinical and other technical and scientific data that it develops relating to any Product. Block may use this data at its discretion for any purpose, including, but not limited to, filing of such data with regulatory authorities outside the Territory for any purpose. Information pertaining to side effects resulting from any use of Amlexanox in any type of application will be exchanged by both parties hereto on an emergent basis, whenever such information is obtained.

ARTICLE 5 ACCESS PAYMENT TERMS

5.1 Quarterly payments: Within thirty (30) days of the end of each calendar quarter, commencing with the first full calendar quarter following the Effective Date, Access shall submit to Block a written report setting forth the Access Net Sales for such quarter and the calculation of the royalty payment

due Block for such quarter, provided however that the first such quarterly report shall include Net Sales from the Effective Date to the end of the first full calendar quarter. Access shall, with said written quarterly reports, pay to Block the royalty amount due as indicated in said reports. In the event that Access sublicenses a third party hereunder, the written report and payment to Block shall be due within thirty (30) days of receipt of such third party royalty report, which third party royalty report shall be due not later than thirty (30) days after the end of each calendar quarter. The report from Access to Block shall contain a copy of any such sublicensee royalty report.

5.2 Set-Off for Registration Fees: On a country basis, Access shall be entitled to reduce the amounts paid to Block in any quarterly payment by up to * for all out-of-pocket expenses incurred under Paragraph 4.1, up to an aggregate total off-set for all quarterly payments on Access Net Sales of any Product or Revenue for any Product of * . Any reduction made in any quarterly payment as a result of this Paragraph 5.2 shall be accompanied by a written report setting forth the basis for such reduction.

ARTICLE 6 IMPROVEMENTS

6.1 Improvements by Access: Access may develop and register any Improvement in the Territory. Access may not develop or register any Improvement for the treatment of the cause or symptoms of oral mucositis under the terms of this Agreement.

6.2 Advance Notice of Studies: Access shall provide Block with no less than sixty (60) days' advance written Notice of the commencement of any study or other sponsored research relating to any Improvement. Access shall not proceed with any such study or other sponsored research without the written approval of Block, which shall not be unreasonably withheld or delayed.

6.3 Access to Provide Data: Access shall supply Block, without compensation, with all clinical and other technical and scientific data that it develops relating to any Improvement.

* - Confidential portions have been omitted and are on file separately with the Commission

Block may use this data at its discretion for any purpose, including filing such data with regulatory authorities outside the Territory for any purpose.

6.4 Access to Pay Registration Fees and Costs: Access shall pay for all registration fees, clinical evaluation costs and any other costs associated with obtaining approval for it to market any Improvement within any country within the Territory.

6.5 Access to Pay Takeda Royalties to Block: Access shall pay all royalties due to Takeda for sales of Improvements within the Territory directly to Block, and Block shall be solely responsible for remitting all such payments due to Takeda for sales of any Improvement within the Territory under the terms of the Takeda License Agreement.

ARTICLE 7 ACCESS IMPROVEMENT ROYALTIES

7.1 Royalties from Access to Block: On a country by country basis, if Access sells any Improvement directly to retail pharmacies or other dispensaries, then Access shall pay to Block a royalty of * of Access Net Sales on such Improvement in such country. Payment shall be made in accordance with the procedures set out in Paragraph 5.1.

7.2 Royalties in Other Instances: For any consideration received by Access for sales to or by a sublicensee or other party other than as set forth in Paragraph 7.1, Access shall pay

* - Confidential portions have been omitted and are on file separately with the Commission

Block * of any Revenue received by Access on any Improvement.

Payment shall be made in accordance with the procedures set out in Paragraph 5.1.

7.3 Royalty Reduction: On a country by country basis, Access shall be entitled to reduce the amounts paid to Block in any quarterly payment by up to * for the * out-of-pocket expenses incurred under Paragraph 6.4 to develop and register the Improvement in such country up to an aggregate total off-set of * of all such costs in such country. Any reduction made in any quarterly payment as a result of this Paragraph shall be accompanied by a written report setting forth the basis for such reduction.

ARTICLE 8 BLOCK IMPROVEMENT RIGHTS AND OBLIGATIONS

8.1 Grant of Rights to Block: Access hereby grants Block the exclusive right under any Improvement Patent, if any, and Access Know-How, if any, now existing or subsequently developed, to make, use, have made and sell any Improvement outside the Territory during the Term, including, but not limited to, the right to make or have made the Improvement, or any part thereof, within the Territory for sale outside the Territory. Block shall have the right to sublicense the rights granted hereunder outside the Territory at its sole discretion.

8.2 Royalties from Block to Access: On a country by country basis, Block shall pay Access a royalty of * of Block Net Sales or any Sublicensee Net Sales (of any Block sublicensee) of any Improvement outside the Territory.

* - Confidential portions have been omitted and are on file separately with the Commission

8.3 Set-Off for Advance or Other Royalties: Block shall be entitled to offset any royalties otherwise due under Paragraph 8.2 by * . In no event shall Block be required to pay royalties to Access under both the Block-Chemex Agreement and Paragraph 8.2 of this Agreement for Block Net Sales hereunder.

8.4 Block Royalty Reports: Within thirty (30) days of the end of each calendar quarter, commencing with the first full calendar quarter following the First Sale of any Improvement by Block or a Block sublicensee outside the Territory, Block shall submit to Access a written report setting forth the Block Net Sales for such quarter and the calculation of the royalty payment due Access for such quarter including any setoff under Paragraph 8.2, provided however, that the first such quarterly report shall include Block Net Sales from the date of First Sale to the end of the first full calendar quarter. Block shall, with said written quarterly report, pay to Access the royalty amount due as indicated in said report. In the event that Block sublicenses a third party hereunder, the written report and payment to Access shall be due within thirty (30) days of receipt of such third party royalty report, which third party royalty report shall be due no later than thirty (30) days after the end of each calendar quarter. The report from Block to Access shall contain a copy of any such sublicensee royalty report.

* - Confidential portions have been omitted and are on file separately with the Commission

ARTICLE 9 TERM AND TERMINATION

9.1 Term: The Term of this Agreement for any Product commences on the Effective Date hereof and ends, on a country by country basis upon the later of * years from the date of First Sale of a Product in such country or the expiration, lapse, termination or unappealed or unappealable determination of invalidity, unenforceability or nonallowability of the last Licensed Patent in each country, if any. The Term for Improvements shall commence on the Effective Date and shall end, on a country-by-country basis, upon the later of ten (10) years from the date of First Sale of an Improvement in such country or the expiration, lapse, termination or unappealed or unappealable determination of invalidity, unenforceability or nonallowability of the last Licensed Patent, if any, or Improvement Patent, if any, in each country. In no event, however, shall the duty to pay royalties under this Agreement for either party extend beyond * after the Effective Date. Royalties payable to Takeda under the Takeda License Agreement shall not be

affected by any provision of this Paragraph.

At the conclusion of the Term, each party shall have a fully paid-up worldwide nonexclusive license with respect to any Licensed Patent, Improvement Patent, Block Know-How and Access Know-How, and no further payments shall be made or required under this Agreement.

9.2 Termination for Breach: Either party may terminate this Agreement on sixty (60) days' written Notice to the other if the other is in default or breach of any material provision,

* - Confidential portions have been omitted and are on file separately with the Commission

provided, however, that if the party receiving such Notice cures or diligently commences to cure the breach or default within such sixty (60) day period, this Agreement shall continue in full force and effect. If such default or breach of a material provision is a failure to pay any amount due and owing hereunder, the terminating party may terminate this Agreement on thirty (30) days' written Notice. If, however, the party receiving such Notice cures such default or breach within such thirty-(30) day period, this Agreement shall continue in full force and effect. Failure to terminate this Agreement for any default or breach shall not constitute a waiver by the aggrieved party of its right to terminate the Agreement for any other default or breach.

9.3 Rights to Survive: Termination shall not affect the rights of the parties accruing up to the effective date of termination and thereafter as to provisions which expressly survive termination.

9.4 Reversion and Termination for Failure to Pay Takeda License Fees: If Access fails to make any payment to Block under Paragraph 4.2 or Paragraph 6.5, then all rights granted to Access in this Agreement shall revert to Block thirty (30) days after Notice to Access from Block of such failure to pay. If Access makes all payments to Block required under Paragraphs 4.2 and 6.5 and any other required payments hereunder as set forth in such Notice within the thirty (30) days, then such rights shall not revert to Block.

9.5 Termination by Takeda: If the Takeda License Agreement or the Takeda Supply Agreement is terminated or canceled by Takeda or by operation of the Takeda License Agreement or the Takeda Supply Agreement for any reason, this Agreement shall also terminate, effective as of the date of termination of such agreement. Provide, however, Block shall give Access Notice at least thirty (30) days prior to any such termination, and Access shall have the right to cure any breach that is the cause of any termination. Block shall use its reasonable commercial efforts to keep the Takeda License Agreement and the Takeda Supply Agreement in effect during the Term of this Agreement.

ARTICLE 10 WARRANTIES

10.1 Exploitation of Licensed Rights: Block makes no warranty or representation that the use of any products, the practice of the Licensed Patents, or the use of any trademark will result in the successful promotion, marketing or sale of the Products. Access makes no warranty or representation that the use of any Improvements, the practice of the Improvements, or the use of any trademark will result in the successful promotion, marketing or sale of the Improvements.

10.2 Access Indemnity: Access shall indemnify and hold Block harmless against any and all liability, damage, loss, cost or expense (including attorney's fees and expenses), hereinafter "Damages," resulting from any third party claim made or suit brought against Block to the extent that such claim or suit (i) is caused by Access' negligence or willful misconduct;

(ii) is caused by Access' breach of any of the representations or warranties set forth herein; or (iii) is caused by Access' breach of this Agreement. As the parties intend fully indemnification, all costs, expenses and fees, including attorney's fees and disbursements, incurred in enforcing this Paragraph 10.2 shall also be reimbursed. Upon filing of any such claim or suit, Block shall immediately Notify Access thereof and shall permit Access at its cost to handle

and control such claim or suit. Block shall have the right to participate in the defense of such claim or suit at its own expense.

10.3 Block Indemnity: Block shall indemnify and hold Access harmless against any and all liability, damage, loss, cost or expense (including attorneys' fees and expenses), hereinafter "Damages," resulting from any third party claim made or suit brought against Access to the extent that such claim or suit (i) is caused by Block's negligence or willful misconduct; (ii) is caused by Block's breach of any of the representations and warranties set forth herein; or (iii) is caused by Block's breach of this Agreement. As the parties intend full indemnification, all costs, expenses and fees, including attorneys' fees and disbursements, incurred in enforcing this Paragraph 10.3 shall also be reimbursed. Upon filing of any such claim or suit, Access shall immediately Notify Block thereof and shall permit Block at its cost to handle and control such claim or suit. Access shall have the right to participate in the defense of such claim or suit at its own expense.

10.4 Obligations Regarding Patent Infringement: In the event of alleged infringement of one or more patents licensed hereunder by a third party:

(a) each party shall Notify the other of any perceived or threatened infringement of the Takeda patents by any third party as such party becomes aware of such perceived or threatened infringement. Block shall Notify Takeda of any such perceived or threatened infringement, and all actions with respect to the Takeda Sublicensed Patents will be governed by Paragraph 12.1 of the Takeda Agreement;

(b) In the event of infringement of any patent owned or licensed by Block and licensed under this Agreement, the party discovering the infringement shall Notify the other party of such infringement. Block shall have sixty (60) days from the date of such Notice to Notify Access of its decision to enforce or not to enforce the patent. If Block elects not to enforce such patent within such sixty (60) day period, then Access may, at its option, enforce such patent. In the event of any legal action seeking to enforce any patent owned by Block, both Access and Block may be named as party plaintiff. No settlement, consent judgement or other voluntary final disposition of such suit may be entered into by Block without the consent of Access, which consent shall not be unreasonably withheld or delayed.

(d) In the event of infringement of any patent owned by Access and licensed under this Agreement, the party discovering the infringement shall Notify the other party of such infringement. Access shall have sixty (60) days from the date of such Notice to Notify Block of its decision to enforce or not to enforce the patent. If Access elects not to enforce such patent within such sixty (60) day period, then Block may, at its option, enforce such patent. In

the event of any legal action seeking to enforce any patent owned by Access, both Access and Block may be named as party plaintiff. No settlement, consent judgment or other voluntary final disposition of such suit may be entered into by Block without the consent of Access, which consent shall not be unreasonably withheld or delayed.

(e) In the event of any lawsuit against a third party hereunder, the parties agree to cooperate with each other in all respects relating to the lawsuit. Damages or any amount received in settlement of claims of infringement, shall be apportioned as follows: (1) the party that actively asserted the patent or patents found to be infringed or were covered by any settlement of claims shall first be reimbursed for * of its out-of-pocket expenses, including attorneys' fees, expended in actively asserting such patent or patents; (2) out of the remainder, the party that did not actively assert such patent or patents shall be reimbursed for * of its out-of-pocket expenses, including attorneys' fees, expended in such lawsuit; and (3) the party that actively asserted such patent or patents shall then receive any remaining funds from such damage award or settlement. If both parties actively asserted such patent or patents, then the parties will divide funds from such damage award or settlement as follows: each party shall receive * of its out-of-pocket expenses, including attorneys' fees, expended in such lawsuit and the parties shall share any remaining funds equally. If the funds from such damage award or settlement are not sufficient to compensate both parties for * of their expenses, then the funds

* - Confidential portions have been omitted and are on file separately with the Commission

shall be divided in a ratio equal to the ratio of the out-of-pocket expenses, including attorneys' fees, of each party.

10.5 Claims by Third Parties: In the event a party to this Agreement is sued or threatened with suit by a third party and such action pertains to the Products, the party being threatened shall give prompt Notice to the other party. The parties agree to confer together in such event and consult with one another with respect to the action to be taken.

10.6 No Restrictions on Product: Each party represents to the other that it has no knowledge of violations of any law or regulation or restrictions on the ability to make, use or sell the Product, other than ordinary restrictions imposed in countries in which governmental approval is required, but has not yet been obtained, to market in such countries and other than restrictions imposed by the Takeda License Agreement and the Takeda Supply Agreement.

10.7 Power to Enter Into Agreement: Each party represents that it has no knowledge of any impediment to it entering into this Agreement except for the required consent by Takeda to the Agreement.

10.8 No Other Warranties or Representations: Nothing in this Agreement shall be construed as (a) a warranty or representation by Block or Access as to the validity or scope of any patent; (b) a warranty or representation that anything made, used, sold, or otherwise disposed of under any license granted in this agreement is or will be free from infringement of

patents of third parties; (c) an obligation to bring or prosecute actions or suits against third parties for infringement; or (d) conferring a right to use in advertising, publicity or otherwise any trademark or tradename of Block.

Neither party makes any representation, extends any warranties of any kind, either express or implied, or assumes any responsibilities whatever with respect to use, sale, or other disposition by and party of any Product or Improvement.

ARTICLE 11 MISCELLANSOUS

11.1 New Jersey Law Applies: This Agreement shall be interpreted and construed in accordance with the laws of the State of New Jersey.

11.2 Alternative Dispute Resolution: All disputes relating to or arising out of this Agreement or its subject matter shall be resolved by the parties as set forth in this Paragraph 11.2 (a) In the event of a dispute, Notice of a demand for a meeting of the parties to discuss and settle a dispute ("Notice of meeting") may be given by either Party. Such Notice shall be in writing and shall set a date no more than (10) business days from the date of the Notice of Meeting on which the parties shall meet during normal business hours at a mutually acceptable place. If within five (5) days after the date of the meeting the parties have not resolved their dispute(s), then the parties shall proceed as provided below. Notwithstanding anything in this

Paragraph 11.2 to the contrary, either party may seek equitable and injunctive relief in any state or federal court in which jurisdiction and venue are proper.

(b) Any dispute not resolved within five (5) days after the meeting shall be resolved by means of alternative dispute resolution, as provided in the New Jersey Alternative Procedure for Dispute Resolution Act, N.J.S.A. 2A:23A-1 et seq. (the "Act"). Other than as set forth herein to the contrary, the parties expressly waive the right to resolve all claims, disputes and issues arising out of or relating to this Agreement by means of traditional litigation, including the right to appeal, except as provided in the Act. Except as otherwise provided in this Agreement, the Act shall govern the procedures and methods for any ADR Proceeding. No punitive damages may be awarded in any litigation or ADR proceeding.

(c) Notice of a demand for resolution of a dispute under the Act (a "Notice of Dispute") given by either party shall be in writing specifying the issue or issues in dispute.

(d) Within fifteen (15) days after a Notice of Dispute is given, each party shall select two (2) prospective umpires from among (i) any retired judge of the federal courts or state appellate courts of New Jersey or New York; (ii) any retired managing partner of a law firm with no less than twenty-five (25) partners; or (iii) such other person with such qualifications upon which the parties agree. The umpires shall be free from bias and conflict of interest with respect to either party and shall be in a position to immediately hear the dispute and render a prompt resolution, but in no event later than six (6) months from the date of the Notice of

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Dispute. Within fifteen (15) days after each party has selected its prospective umpires, the parties shall agree to one (1) umpire from among the four (4) prospective umpires to hear the dispute. In the event that the parties do not agree on an umpire, the prospective umpires shall name the umpire.

The proceeding for the alternative resolution of a dispute (the "ADR Proceeding") shall be held at a location with the State of New Jersey or New York as selected by the umpire and shall commence no later than forty (40) days after the Notice of Dispute is given.

The fees payable to the umpire shall be the usual hourly rate of such umpire for consulting or dispute resolution services. All fees and expenses associated with the ADR Proceeding incurred by the parties, including the umpire fees, attorneys' fees and disbursements, shall be paid by the party against whom the decision is rendered.

11.3 No Agency or Employment: Neither Block nor Access is to be considered the agent or employee of the other for any purpose, and neither party has the right or authority to enter into any contracts or assume obligations for the other or to give any warranty or make any representation on behalf of the other party except where and to the extent specifically authorized in writing to do so.

11.4 Notice: Every notice or other communication required or contemplated by this Agreement by either party shall be in writing.

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(a) Every notice or other communication required or contemplated by this Agreement by either party shall be delivered to the other party by either: personal delivery; or facsimile; or certified or registered mail, postage prepaid, addressed to the party for whom such notice was intended; or by overnight courier.

(b) Notice delivered in person shall be deemed to have been delivered upon receipt by the party to whom such notice was sent.

(c) Notice delivered by facsimile shall be deemed to have been delivered at noon on the first business day after the date on which the facsimile was sent.

(d) Notice by certified mail shall be deemed to have been delivered on the date it is officially recorded as delivered to the intended recipient by return receipt or equivalent, and in the absence of such record of delivery, the effective date shall be presumed to have been the fifth (5th) business day after it was deposited in the mail.

(e) Notice delivered by overnight courier shall be deemed to have been delivered upon receipt by the party to whom such notice was sent.

(f) Unless Access receives notice to the contrary, all notices directed to Block shall be sent to the attention of:

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John E. Peters, Esq.
Senior Vice President and
General Counsel
Block Drug Corporation

257 Cornelison Avenue
Jersey City, New Jersey 07302
Fax (201) 333-3585

(g) Unless Block receives notice to the contrary, all notices directed to Access shall be sent to the attention of:

Kerry P. Gray
President and Chief Executive Officer
Access Pharmaceuticals, Inc.
2600 Stemmons Freeway, Suite 176
Dallas, Texas 75207
Fax: (214) 905-5101

11.5 Severability: Whenever possible, each section, subsection, provision or condition of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any section, subsection, provision or condition of this Agreement should be prohibited or invalid under applicable law, such section, subsection, provision or condition shall be considered separate and severable from this Agreement to the extent of such prohibition or invalidity without invalidating the remaining sections, subsections, provisions and conditions of this Agreement.

11.6 Entire Agreement/Merger: This Agreement sets forth the entire agreement between the parties hereto pertaining to the subject matter hereof and supersedes all negotiations,

preliminary agreements, memoranda or letters of proposal or intent, discussions and understandings of the parties hereto in connection with the subject matter hereof. All discussions between the parties have been merged into this Agreement, and neither party shall be bound by any definition, condition, understanding, representation, warranty, covenant or provision other than as expressly stated in or contemplated by this Agreement or as subsequently shall be set forth in writing and executed by a duly authorized representative of the party to be bound thereby.

11.7 Amendment: No amendment, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed on behalf of the parties hereto by their duly authorized representatives.

11.8 Counterparts: This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original document, but all such separate counterparts shall constitute only one and the same instrument.

11.9 No Waiver of Rights: No waiver of any term, provision, or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, provision, or condition of this Agreement.

11.10 Force Majeure: Neither party shall be liable hereunder to the other party nor shall be in breach for failure to deliver, provided failure to deliver is no greater than the delay in time caused by circumstances beyond control for either party, including but not limited to acts of God, fires, floods, riots, wars, civil disturbances, sabotage, accidents, labor disputes, shortages, government actions (including but not limited to priorities, requisitions, allocations and price adjustment restrictions) and inability to obtain material, equipment, labor or transportation.

11.11 Further Assurances: The parties hereto shall each perform such acts, execute and deliver such instruments and documents and do all such other things as may be reasonably necessary to accomplish the transactions contemplated in this Agreement.

11.12 Audit Rights: Each party shall keep books and records in sufficient detail to permit the other to verify items including, but not limited to, Access Revenue, Access Net Sales or Block Net Sales. Each party shall have the right, upon reasonable Notice and during normal business hours, but in no event more frequently than once during any twelve (12) month period or more than two (2) years after the close of any party's fiscal year, to audit, or

have audited by a Certified Public Accountant, the relevant books and accounts to verify the accuracy of the reported Net Sales and Access Revenue. In the event such audit reveals that the audited party has mis-reported information by more than * , that party, in addition to paying or reimbursing any additional amounts due, shall pay the reasonable costs associated with such audit. The parties shall maintain the results of any such audit in

* - Confidential portions have been omitted and are on file separately with the Commission

confidence. All records pertaining to any payment shall be maintained for not less than five (5) years after the year of payment hereunder.

11.13 Binding Effect: This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective permitted successors and assigns.

11.14 No Strict Construction: This Agreement has been prepared jointly and shall not be strictly construed against either party.

11.15 Consent Not Unreasonably Withheld or Delayed: Whenever provision is made in this Agreement for either party to secure the consent or approval of the other, such consent or approval shall not unreasonably be withheld or delayed, and whenever in this Agreement provisions made for one party to object to or disapprove a matter, such objection or disapproval shall not unreasonably be exercised.

11.16 Bankruptcy: At least thirty (30) days prior to filing a petition in bankruptcy, each party must inform the other of its intention to file the petition or of a third party's written Notice of its intention to file a voluntary or an involuntary petition in bankruptcy.

11.17 Assignment: Block may assign this Agreement to any parent, affiliate, subsidiary or entity in common control without the consent of Access. Block may also assign this agreement to a third party, either alone or as part of an agreement to dispose of all or a

substantial part of its assets or business. In the event of an assignment, the assignee shall have the identical rights granted to Block hereunder. Block may assign this agreement to a third party as part of an agreement to dispose of a substantial part of its business without the consent of Access. If Block wishes to assign this agreement alone to a third party, however, such assignment shall not take place without Access' written consent. If Access wishes to assign this agreement, such assignment shall not take place without the written consent of Block and Takeda.

11.18 Taxes: All taxes levied on account of royalties accruing under this Agreement shall be paid by the receiving party. If laws or regulations require withholding of taxes, the taxes will be deducted by the paying party from remittable royalty payments and will be paid by the paying party to the proper taxing authority. Proof of payment shall be sent to the receiving party within sixty (60) days following payment.

11.19 Cooperation on Publicity: Access and Block shall not, except as required by law and in interviews between professional sales representatives and a potential prescribers of a Product or Improvement, use each other's name in any manner, or issue any public statement disclosing the existence of, or relating to, this Agreement or any of the activities conducted hereunder, without the other party's prior written permission. To the extent this Agreement triggers, in the opinion of counsel, an obligation for a party to file a report with the SEC on Form 8-K, such party shall either (1) not file a copy of this Agreement or (2) request SEC approval for the deletion of certain confidential information identified jointly by parties and

then file a redacted version of this Agreement. Access shall not publish, or allow to be published, any manuscript, article, report or other form of oral or written presentation regarding Amlexanox without the express written approval of Block.

11.20 Costs of Agreement: The parties hereto shall each bear their

own costs and expenses (including attorneys' fees) incurred in connection with the negotiation and preparation of this Agreement and consummation of the transactions contemplated hereby.

11.21 Headings For Convenience Only: The titles, headings or captions and paragraphs in this Agreement do not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms or conditions and therefore shall not be considered in the interpretation, construction or application of this Agreement.

11.22 Independent Contractor: Each party is an independent contractor with respect to the other, and is not an agent, partner, joint venture, or employer of the other. Neither party shall have any responsibility for the hiring, termination, compensation or benefits of the other party's employees. No employees or representatives of either party shall have any authority to bind or obligate the other party for any sum or in any manner whatsoever, or to create or impose any contractual or other liability on the other party without said party's authorized written approval.

11.23 No Finder's Fee: The parties acknowledge that no "finder" has been involved in bringing the parties together and that no compensation is due to any third party(s) as a result of the execution of this Agreement.

11.24 Notification of Infringement: Each party shall promptly Notify the other party of any infringement or misappropriation based upon or arising from any of the intellectual property that is the subject of this agreement.

11.25 References: All references herein to articles, sections, paragraphs and attachments shall be to articles, sections, paragraphs and attachments of this Agreement.

11.26 Singular and Plural: The use herein of the singular form shall also denote the plural form, and the use herein of the plural form shall denote the singular form as in each case the context may require.

11.27 Successors and Assigns: This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns permitted under this Agreement.

11.28 Validity and Severability: Whenever possible, each clause, subclause, provision or condition of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any clause, subclause, provision or condition of this Agreement

should be prohibited or invalid under applicable law, such clause, subclause, provision or condition shall be considered separate and severable from this Agreement to the extent of such prohibition or invalidity without invalidating the remaining clauses, subclauses, provisions and conditions of this Agreement.

11.29 Waiver: No waiver of any term, provision, or condition of this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, provision, or condition of this Agreement.

11.30 Takeda Agreement Controlling: This Agreement is subject to the Takeda License Agreement and the Takeda Supply Agreement. To the extent that any term of this Agreement is inconsistent with either the Takeda License Agreement or the Takeda Supply Agreement, such term shall be controlled by and subject to the terms of the Takeda License Agreement and the Takeda Supply Agreement.

ARTICLE 12 TAKEDA CONSENT

12.1 Takeda Approval: This Agreement shall be binding on the parties but not become effective until receipt by Block of written approval from Takeda for Block to enter into this Agreement. If Takeda disapproves this Agreement or fails to approve the Agreement within six (6) months of the Effective Date, then this Agreement shall be void in its entirety.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duty executed as of the day and year first above written.

ACCESS PHARMACEUTICALS, INC.	BLOCK DRUG COMPANY, INC.
By: /s/ Kerry P. Gray	By: /s/ Arthur J. Looney
Kerry P. Gray Name Printed	Arthur J. Looney Name Printed
President and CEO Title	Vice-President / General Manager Title
May 7, 1998 Date	May 12, 1998 Date

ACCESS PHARMACEUTICALS, INC.

A minimum of 18,666,667 and
a maximum of 52,000,000 Shares of Common Stock

SALES AGENCY AGREEMENT

Sunrise Securities Corp.
135 E. 57th Street
New York, New York 10022

June 18, 1998

Dear Sirs:

Access Pharmaceuticals, Inc., a Delaware corporation (the "Company"), proposes to offer for sale in a private offering (the "Offering") pursuant to Rule 506 of Regulation D ("Regulation D") under the Securities Act of 1933, as amended (the "Act"), a minimum of 18,666,667 (including "Affiliate Shares", as hereinafter defined, if any) and a maximum of 52,000,000 shares of common stock, par value $.04 per share (the "Shares"). This Offering is being made solely to "accredited investors" as defined in Regulation D. This is to confirm our agreement concerning your acting as our exclusive placement agent (the "Placement Agent") in connection with the Offering.

The Company prepared and delivered to the Placement Agent copies of a confidential private placement memorandum relating to, among other things, the Company, the Shares and the terms of the sale of the Shares. Such confidential private placement memorandum, including all exhibits thereto and all documents delivered therewith and incorporated by reference therein, is referred to herein as the "Memorandum" unless such confidential private placement memoranda or any such exhibits or documents shall be supplemented or amended in accordance with this Agreement, in which event the term "Memorandum" shall refer to such confidential private offering memorandum and such exhibits and documents as so supplemented or amended from and after the time of delivery to the Placement Agent of such supplement or amendment.

1. Appointment of Placement Agent.

On the basis of the representations and warranties contained herein, and subject to the terms and conditions set forth herein, the Company hereby appoints you as its Placement Agent and grants to you the exclusive right to offer, as its agent, the Shares pursuant to the terms of this Agreement. On the basis of such representations and warranties, and subject to such conditions,

you hereby accept such appointment and agree to use your best efforts to secure subscriptions to purchase a minimum of 18,666,667 and a maximum of 52,000,000 Shares (less the number of shares sold in the Bridge Offering) pursuant to the terms of this Agreement. The agency created hereby is not terminable by the Company except upon termination of the Offering pursuant to the terms of this Agreement or upon expiration of the Offering Period (as hereinafter defined) in accordance with the terms of this Agreement.

2. Terms of the Offering.

(a) A minimum of 18,666,667 and a maximum of 52,000,000 Shares (less the number of shares sold in the Bridge Offering) shall be offered for sale to prospective investors in this Offering ("Prospective Investors") at a purchase price of $0.15 per Share (the "Purchase Price") of the Company's common stock, par value $.04 (the "Common Stock"). Officers, directors and employees of the Company and the Placement Agent may purchase Shares on the same terms and conditions as other investors (the "Affiliate Shares"). The Affiliate Shares shall be included in determining whether the minimum and maximum number of Shares have been subscribed for, and all references herein to subscriptions from Prospective Investors shall be deemed to include the Affiliate Shares.

(b) The Offering shall commence on the date hereof and shall expire at 5:00 P.M., New York time, on June 30, 1998, unless extended from time to time for up to an aggregate of 30 days by mutual agreement of the

Company and the Placement Agent. Such period, as the same may be so extended, shall hereinafter be referred to as the "Offering Period".

(c) Each Prospective Investor who desires to purchase Shares shall be required to deliver to the Placement Agent one copy of a subscription agreement in the form annexed to the Memorandum (a "Subscription Agreement"), including the investor questionnaire, and payment in the amount necessary to purchase the number of Shares such Prospective Investor desires to purchase. The Placement Agent shall not have any obligation to independently verify the accuracy or completeness of any information contained in any Subscription Agreement or the authenticity, sufficiency or validity of any check or other form of payment delivered by any Prospective Investor in payment for Shares.

(d) Pursuant to an Escrow Agreement, dated as of March 20, 1998 (the "Escrow Agreement"), the Placement Agent will establish a special account with the United States Trust Company of New York (the "Escrow Agent") entitled Access Pharmaceuticals, Inc. - Escrow Account (the "Special Account"). The Placement Agent shall deliver each check received from a Prospective Investor to the Escrow Agent for deposit in the Special Account and shall deliver the executed copy of the Subscription Agreement received from such Prospective Investor to the Company. The Company shall notify the Placement Agent promptly of the acceptance or rejection of any subscription. The Company shall not unreasonably reject any subscription.

(e) If subscriptions to purchase at least 18,666,667 Shares are not received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, the Offering shall be canceled, all funds received by the Escrow Agent on behalf of the Company shall be refunded in full with interest, and this Agreement and the agency created hereby shall be

terminated without any further obligation on the part of either party, except as provided in Section 10 hereof.

(f) You may engage other persons selected by you to assist you in the Offering (each such person being hereinafter referred to as a "Selected Dealer") and you may allow such persons such part of the compensation payable to you hereunder as you shall determine. Each Selected Dealer shall be required to agree in writing to comply with the provisions of, and to make the representations, warranties and covenants contained in Sections 5(b) and 6(b) hereof by executing a form of Selected Dealer Agreement attached hereto as Exhibit I. On or prior to the Closing (as hereinafter defined), the Placement Agent shall deliver a copy of each executed Selected Dealer Agreement to the Company. By executing this Agreement, the Company hereby agrees to make, and is deemed to make, the representations and warranties to, and covenants and agreements with, each Selected Dealer (including an agreement to indemnify such Selected Dealer under Section 9 hereof) who has executed the Selected Dealer Agreement as are contained in this Agreement.

3. Closing.

(a) Subject to the conditions set forth in Section 8 hereof, if subscriptions to purchase at least 18,666,667 Shares have been received prior to the expiration of the Offering Period and accepted by the Company, the initial closing under this Agreement (the "Closing") shall be held at the offices of Squadron, Ellenoff, Plesent & Sheinfeld, LLP ("SEP&S"), 551 Fifth Avenue, New York, New York, at 10:00 A.M., New York time, on the third business day following the date upon which the Placement Agent receives notice from the Company that subscriptions to purchase at least 18,666,667 Shares (including Affiliate Shares) have been so accepted or at such other place, time and/or date as the Company and the Placement Agent shall agree upon. The Company shall provide the notice required by the preceding sentence as promptly as practicable. The date upon which the Closing is held shall hereinafter be referred to as the "Closing Date."

(b) Subject to the conditions set forth in Section 8 hereof, if, subsequent to the date the subscriptions referred to in Section 3(a) hereof are received and accepted and prior to the expiration of the Offering Period, additional subscriptions to purchase Shares are received from Prospective Investors, which subscriptions are accepted by the Company, one or more additional closings under this Agreement (each, an "Additional Closing") shall

be held at the offices of SEP&S at 10:00 A.M., New York time, on the third business day following the date upon which the Placement Agent receives notice from the Company that additional subscriptions have been so accepted, or at such other place, time or date as the Company and the Placement Agent shall agree upon. The Company shall notify the Placement Agent as promptly as practicable whether any additional subscriptions so received have been accepted. The date upon which any Additional Closing is held shall hereinafter be referred to as an "Additional Closing Date."

Notwithstanding anything contained here into the contrary, in no event shall the Company accept subscriptions to purchase in excess of 52,000,000 Shares (less the number of shares sold in the Bridge Offering) including Affiliate Shares.

(c) At the Closing, or an Additional Closing, as the case may be, the Company shall instruct the Escrow Agent to pay to the Placement Agent at the Closing or an Additional Closing, from the funds deposited in the Special Account in payment for the Shares, the amounts payable

to the Placement Agent pursuant to Sections 4 and 7 of this Agreement. Promptly after the Closing Date, or an Additional Closing Date, as the case may be, the Company shall deliver to the purchasers of Shares certificates representing the Shares to which they are entitled.

4. Compensation.

(a) If subscriptions to purchase at least 18,666,667 Shares (including Affiliate Shares) are received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, you shall be entitled, as compensation for your services as Placement Agent under this Agreement, to an amount equal to 10% of the gross proceeds received by the Company from the sale of the Shares. Such compensation is payable by the Company on the Closing Date, or an Additional Closing Date, as the case may be, with respect to the Shares sold on such date and may be paid, at the Placement Agent's option, in part or in whole, in shares of the Common Stock, valued at $.15 per share, net of commission, provided, however, that any such shares of Common Stock shall not be included in the calculation of the minimum or the maximum number of Shares offered for sale to prospective investors in the Offering. Any such shares of Common Stock issued pursuant to this paragraph shall be subject to the identical registration rights granted pursuant to the Registration Rights Agreement (as defined below) to investors in the Offering.

(b) If subscriptions to purchase at least 18,666,667 Shares (including Affiliate Shares) have been received from Prospective Investors prior to the expiration of the Offering Period and accepted by the Company, the Company shall issue to you or, at your discretion, your Selected Dealers or your designees, in addition to the amount set forth in Section 4(a) above, warrants (the "Placement Agent Warrants") to purchase a number of Shares of the Company equal to 10% of the aggregate number of Shares issued in the Offering including Shares issued, if any, to the Placement Agent in satisfaction of its selling commission or the non-accountable expense allowance. Each Placement Agent Warrant will entitle the holder thereof for a five-year period commencing on the first anniversary of the Closing Date or any Additional Closing Date as the case may be, to purchase one share of Common Stock of the Company at an exercise price equal to the Purchase Price per share (the "Warrant Shares"). The Placement Agent Warrants shall be in the form attached hereto as Exhibit II.

(c) Notwithstanding anything contained herein to the contrary, the number of Shares upon which the commission provided for in Section 4(a) and the Placement Agent Warrants described in Section 4(b) shall be based shall include Shares with respect to which the Company unreasonably rejected subscriptions.

(d) If the Offering is terminated by the Company (i) during the Offering Period (provided you are actively pursuing the Offering during such period), (ii) during the 30 day extension period (provided you are actively pursuing the Offering during such period), or (iii) at the completion of the Offering (provided that you shall have obtained offers to purchase at least the required minimum), and within six months after such termination, the Company completes the sale of any of its equity securities (including securities

convertible into equity securities) for cash, other than in connection with the exercise of existing options, units, warrants, strategic alliances or pursuant to a transaction incident to a sale of the Company, then in any such case, the Company shall pay to you 13% of the gross sales price of such securities and shall issue to you, on the terms

set forth in Section 4, warrants to purchase 10% of the securities so sold at an exercise price equal to the sales price per share.

(e) Notwithstanding anything herein to the contrary, all amounts set forth in this Agreement are subject to adjustment for mergers, recapitalizations, stock dividends and the like.

5. Representations and Warranties.

(a) Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, the Placement Agent and the Selected Dealers that:

(i) The Memorandum, as supplemented or amended from time to time, at all times during the period from the date hereof to and including the later of the Closing Date and the expiration of the Offering Period, and the last Additional Closing Date (if any), does not, and during such period will not, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, all in light of the circumstances under which they were made. Each contract, agreement, instrument, lease, license or other document described in the Memorandum is accurately described therein in all material respects.

(ii) No document provided by the Company to Prospective Investors pursuant to Section 6(a)(vii) hereof, and no oral information provided by the Company to Prospective Investors, contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Contracts to which the Company is a party provided by the Company to Prospective Investors shall not be deemed to contain any untrue statement of a material fact or to omit to state any material fact if the contract so provided is a true, correct and complete copy of such contract, as amended or modified through the date it is so provided.

(iii) The Company has not, directly or indirectly, solicited any offer to buy or offered to sell any Shares or any other securities of the Company during the twelve-month period ending on the date hereof except as may be described in the Memorandum or which would not be integrated with the sale of the Shares in a manner that would require the registration of the Offering pursuant to the Act and has no present intention to solicit any offer to buy or offer to sell any Shares or any other securities of the Company other than pursuant to this Agreement or pursuant to a registered public offering of the Company's securities which may be commenced after the completion of the Offering.

(iv) The Company is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware, with full power and authority, and all necessary consents, authorizations, approvals, orders, licenses, certificates, and permits of and from, and declarations and filings with (collectively, "Consents"), all federal, state, local, foreign, and other governmental authorities and all courts and other tribunals, to own, lease, license and use its properties and assets and to carry on its business in the manner described in the Memorandum, except where the failure to have obtained such Consents would not have a material adverse effect on the Company and the Company has not received any notice of proceedings relating to the revocation or modification of any such consent, authorization, approval, order, license certificate,

or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding would result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company. The Company is duly qualified to do business and is in good standing in every jurisdiction in which its ownership, leasing, licensing or use of property and assets or the conduct of

its business makes such qualification necessary. The Company does not have any subsidiaries, except as set forth in the Memorandum (the "Subsidiaries").

(v) Each of the Subsidiaries is a corporation duly organized, validly existing, and in good standing under the laws of the respective jurisdictions set forth in the Memorandum, with full power and authority, and all necessary consents, authorizations, approvals, orders, licenses, certificates, and permits of and from, and declarations and filings with, all federal, state, local, foreign, and other governmental authorities and all courts and other tribunals, to own, lease, license, and use its properties and assets and to carry on its business in the manner described in the Memorandum. Each of the Subsidiaries is duly qualified to do business and is in good standing in every jurisdiction in which its ownership, leasing, licensing, or use of property and assets or the conduct of its business makes such qualification necessary.

(vi) The Company has, as of the date hereof, an authorized and outstanding capitalization as set forth in the Memorandum (subject to adjustment in connection with the 1-for-20 reverse stock split effected on the date hereof). Each outstanding share of capital stock of the Company, and each outstanding share of capital stock of each Subsidiary, is duly authorized, validly issued, fully paid and nonassessable and has not been issued and is not owned or held in violation of any preemptive rights set forth in the Company's Certificate of Incorporation or By-laws, each as amended to date, or any agreement to which the Company is a party and in the case of the Subsidiaries, is owned of record and beneficially by the Company, free and clear of all liens, security interests, pledges, charges, encumbrances, stockholders' agreements and voting trusts, except as may be described in the Memorandum. There is no commitment, plan or arrangement to issue, and no outstanding option, warrant or other right calling for the issuance of, any share of capital stock of the Company or of any Subsidiary or any security or other instrument which by its terms is convertible into, exercisable for or exchangeable for shares of capital stock of the Company, except as may be described in the Memorandum. There is outstanding no security or other instrument which by its terms is convertible into or exchangeable for any class of shares of capital stock of the Company or of any Subsidiary, except as may be described in the Memorandum. The capital stock of the Company conforms to the description thereof contained in the Memorandum.

(vii) The financial statements of the Company included in the Memorandum (by incorporation by reference or otherwise) fairly present the financial position, the results of operations, cash flows and the other information purported to be shown therein at the respective dates and for the respective periods to which they apply. Such financial statements have been prepared in accordance with United States generally accepted accounting principles consistently applied throughout the periods involved, are correct and complete and are in accordance with the books and records of the Company. There has at no time been a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company from the latest information set forth in the Memorandum, except as may be described in such Memorandum as having occurred.

(viii) There is no litigation, arbitration, governmental or other proceeding (formal or informal) or claim or investigation pending or, to the knowledge of the Company, threatened with respect to the Company, or any of the Subsidiaries, or any of its or their operations, businesses, properties or assets, except as may be described in the Memorandum or such as individually or in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties or assets of the Company and the Subsidiaries, taken as a whole. Neither the Company nor any of its Subsidiaries is in violation of, or in default with respect to, any law, rule, regulation, order, judgment or decree, except as may be described in the Memorandum or such as in the aggregate do not now have and will not in the future have a material adverse effect upon the operations, business, properties, assets or future prospects of the Company and the Subsidiaries, taken as a whole.

(ix) Any real property and buildings held under lease by the Company or any of the Subsidiaries are held by it under valid, subsisting and enforceable leases with such exceptions as in the aggregate are not material.

(x) Neither the Company, the Subsidiaries nor, to the knowledge of the Company, any other party, is in violation or breach of or in default with respect to, complying in any material respect with any contract, agreement, instrument, lease, license, arrangement or understanding which is material to the Company or any of the Subsidiaries, other than with respect to certain payments to stockholders and creditors of Tacora Corporation as described in the Memorandum, and each such contract, agreement, instrument, lease, license, arrangement and understanding is in full force and effect and is the legal, valid and binding obligation of the parties thereto enforceable as to them in accordance with its terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). Except as described in the Memorandum, the Company and each of its Subsidiaries enjoys peaceful and undisturbed possession under all real property leases under which it is operating. Neither the Company, nor any of its Subsidiaries, is in violation or breach of, or in default with respect to, any term of its Certificate of Incorporation or its By-laws, each as amended to date.

(xi) There is no right under any patent, patent application, trademark, trademark application, trade name, service mark, copyright, franchise or other intangible property or asset (all of the foregoing being herein called "Intangibles") necessary to the business of the Company or any of the Subsidiaries as presently conducted or as the Memorandum indicates they contemplate conducting, except as may be so designated in the Memorandum and which the Company has the right or license to use as necessary. To the Company's knowledge, except as described in the Memorandum, neither the Company nor any of the Subsidiaries has infringed nor is infringing with respect to Intangibles of others, and neither the Company, nor any of its Subsidiaries, has received notice of infringement with respect to asserted Intangibles of others. To the Company's knowledge, except as described in the Memorandum, there is no Intangible of others which has had or may in the future have a material adverse effect on the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company or any of the Subsidiaries.

(xii) The Company has all requisite power and authority to execute, deliver and perform this Agreement, the Subscription Agreements, the Escrow Agreement, the Placement

Agent Warrants and the Registration Rights Agreement made by the Company for the benefit of purchasers of Shares (the "Registration Rights Agreement") (collectively, the "Operative Agreements") and to consummate the transactions contemplated by the Operative Agreements. All necessary corporate proceedings of the Company have been duly taken to authorize the execution, delivery and performance by the Company of the Operative Agreements. This Agreement and the Escrow Agreement have been duly authorized, executed, and delivered by the Company, are the legal, valid and binding obligations of the Company and are enforceable as to the Company in accordance with their terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). The Subscription Agreements, the Placement Agent Warrants and the Registration Rights Agreement have been duly authorized by the Company and, when executed and delivered by the Company, will be the legal, valid and binding obligations of the Company enforceable against it in accordance with their respective terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles). No consent, authorization, approval, order, license, certificate or permit of or from, or registration, qualification, declaration or filing with, any federal, state, local, foreign or other governmental authority or any court or other tribunal is required by the Company for the execution, delivery or performance by the Company of the Operative Agreements or the consummation of the transactions contemplated by the Operative Agreements, except (A) the filing of a Notice of Sales of Securities on Form D pursuant to Regulation D, (B) such consents, authorizations, approvals, registrations and qualifications as may be required under securities or "blue sky" laws in connection with the issuance, sale and delivery of the Shares and Placement Agent Warrants pursuant to this Agreement and the Warrant Shares and Shares underlying the Placement Agent Warrants upon exercise of the Placement Agent Warrants and (C) the filing of a registration statement on Form S-3 and any necessary consents, authorizations and approvals thereunder pursuant to the Registration Rights Agreement. No consent of any party to any contract, agreement, instrument, lease, license, arrangement or understanding to which

the Company is a party or to which any of their properties or assets are subject is required for the execution, delivery or performance of the Operative Agreements or the consummation of the transactions contemplated by the Operative Agreements, which has not been or will not be obtained prior to the Closing or any Additional Closings and the execution, delivery and performance of the Operative Agreements, and the consummation of the transactions contemplated by the Operative Agreements, will not violate, result in a breach of, conflict with or (with or without the giving of notice or the passage of time or both) entitle any party to terminate, call a default or receive any right under any such contract, agreement, instrument, lease, license, arrangement or understanding (except for any such violation, breach or conflict which has been properly waived thereunder), violate or result in a breach of any term of the Company's Certificate of Incorporation or By-laws, each as amended to date, or violate, result in a breach of or conflict with any law, rule, regulation, order, judgment or decree binding on the Company or any of the Subsidiaries, or to which any of its operations, businesses, properties or assets are subject.

(xiii) The Shares, the Placement Agent Warrants and the Warrant Shares conform to all statements relating thereto contained in the Memorandum. The Shares, when issued and delivered to the subscribers therefor, pursuant to the terms of this Agreement and the Subscription Agreements, and the Warrant Shares, when issued and delivered pursuant to the terms of the Placement Agent Warrants, shall be duly authorized, validly issued, fully paid and nonassessable and shall not have been issued in violation of any preemptive rights set forth in the Company's

Certificate of Incorporation or By-laws, each as amended to date, or any agreement to which the Company is a party.

(xiv) Subsequent to the dates as of which information is given in the Memorandum, and except as may otherwise be properly described in the Memorandum, (A) neither the Company nor any Subsidiary had, except in the ordinary course of business, incurred any liability or obligation, primary or contingent, for borrowed money, (B) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company or any Subsidiary, (C) neither the Company nor any Subsidiary had entered into any transaction not in the ordinary course of business, (D) the Company has not purchased any of its outstanding capital stock nor declared or paid any dividend or distribution of any kind on its capital stock, (E) neither the Company nor any Subsidiary had sustained any material loss or interference with its businesses or properties from fire, flood, hurricane, accident or other calamity, whether or not covered by insurance, or from any labor dispute or any legal or governmental proceeding or (F) there has not been any material adverse change, or any development which the Company reasonably believes could result in a prospective material adverse change, in the financial condition results of operations, business, properties, assets, liabilities or future prospects of the Company and the Subsidiaries taken as a whole, except in each case as described in or contemplated by the Memorandum.

(xv) Neither the Company nor, to the knowledge of the Company, any of its affiliates has, directly or through any agent, sold, offered for sale or solicited offers to buy, nor will any of the foregoing directly buy (other than pursuant to the Offering) any security of the Company, as defined in the Act, which is or will be integrated with the sale of the Shares, the Placement Agent Warrants or the Warrant Shares in a manner that would require the registration, pursuant to the Act, of the Offering.

(xvi) Neither the Company nor, to the knowledge of the Company, any of its affiliates has, directly or indirectly, taken any action designed to cause or to result in, or that has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares or sold, bid for, purchased, or paid anyone any compensation for soliciting purchases of, the Shares.

(xvii) The Company and each of its Subsidiaries has good and marketable title to all real and personal property owned by it, in each case free and clear of any security interests, liens, encumbrances, equities, claims and other defects, except such as do not materially and adversely affect the value of such property and do not interfere with the use made or proposed to be

made of such property by the Company or any of the Subsidiaries, and any real property and buildings held under lease by the Company are held under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the use made or proposed to be made of such property and buildings by the Company or any of the Subsidiaries, in each case except as described in or contemplated by the Memorandum.

(xviii) No labor dispute with the employees of the Company or any of the Subsidiaries exists or is threatened or imminent that could result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future

prospects of the Company and the Subsidiaries taken as a whole, except as described in or contemplated by the Memorandum.

(xix) The Company and its Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which they are engaged; the Company has not been refused any insurance coverage sought or applied for; and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from insurers of recognized financial responsibility as may be necessary to continue its business at a cost that would not materially and adversely affect the financial condition results of operations, business, properties, assets, liabilities or future prospects of the Company and the Subsidiaries taken as a whole, except as described in or contemplated by the Memorandum.

(xx) The Company and the Subsidiaries taken as a whole have filed all foreign, federal, state and local tax returns that are required to be filed or has requested extensions thereof (except in any case in which the failure so to file would not have a material adverse affect on the Company and the Subsidiaries taken as a whole); and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it to the extent that any of the foregoing is due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or as described in or contemplated by the Memorandum.

(xxi) To the Company's knowledge, neither the Company nor any Subsidiary is in violation of any federal or state law or regulation relating to occupational safety and health or to the storage, handling or transportation of hazardous or toxic materials and the Company and each Subsidiary have received all permits, licenses or other approvals required of it under applicable
federal and state occupational safety and health and environmental laws and regulations to conduct their business, and the Company and each Subsidiary is in compliance with all terms and conditions of any such permit, license or approval, except any such violation of law or regulation, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals which would not, singly or in the aggregate, result in a material adverse change in the financial condition, results of operations, business, properties, assets, liabilities or future prospects of the Company, except as described in or contemplated by the Memorandum.

(xxii) The Company and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation
of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xxiii) The Company has timely filed all reports as required under the Securities Exchange Act of 1934 (the "Exchange Act") and such reports, as of their respective dates, did not contain any untrue statement of a material fact or omit to state any material fact required to be

stated therein or necessary to make the statements therein not misleading, all in light of the circumstances under which they were made.

(b) Representations and Warranties of the Placement Agent and Selected Dealers. The Placement Agent, and each Selected Dealer that the Placement Agent may from time to time appoint, by signing the Selected Dealer Agreement, hereby represent and warrant to, and agree with, the Company and each other as to themselves only as follows:

(i) Neither the Placement Agent nor any Selected Dealer will offer or sell any Shares to any investor which the Placement Agent or such Selected Dealer did not have reasonable grounds to believe and did not believe, was an "accredited investor".

(ii) Neither the Placement Agent nor any Selected Dealer will offer or sell any Shares by means of any form of general solicitation or general advertising, including, without limitation, the following:

(A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio; and

(B) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

(iii) The Placement Agent and each Selected Dealer is a member in good standing of the National Association of Securities Dealers, Inc. or a registered representative thereof.

(iv) The representations and warranties contained in the Certificate of Selected Dealer attached to the form of Selected Dealer Agreement are true and correct as to the Selected Dealer which executed such Certificate and are true and correct as to the Placement Agent as if it had executed such a certificate.

(v) Each of the Placement Agent and each Selected Dealer has all requisite power and authority to execute, deliver and perform this Agreement and to consummate the transactions contemplated hereby. All necessary corporate proceedings of the Placement Agent and each Selected Dealer have been duly taken to authorize the execution, delivery and performance by the Placement Agent and each Selected Dealer of this Agreement. This Agreement has been duly authorized, executed, and delivered by the Placement Agent and each Selected Dealer and is the legal, valid and binding obligation of the Placement Agent and each Selected Dealer in accordance with its terms (subject to applicable bankruptcy, insolvency and other laws affecting the enforceability of creditors' rights generally and to general equitable principles).

6. Covenants.

(a) Covenants of the Company. The Company covenants to the Placement Agent and each Selected Dealer that it will:

(i) Notify you immediately, and confirm such notice promptly in writing, (A) when any event shall have occurred during the period commencing on the date hereof and ending on the later of the Closing Date, the expiration of the Offering Period and the last Additional Closing Date (if any) as a result of which the Memorandum would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) of the receipt of any notification with respect to the modification, rescission, withdrawal or suspension of the qualification or registration of the Shares or of an exemption from such registration or qualification in any jurisdiction. The Company will use its best efforts to prevent the issuance of any such modification, rescission, withdrawal or suspension and, if any such modification, rescission, withdrawal or suspension is issued and you so request, to obtain the lifting thereof as promptly as possible.

(ii) Not supplement or amend the Memorandum unless you shall have approved of such supplement or amendment in writing. If, at any time during the period commencing on the date hereof and ending on the later of

the Closing Date, the expiration of the Offering Period or the last Additional Closing Date (if any), any event shall have occurred as a result of which the Memorandum contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, or if, in the opinion of counsel to the Company or counsel to the Placement Agent, it is necessary at any time to supplement or amend the Memorandum to comply with the Act, Regulation D or any applicable securities or "blue sky" laws, the Company will promptly prepare an appropriate supplement or amendment (in form and substance satisfactory to you) which will correct such statement or omission or which will effect such compliance.

(iii) Deliver without charge to the Placement Agent such number of copies of the Memorandum and any supplement or amendment thereto as may reasonably be requested by the Placement Agent.

(iv) Not, directly or indirectly, solicit any offer to buy from, or offer to sell to any person any Shares except through the Placement Agent.

(v) Not solicit any offer to buy or offer to sell Shares by any form of general solicitation or advertising, including, without limitation, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or any seminar or meeting whose attendees have been invited by any general solicitation or advertising.

(vi) Use its best efforts to qualify or register the Shares for offering and sale under, or establish an exemption from such qualification or registration under, the securities or "blue sky" laws of such jurisdictions as you may reasonably request. The Company will not consummate any sale of Shares in any jurisdiction or in any manner in which such sale may not be lawfully made.

(vii) At all times during the period commencing on the date hereof and ending on the later of the Closing Date, the expiration of the Offering Period and the last Additional Closing Date (if any), provide to each Prospective Investor or his purchaser representative, if any, on request, such information (in addition to that contained in the Memorandum) concerning the Offering, the Company and any other relevant matters as it possesses or can acquire without unreasonable effort or expense and extend to each Prospective Investor or his purchaser representative, if any, the opportunity to ask questions of, and receive answers from, the Company concerning the terms and conditions of the Offering and the business of the Company and to obtain any other additional information, to the extent it possesses the same or can acquire it without unreasonable effort or expense, as such Prospective Investor or purchaser representative may consider necessary in making an informed investment decision or in order to verify the accuracy of the information furnished to such Prospective Investor or purchaser representative, as the case may be.

(viii) Before accepting any subscription to purchase Shares from, or making any sale to, any Prospective Investor, have reasonable grounds to believe and actually believe that (A) such Prospective Investor meets the suitability requirements for investing in the Shares set forth in the Memorandum and (B) such Prospective Investor is an accredited investor.

(ix) Notify you promptly of the acceptance or rejection of any subscription. The Company shall not unreasonably reject any subscription for Shares unless it pays the Placement Agent its compensation pursuant to Section 4 with respect thereto. Any subscription unreasonably rejected shall be deemed to have been accepted for purposes of determining whether at least 18,666,667 Shares (including Affiliate Shares) have been sold solely for the purpose of determining whether the Placement Agent is entitled to its compensation pursuant to Section 4 hereof and this subsection (ix).

(x) File five (5) copies of a Notice of Sales of Securities on Form D with the Securities and Exchange Commission (the "Commission") no later than 15 days after the first sale of the Shares. The Company shall file promptly such amendments to such Notices on Form D as shall become necessary and shall also comply with any filing requirement imposed by the laws of any state or jurisdiction in which offers and sales are made. The Company shall furnish you with copies of all such filings.

(xi) Place the following legend on all certificates representing the Shares and the Placement Agent Warrants:

"The securities represented hereby have not been registered under the Securities Act of 1933, as amended or any state securities laws and neither the securities nor any interest therein may be offered, sold, transferred, pledged or otherwise disposed of except pursuant to an effective registration statement under such act or such laws or an exemption from registration under such act and such laws which, in the opinion of counsel for the holder, which counsel and opinion are reasonably satisfactory to counsel for this corporation, is available."

(xii) Not, directly or indirectly, engage in any act or activity which may jeopardize the status of the offering and sale of the Shares as exempt transactions under the Act or under the securities or "blue sky" laws of any jurisdiction in which the Offering may be made. Without limiting the generality of the foregoing, and notwithstanding anything contained herein to the contrary, the Company shall not, during the six (6) months following completion of the Offering, (A) directly or indirectly, engage in any offering of securities which, if integrated with the Offering in the manner prescribed by Rule 502(a) of Regulation D and applicable releases of the Commission, may jeopardize the status of the Offering and sale of the Shares as exempt transactions under Regulation D or (B) engage in any offering of securities, without the opinion of counsel reasonably satisfactory to the Placement Agent, to the effect that such offering would not result in integration with this Offering, or if integration would so result, that such integration would not jeopardize the status of this Offering as an exempt transaction under Regulation D.

(xiii) Apply the net proceeds from the sale of the Shares for the purposes set forth under the caption "Use of Proceeds" in the Memorandum in substantially the manner indicated thereunder.

(xiv) Not, during the period commencing on the date hereof and ending on the later of the Closing Date, the expiration of the Offering Period and the last Additional Closing Date (if any), issue any press release or other communication or hold any press conference with respect to the Company, its financial condition, results of operations, business, properties, assets, liabilities or future prospects or the Offering, without your prior written consent.

(xv) Not, for a period of 24 months from the effective date (the "Effective Date") on which the registration statement pursuant to which the Shares and Warrant Shares sold in the Offering are registered, as the same may be amended from time to time shall have been declared effective by the Securities and Exchange Commission under the Securities Act of 1933, as amended, without your prior written consent, offer, issue, sell, contract to sell, grant any option for the sale of or otherwise dispose of, directly or indirectly, any shares of Common Stock (or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for shares of Common Stock), and not engage in any offering under Regulation S for a 30 month period regardless of the sales price without your prior written consent. Notwithstanding the foregoing, the Company will be able to sell, transfer or dispose of (A) the securities issuable under this Agreement, (B) shares of Common Stock issuable upon the exercise of stock options under any stock option plan of the Company, warrants and other commitments, each of which are outstanding on the date hereof and which are described in the Memorandum, (C) options granted after the date hereof under existing stock option plans, provided that the shares underlying the options granted to certain officers and directors of the Company are subject to the lock-up provided in Section 8(g) hereof , (D) securities disposed of in strategic alliances and (E) shares of Common Stock sold at a price at or over $8.00 per share (based on the current capitalization and to be adjusted for stock splits). Additionally, for a period of 24 months after the date hereof the Company will not, without

your prior written consent, change any terms of the Company's outstanding stock options or warrants.

(xvi) For a period of five years after the date hereof, furnish you, without charge, the following:

(A) within 90 days after the end of each fiscal year, three (3) copies of financial statements certified by independent certified public accountants,
including a balance sheet, statement of income and statement of cash flows of the Company and its then existing subsidiaries, with supporting schedules, prepared in accordance with generally accepted accounting principles,
as at the end of such fiscal year and for the 12 months then ended, which may be on a consolidated basis, copies of which financial statements shall also be furnished to the purchasers in this Offering and, within 45 days after the end of each fiscal quarter, three (3) copies of unaudited interim financial statements, as at the end of such quarter and for the three (3) months then ended;

(B) as soon as practicable after they have been sent to stockholders of the Company or filed with the Commission, three (3) copies of each annual and interim financial and other report or communication sent by the Company to its stockholders or filed with the Commission; and

(C) as soon as practicable, two copies of every press release and every material news item and article in respect of the Company or its affairs which was released by the Company.

(xvii) Comply in all respects with its obligations under the Operative Agreements.

(xviii) Not, prior to the completion of the Offering, bid for, purchase, attempt to induce others to purchase, or sell, directly or indirectly, any Shares or any other securities of the Company of the same class and series as the Shares in violation of the provisions of Regulation M under the Exchange Act.

(xix) Not, for a period of eighteen (18) months from the date hereof, solicit any offer to buy from or offer to sell (except in an underwritten public offering) to any person introduced to the Company by you in connection
with the Offering, who is not a stockholder of the Company at the time of such solicitation, directly or indirectly, any securities of the Company or of any other entity, or provide the name of any such person to any other securities broker or dealer or selling agent, except as otherwise required by law. In the event that the Company or any of its officers, directors or affiliates, directly or indirectly, solicits offers to buy from or offers to sell to any such person any such securities or provides the name of any such person to any other securities broker or dealer or selling agent, and such person purchases such securities or
purchases securities from any such other securities
broker or dealer or selling agent within such eighteen month period except in connection with an underwritten public offering, the Company shall pay to the Placement Agent an amount equal to 10% of the aggregate purchase price of the securities so purchased by such person. Set forth on Schedule A hereto is a list of persons and entities introduced to the Company by the Placement Agent.

(xx) Use its best efforts to cause a 20 to 1 reverse stock split of its Common Stock within one year from the date hereof.

(xxi) Use its best efforts to secure the inclusion of the Common Stock on Nasdaq as soon as it meets the qualification requirements.

(xxii) For a period of three years from the Closing Date, the Placement Agent shall have the right to designate one individual for election to the Company's Board of Directors and if the Placement Agent exercises such right, the Company shall use its best efforts to cause such individual to be elected. In addition, in the event the Placement Agent does not exercise such right, the Company shall permit a representative of the Placement Agent to attend and observe all Board of Directors meetings. In both events, the Company shall reimburse the Placement Agent for the travel costs and expenses incurred in attending such Board of Directors meetings, including, but not limited to, a round-trip airline ticket and hotel accommodations, if needed.

(xxiii) Not, for a period of 36 months from the Closing Date,

without your prior written consent, offer, sell, contract to sell, grant an option for the sale of or otherwise dispose of, directly or indirectly, any security which converts at a rate which is not fixed at the time of the issuance thereof, including, without limitation, any floating rate convertible preferred stock.

(b) Covenants of the Placement Agent and Selected Dealers.

(i) Neither the Placement Agent nor any Selected Dealer, by signing the Selected Dealer Agreement, will accept the subscription of any person unless immediately before accepting such subscription the Placement Agent or such Selected Dealer has reasonable grounds to believe and does believe that (A) such person is an accredited investor and (B) all representations made and information furnished by such person in the Subscription Agreement and related documents are true and correct in all material respects. The Placement Agent and Selected Dealers agree to notify the Company promptly if the Placement Agent or a Selected Dealer, as applicable, shall, at any time during the period after delivery of the documents furnished by such person to the Company in connection with subscription for Shares and immediately before the sale of Shares to such person, no longer reasonably believe one or more of the foregoing matters with respect to such person.

(ii) Neither the Placement Agent nor any Selected Dealer will solicit purchasers of Shares other than in the jurisdictions in which such solicitation may, upon the advice of counsel, be made under applicable securities or "blue sky" laws and in which the Placement Agent or such Selected Dealer, as the case may be, is qualified so to act.

(iii) Neither the Placement Agent nor any Selected Dealer will sell any Shares to any investor unless a Memorandum is furnished to such investor within a reasonable time prior thereto.

(iv) Upon notice from the Company that the Memorandum is to be amended or supplemented (which the Company will promptly give upon becoming aware of any untrue statement of a material fact required to be stated in the Memorandum or omission to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading), the Placement Agent and each Selected Dealer, if any, will immediately cease use of the Memorandum until the Placement Agent and such Selected Dealers have received such amendment or supplement and thereafter will make use of the Memorandum only as so amended or supplemented, and the Placement Agent and each Selected Dealer, if any, will deliver a copy of such amendment or supplement to each Prospective Investor to whom a copy of the Memorandum had previously been delivered (and who had not returned such copy) and whose subscription had not been rejected.

7. Payment of Expenses.

(a) The Company hereby agrees to pay all fees, charges and expenses of the Offering, including, without limitation, all fees, charges, and expenses in connection with (i) the preparation, printing, reproduction, filing, distribution and mailing of the Memorandum, and all other documents relating to the offering, purchase, sale and delivery of the Shares, and any supplements or amendments thereto, including the fees and expenses of counsel to the Company, and the cost of all copies thereof, (ii) the issuance, sale, transfer and delivery of the Shares and the Placement Agent Warrants, including any transfer or other taxes payable thereon and the fees of any Transfer Agent, Warrant Agent or Registrar, (iii) the registration or qualification of the Shares or the securing of an exemption therefrom under state or foreign "blue sky" or securities laws, including, without limitation, filing fees payable in the jurisdictions in which such registration or qualification or exemption therefrom is sought, the costs of preparing preliminary, supplemental and final "Blue Sky Surveys" relating to the offer and sale of the Shares and the fees and disbursements of counsel actually incurred to the Placement Agent in connection with such "blue sky" matters, (iv) the filing fees, if any, payable to the Commission; and (v) the retention of the Escrow Agent, including the fees and expenses of the Escrow Agent for serving as such and the fees and expenses of its counsel.

(b) If subscriptions to purchase at least 18,666,667 shares

(including the Affiliate Shares) are received prior to the expiration of the Offering Period and accepted by the Company, the Company shall pay to the Placement Agent a non-accountable expense allowance equal to 3% of the gross proceeds. Such amounts (less amounts, if any, previously paid to you in respect of such non-accountable expense allowance) shall be paid by the Company out of the funds received from the sale of the Shares or, at the Placement Agent's option, in part or in whole, in shares of Common Stock valued at $.15 per share, net of commission. Any such shares of Common Stock issued pursuant to this paragraph shall be entitled to the identical registration rights granted pursuant to the Registration Rights Agreement to investors in the Offering.

(c) If subscriptions to purchase at least 18,666,667 shares (including the Affiliate Shares) are not received prior to the expiration of the Offering Period or if this Agreement is terminated by the Placement Agent pursuant to Section 8 hereof prior to the issuance, sale

and delivery of any Shares, the Company shall reimburse the Placement Agent for its reasonable out-of-pocket expense hereunder (including, without limitation, the reasonable fees and expenses of counsel) and pay any compensation due with respect to unreasonably rejected subscriptions.

8. Conditions of Placement Agent's Obligations. The obligations of the Placement Agent pursuant to this Agreement shall be subject, in its discretion, to the continuing accuracy of the representations and warranties of the Company contained herein and in each certificate and document contemplated under this Agreement to be delivered to the Placement Agent, as of the date hereof and as of the Closing Date (and, if applicable, each Additional Closing Date) to the performance by the Company of its obligations hereunder, and to the following conditions:

(a) At the Closing and each Additional Closing, as the case may be, the Placement Agent shall have received the favorable opinion of Bingham Dana LLP, counsel for the Company, and the opinion of patent counsels for the Company, dated the date of delivery, addressed to the Placement Agent, in substantially the form of Exhibit III-1 and Exhibit III-2 hereto, respectively.

(b) On or prior to the Closing Date and each Additional Closing Date, as the case may be, the Placement Agent shall have been furnished such information, documents and certificates as it may reasonably require for the purpose of enabling it to review the matters referred to in this Section 8 and in order to evidence the accuracy, completeness or satisfaction of any of the representations, warranties, covenants, agreements or conditions herein contained, or as it may otherwise reasonably request.

(c) At the Closing and each Additional Closing, as the case may be, the Placement Agent shall have received a certificate of the chief executive officer and of the chief financial officer of the Company, dated the Closing Date or such Additional Closing Date, as the case may be, to the effect that, as of the date of this Agreement and as of the Closing Date or such Additional Closing Date, as the case may be, the representations and warranties of the Company contained herein were and are accurate, and that as of the Closing Date or such Additional Closing Date, as the case may be, the obligations to be performed by the Company hereunder on or prior thereto have been fully performed.

(d) All proceedings taken in connection with the issuance, sale and delivery of the Shares shall be reasonably satisfactory in form and substance to you and your counsel.

(e) There shall not have occurred, at any time prior to the Closing or, if applicable, an Additional Closing, as the case may be, (i) any domestic or international event, act or occurrence which has materially disrupted, or in
your reasonable opinion will in the immediate future materially disrupt, the securities markets; (ii) a general suspension of, or a general limitation on prices for, trading in securities on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market; (iii) any outbreak of major hostilities or other national or international calamity affecting securities markets in the United States; (iv) any banking moratorium declared

by a state or federal authority; (v) any moratorium declared in foreign exchange trading by major international banks or other persons; (vi) any material interruption in the mail service or other means of communication within the United States; (vii) any material

adverse change in the business, properties, assets, results of operations or financial condition of the Company; or (viii) any change in the market for securities in general or in political, financial or economic conditions which, in your reasonable business judgment, makes it inadvisable to proceed with the offering, sale and delivery of the Shares.

(f) The Placement Agent shall have received an agreement reflecting the provisions of Section 6(a)(xv) hereof.

(g) The Placement Agent shall have received from certain officers or directors of the Company agreements to the effect that such officers and directors will not, without the Placement Agent's prior written consent, offer to acquire or sell, issue, acquire or sell, contract to acquire or sell, grant any option for the acquisition or sale of or otherwise acquire or dispose of, directly or indirectly, any shares of Common Stock (or any security or other instrument which by its terms is convertible into, exercisable for, or exchangeable for shares of Common Stock) for a period of 24 months from the effective date of a Registration Statement for the resale of the Shares. This paragraph shall not be applicable to the Escrow Agent or to an officer or director who has terminated service to the Company.

Any certificate or other document signed by any officer of the Company on behalf of the Company and delivered to you or to your counsel as required hereunder shall be deemed a representation and warranty by the Company hereunder as to the statements made therein. If any condition to your obligations hereunder has not been fulfilled as and when required to be so fulfilled, you may terminate this Agreement or, if you so elect, in writing waive any such conditions which have not been fulfilled or extend the time for their fulfillment. In the event that you elect to terminate this Agreement, you shall notify the Company of such election in writing. Upon such termination, neither party shall have any further liability or obligation to the other except as provided in Section 10 hereof.

9. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless the Placement Agent, the Selected Dealers, their officers, directors, stockholders, employees, agents, advisors, consultants and counsel, and each person, if any, who controls the Placement Agent or a Selected Dealer within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any and all loss, liability, claim, damage and expense whatsoever (which shall include, for all purposes of this Section 9, without limitation, attorneys' fees and any and all reasonable expenses whatsoever incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever and any and all amounts paid in settlement of any claim or litigation) as and when incurred arising out of, based upon or in connection with (i) any untrue statement or alleged untrue statement of a material fact contained in (A) the Memorandum or in any document delivered or statement made pursuant to Section 6(a)(vii), or (B) in any application or other document or communication (in this Section 9 collectively called an "application") executed by or on behalf of the Company or based upon written information furnished by or on behalf of the Company filed in any jurisdiction in order to

register or qualify the Shares under the "blue sky" or securities laws thereof or in order to secure an exemption from such registration or qualification or filed with the Commission; or any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, all in light of the circumstances in which made, unless such statement or omission was made in reliance upon and in conformity with written information furnished to the Company as stated in Section 9(b) with respect to the Placement Agent expressly for inclusion in the Memorandum or in any application, as the case may be; or (ii) any breach of any representation, warranty, covenant or agreement of the Company contained in this Agreement or any Operative Agreement. The foregoing agreement to indemnify shall be in addition to any liability the Company may otherwise

have, including liabilities arising under this Agreement.

If any action is brought against the Placement Agent, a Selected Dealer or any of their officers, directors, stockholders, employees, agents, advisors, consultants and counsel, or any controlling persons of the Placement Agent or a Selected Dealer (an "indemnified party"), in respect of which indemnity may be sought against the Company pursuant to the foregoing paragraph, such indemnified party or parties shall promptly notify the Company (the "indemnifying party") in writing of the institution of such action (but the failure so to notify shall not relieve the indemnifying party from any liability it may have other than pursuant to this Section 9(a) unless such failure materially prejudices the indemnifying party), and the indemnifying party shall promptly assume the defense of such action, including the employment of one counsel (reasonably satisfactory to such indemnified party or parties) and payment of expenses. Such indemnified party shall have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or the indemnifying party shall not have promptly employed counsel reasonably satisfactory to such indemnified party or parties to have charge of the defense of such action or such indemnified party or parties shall have reasonably concluded that there may be one or more legal defenses available to it or them or to other indemnified parties which are different from or additional to those available to one or more of the indemnifying parties and it would be inappropriate for the same counsel to represent both parties due to actual or potential differing interests between them, in any of which events such fees and expenses shall be borne by the indemnifying party and the indemnifying party shall not have the right to direct the defense of such action on behalf of the indemnified party or parties. Anything in this paragraph to the contrary notwithstanding, the indemnifying party shall not be liable for any settlement of any such claim or action effected without its written consent. The Company agrees promptly to notify the Placement Agent of the commencement of any litigation or proceedings against the Company or any of its officers or directors in connection with the sale of the Shares, the Memorandum or any application.

(b) The Placement Agent agrees to indemnify and hold harmless the Company, its officers, directors, employees, agents and counsel, and each other person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act, to the same extent as the foregoing indemnity from the Company to the Placement Agent in Section 9(a), but only with respect to statements or omissions, if any, made in the Memorandum in reliance upon and in conformity with written information furnished to the Company as stated in this Section 9(b)

with respect to the Placement Agent expressly for inclusion in the Memorandum. If any action shall be brought against the Company or any other person so indemnified based on the Memorandum and in respect of which indemnity may be sought against the Placement Agent pursuant to this Section 9(b), the Placement Agent shall have the rights and duties given to the indemnifying party, and the Company and each other person so indemnified shall have the rights and duties given to the indemnified parties, by the provisions of Section 9(a). The foregoing agreement to indemnify shall be in addition to any liability the Placement Agent may otherwise have, including liabilities arising under this Agreement.

(c) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 9(a) or 9(b) but it is found in a final judicial determination, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act, or otherwise, then the Company (including for this purpose any contribution made by or on behalf of any officer, director, employee, agent or counsel of the Company or any controlling person of the Company), on the one hand, and the Placement Agent and the Selected Dealers (including for this purpose any contribution by or on behalf of an indemnified party), on the other hand, shall contribute to the losses, liabilities, claims, damages and expenses whatsoever to which any of them may be subject, in such proportions as are appropriate to reflect the relative benefits received by the Company, on

the one hand, and the Placement Agent and the Selected Dealers, on the other hand; provided, however, that if applicable law does not permit such allocation, then other relevant equitable considerations such as the relative fault of the Company and the Placement Agent and the Selected Dealers in connection with the facts which resulted in such losses, liabilities, claims, damages and expenses shall also be considered. The relative benefits received by the Company, on the one hand, and the Placement Agent and the Selected Dealers, on the other hand, shall be deemed to be in the same proportion as (x) the total proceeds from the Offering (net of compensation payable to the Placement Agent pursuant to Section 4 hereof but before deducting expenses) received by the Company, and (y) the compensation received by the Placement Agent pursuant to Section 4 hereof or, in the case of a Selected Dealer, the allowance paid to such Selected Dealer.

The relative fault, in the case of an untrue statement, alleged untrue statement, omission or alleged omission, shall be determined by, among other things, whether such statement, alleged statement, omission or alleged omission relates to information supplied by the Company or by the Placement Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement, alleged statement, omission or alleged omission. The Company and the Placement Agent agree that it would be unjust and inequitable if the respective obligations of the Company and the Placement Agent and the Selected Dealers for contribution were determined by pro rata or per capita allocation of the aggregate losses, liabilities, claims, damages and expenses or by any other method of allocation that does not reflect the equitable considerations referred to in this Section 9(c). In no case shall the Placement Agent or a Selected Dealer be responsible for a portion of the contribution obligation in excess of the compensation received by it pursuant to Section 4 hereof or the Selected Dealer Agreement, as the case may be, less the aggregate amount of any damages that such Placement Agent or Selected Dealer has

otherwise been required to pay in respect of the same or any substantially similar claim. No person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 9(c), each person, if any, who controls the Placement Agent or a Selected Dealer within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, stockholder, employee, agent and counsel of the Placement Agent and the Selected Dealers shall have the same rights to contribution as the Placement Agent or the Selected Dealer, and each person, if any, who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, employee, agent and counsel of the Company shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 9(c). Anything in this Section 9(c) to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 9(c) is intended to supersede any right to contribution under the Act, the Exchange Act or otherwise.

10. Representations and Agreements to Survive Delivery. All representations, warranties, covenants and agreements contained in this Agreement shall be deemed to be representations, warranties, covenants and agreements at the Closing Date and, if applicable, each Additional Closing Date, and such representations, warranties, covenants and agreements, including the indemnity and contribution agreements contained in Section 9, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Placement Agent or any indemnified person, or by or on behalf of the Company or any person or entity which is entitled to be indemnified under Section 9(b), and shall survive termination of this Agreement or the issuance, sale and delivery of the Shares. In addition, notwithstanding any election hereunder or any termination of this Agreement, and whether or not the terms of this Agreement are otherwise carried out, the provisions of Sections 6(a)(xvii), 7, 9, 10 and 12 shall survive termination of this Agreement and shall not be affected in any way by such election or termination or failure to carry out the terms of this Agreement or any part thereof.

11. Notices. All communications hereunder, except as may be otherwise specifically provided herein, shall be in writing and, if sent to the Placement Agent, shall be mailed, delivered or telexed or telegraphed and

confirmed by letter, to its address set forth above, with a copy to Kenneth R. Koch, Esq. At Squadron, Ellenoff, Plesent & Sheinfeld, LLP, 551 Fifth Avenue, New York, New York 10176 or if sent to the Company, shall be mailed, delivered or telexed or telegraphed and confirmed by letter, to Access Pharmaceuticals, Inc., 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207, with a copy to Jack Concannon, Esq. At Bingham Dana LLP, 150 Federal Street, Boston, Massachusetts 02110. All notices hereunder shall be effective upon receipt by the party to which it is addressed.

12. Assignment. This Agreement shall not be assigned by any party hereto without the prior written consent of the other parties hereto.

13. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the Placement Agent and the Company and the persons and entities referred to in Section 9

who are entitled to indemnification or contribution and their respective successors, legal representatives and assigns (which shall not include any purchaser, as such, of Shares), and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained.

14. Construction. This Agreement shall be construed in accordance with the laws of the State of New York, without giving effect to conflict of laws.

15. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

16. Entire Agreement. This Agreement, including the Exhibits attached hereto, constitutes the entire agreement between the parties hereto and supersedes all previous negotiations, agreements and commitments with respect thereto, and may only be amended by a written document, signed by duly authorized officers or representatives of each of the parties hereto.

17. Option to Terminate Agreement. The Placement Agent shall have the option to terminate this Agreement in the event that the Memorandum is not satisfactory to the Placement Agent in its sole discretion.

If the foregoing correctly sets forth the understanding between us, please so indicate in the space provided below for that purpose, whereupon this letter shall constitute a binding agreement among us.

Very truly yours,

ACCESS PHARMACEUTICALS, INC.

By: /s/ Kerry P. Gray

Kerry P. Gray
President

Accepted as of the date first above written.
New York, New York

SUNRISE SECURITIES CORP.

By: /s/ Alan Swerdloff

Alan Swerdloff
Vice President

Schedule A

None

ACCESS PHARMACEUTICALS, INC.
REGISTRATION RIGHTS AGREEMENT
for 1998 Bridge Offering and Private Placement

THIS REGISTRATION RIGHTS AGREEMENT (the "Agreement") is made by Access Pharmaceuticals, Inc., a corporation formed under the laws of the State of Delaware (the "Company"), for the benefit of the investors listed on Schedule I hereto (collectively, the "Investors" and, individually, an "Investor").

RECITALS

A. The Investors desire to purchase from the Company, and the Company desires to issue and sell to the Investors, a minimum of 16 and a maximum of 60 Units (the "Units"), each Unit consisting of 166,667 shares (the "Bridge Offering Shares") of Common Stock, par value $.04 per share ("Common Stock") and Warrants (the "Warrants") to purchase 166,667 shares (the "Warrant Shares") in a bridge offering (the "Bridge Offering"), and a minimum of 18,666,667 and a maximum of 52,000,000 shares (less the number of shares sold in the Bridge Offering) (the "Primary Offering Shares") of Common Stock in a private placement (the "Private Placement"), both conducted in accordance with the Securities Act of 1933, as amended, and the rules and regulations thereunder (collectively, the "Securities Act"). The Bridge Offering Shares, the Warrant Shares and the Primary Offering Shares referenced in this Recital A are herein called the "Shares".

B. As further inducement for the Investors to purchase the Shares from the Company, the Company desires to undertake to register under the Securities Act, the resale of the Shares, in accordance with the terms hereof.

AGREEMENTS

The Company and the Investors covenant and agree as follows:

1. Definitions. For the purposes of this Agreement:

(a) The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement or statements or similar documents in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document by the Securities and Exchange Commission (the "SEC").

(b) The term "Registrable Securities" means (i) the Investors' Shares, (ii) Shares, if any, issued to Sunrise Securities Corp. in satisfaction of the selling commission and expense allowance and (iii) any Shares issued as (or issuable upon the conversion or exercise of any convertible security, warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of the Shares, including, but not limited to, the shares underlying the Placement Agent's Warrants, and excluding in all cases, however, any Registrable Securities sold by an Investor in a transaction in which its registration rights under this Agreement are not assigned pursuant to Section 9 of this Agreement.

(c) The term "Investor" includes (i) each Investor (as defined above) and (ii) each person who is a permitted transferee or assignee of the Registrable Securities pursuant to Section 9 of this Agreement.

2. Obligations of the Company. In connection with the registration of the resale of Registrable Securities pursuant to this Agreement, the Company shall, as expeditiously as reasonably possible:

(a) Prepare and file with the SEC, within thirty (30) days after (i) the close of the Company's Private Placement, a resale registration statement or registration statements (the "Registration Statement") with respect to all Registrable Securities included therein, and use its best efforts to cause the Registration Statement to become effective as soon as reasonably possible after such filing, and, with respect to any registration that does not involve an underwriting, to keep the Registration Statement effective pursuant to Rule 415 under the Securities Act for a period of at least seven years after the close of the Company's Private Placement, or such shorter period as prescribed by Rule 144 promulgated under the Securities Act or during which the Registrable Securities are sold, or until there are no more Registrable Securities, which Registration Statement (including any amendments or supplements thereto and prospectuses contained therein) shall not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

(b) Prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statement and any prospectus used in connection with the Registration Statement as may be necessary to keep the Registration Statement effective (i) for such period as may be required by the Securities Act with respect to an underwritten offering and (ii) for at least seven years after the close of the Company's Private Placement, or such shorter period as prescribed by Rule 144, or until there are no more Registrable Securities, with respect to a non-underwritten offering, and during such periods to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by the Registration Statement

(c) Furnish promptly to each Investor whose Registrable Securities are included in the Registration Statement such number of copies of a prospectus, including a preliminary

prospectus, and all amendments and supplements thereto, and of such other documents as such Investor may reasonably request in order to facilitate the disposition of Registrable Securities owned by such Investor.

(d) Use its reasonable efforts to register and qualify the Registrable Securities covered by the Registration Statement under such other securities or Blue Sky laws of such jurisdiction as shall be reasonably requested by the Investors who hold a majority in interest of the Registrable Securities covered by the Registration Statement and, with respect to a non-underwritten offering, prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements and to take such other actions as may be necessary to maintain such registration and qualification in effect at all times for a period of at least seven years after the close of the Company's Private Placement, or such shorter period as prescribed by Rule 144 or during which the Registrable Securities are sold, or until there are no more Registrable Securities, and to take all other actions necessary or advisable to enable the disposition of such securities in such jurisdictions; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business, file a general consent to service of process or subject itself to general taxation in any such states or jurisdictions or (ii) provide any undertaking or make any change in its Certificate of Incorporation or bylaws.

(e) If the Registration Statement relates to an underwritten offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations, with the Underwriter's Representative.

(f) Notify the Investors who hold Registrable Securities being sold (or in the event of an underwritten offering, the Underwriter's Representative), at any time when a prospectus relating to Registrable Securities covered by the Registration Statement is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. The Company shall use its best efforts promptly to amend or supplement the Registration Statement to correct any such untrue

statement or omission.

(g) Notify the Investors who hold Registrable Securities being sold (or in the event of an underwritten offering, the Underwriter's Representative) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose. The Company will make every reasonable effort to prevent the issuance of any stop order and, if any stop order is issued, to obtain the lifting thereof at the earliest possible time.

(h) Permit a single firm of counsel, designated as selling shareholders' counsel by the holders of a majority in interest of the Registrable Securities being sold, to review the Registration Statement and all amendments and supplements thereto a reasonable period of time prior to their filing, and shall not file any document in a form to which such counsel reasonably objects.

(i) Make generally available to its security holders as soon as practicable, but not later than forty five (45) days after the close of the period covered thereby, an earnings statement (in form complying with the provisions of Rule 158 under the Securities Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the effective date of the Registration Statement.

(j) At the request of the Investors who hold a majority in interest of the Registrable Securities being sold, furnish to the underwriters, if any, on the date that Registrable Securities are delivered to the underwriters for sale in connection with a registration pursuant to this Agreement (i) an opinion, dated such date, of the counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, and (ii) a letter, dated such date, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters.

(k) Make available for inspection by any underwriters participating in the offering and the counsel, accountants or other agents retained by such underwriter, all pertinent financial and other records, corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by such underwriters in connection with the Registration Statement.

(l) If the Shares are then listed on a national securities exchange, use its best efforts to cause the Registrable Securities to be listed on such exchange if the listing of such Registrable Securities is then permitted under the rules of such exchange, or if the Shares are not then listed on a national securities exchange, use its best efforts to facilitate the quotation of the Shares on NASDAQ, and use its best efforts to cause continued listing of the Shares so long as the Registration Statement is in effect under the Securities Act.

(m) Provide a transfer agent and registrar, which may be a single entity, for the Registrable Securities not later than the effective date of the Registration Statement.

(n) Take all actions reasonably necessary to facilitate the timely preparation and delivery of certificates (not bearing any restrictive legend) representing the Registrable Securities sold pursuant to the Registration Statement and to enable such certificates to be in such denominations and registered in such names as the Investors or any underwriters may reasonably request.

(o) Take all other actions reasonably necessary to expedite and facilitate disposition by the Investors of the Registrable Securities pursuant to the Registration Statement.

3. Obligations of the Investors. In connection with the registration of the Registrable Securities pursuant to this Agreement, the Investors shall have the following obligations:

(a) It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to each Investor that such Investor shall furnish to the Company in writing such information

regarding itself, the Registrable Securities held by it,

and the intended methods of disposition of such securities as shall be reasonably required to effect the registration of the Registrable Securities and shall execute such documents in connection with such registration as the Company may reasonably request. At least thirty (30) days prior to the first anticipated filing date of the Registration Statement, the Company shall notify each Investor of the information the Company requires from each such Investor (the "Requested Information") if it elects to have any of his Registrable Securities included in the Registration Statement. If within seven (7) business days of the filing date the Company has not received in writing the Requested Information from an Investor (a "Non-Responsive Investor"), then the Company may file the Registration Statement without including Registrable Securities of such Non-Responsive Investor.

(b) Each Investor by his acceptance of the Registrable Securities agrees to cooperate with the Company in connection with the preparation and filing of any Registration Statement hereunder, unless such Investor has notified the Company in writing of its election to exclude all of its Registrable Securities from the Registration Statement.

(c) In the event Investors holding a majority in interest of the Registrable Securities select underwriters for the offering, each Investor agrees to enter into and perform its obligations under an underwriting agreement, in usual and customary form, including, without limitation, customary indemnification and contribution obligations and market stand-off obligations, with the managing underwriter of such offering and to take such other actions as are reasonably required in order to expedite or facilitate the disposition of the Registrable Securities, unless such Investor has notified the Company in writing of its election to exclude all of his Registrable Securities from the Registration Statement.

(d) Each Investor agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2(f), such Investor will immediately discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2(f) and, if so desired by the Company, such Investor shall deliver to the Company (at the expense of the Company) or destroy (and deliver to the Company a certificate of such destruction) all copies, other than the permanent file copies then in such Investor's possession, of the prospectus covering such Registrable Securities current at the time of receipt of such notice.

(e) No Investor may participate in any underwritten registration hereunder unless such Investor (i) agrees to sell such Investor's Registrable Securities on the basis provided in any underwriting arrangements approved by the Investors entitled hereunder to approve such arrangements, (ii) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements, and (iii) agrees to pay such Investor's pro rata portion of all underwriting discounts and commissions.

4. Expenses of Registration. All expenses, including, without limitation, all registration, listing, filing and qualification fees, printers and accounting fees, the fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one firm of counsel for the Investors shall be borne by the Company.

5. Indemnification. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Investor, the directors, if any, of such Investor, the officers, if any, of such Investor who sign the Registration Statement, each person, if any, who controls such Investor, any underwriter (as defined in the Securities Act) for the Investors and each person,
if any, who controls any such underwriter
within the meaning of the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), against any losses, claims, damages, expenses or liabilities, joint or several) to which any of them may become

subject under the Securities Act, the Exchange Act, other federal or state law or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof, arise out of or are based upon any of the following statements, omissions or violations (collectively, a "Violation"): (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law. Subject to the restrictions set forth in Section 5(c) with respect to the number of legal counsel, the Company will reimburse the Investors and each such underwriter or controlling person, promptly as such expenses are incurred, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding. Notwithstanding anything contained in this Agreement to the contrary, the indemnity agreement contained above in this Section 5(a): (I) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the prior written consent of the Company, which consent shall not be unreasonably withheld, (II) shall not apply to any such case for any such loss, claim, damage, liability or action arising out of or based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by the Investors or any such underwriter or controlling person, as the case may be, and (III) with respect to any preliminary prospectus, shall not inure to the benefit of any person from whom the person asserting any such claim purchased the Registrable Securities that are the subject thereof (or to the benefit of any person controlling such person) if the untrue statement or omission of material fact contained the preliminary prospectus was corrected in the prospectus, as then amended or supplemented. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Investors or any such underwriter or controlling person and shall survive the transfer of the Registrable Securities by an Investor pursuant to Section 7.

(b) To the extent permitted by law, each Investor, severally and not jointly, will indemnify and hold harmless, to the same extent and in the same manner set forth in Section 5(a), the Company, each of its directors, each of its officers who have signed the Registration Statement, each person, if any, who controls the Company within the meaning of the Securities Act or the Exchange Act, any underwriter and any other stockholder selling securities pursuant to the Registration Statement or any of its directors or officers or any person who controls such holder or underwriter, against any losses, claims, damages or liabilities, joint or several) to which any of

them may become subject, under the Securities Act, the Exchange Act, other federal or state law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Investor expressly for use in connection with such registration; and such Investor will reimburse any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Investor shall be liable under this Section 5(b) for only that amount of losses, claims, damages and liabilities as does not exceed the proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such registration. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified party and shall survive the transfer of the Registrable Securities by the Investors pursuant to Section 7. The Company shall be entitled to receive indemnities from underwriters, selling brokers, dealer managers and similar securities industry professionals participating in the distribution, to the same extent as provided above, with respect to information about such persons so furnished in writing by such persons expressly for inclusion in the Registration Statement

(c) Promptly after receipt by an indemnified party under this Section 5 of

notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 5, deliver to the indemnifying party a written notice of the commencement thereof, and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume control of the defense thereof with counsel satisfactory to the indemnifying party; provided, however, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if, in the reasonable opinion of counsel for the indemnifying party, representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The Company shall pay for only one legal counsel for the Investors.
Such legal counsel shall be selected by the Investors holding a majority in interest of the Registrable Securities. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 5 only to the extent prejudicial to its ability to defend such action, but the omission so to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under section 5. The indemnification required by this Section 5 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, promptly as such expense, loss, damage or liability is incurred and is due and payable.

(d) To the extent any indemnification by an indemnifying party is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under this Section 5 to the extent permitted by law; provided, however, that (i) no contribution shall be made under circumstances where the maker would not have been liable for indemnification under the fault standards set forth in this Section 5, (ii) no seller of Registrable Securities guilty of fraudulent misrepresentation (within the meaning of Section 11 of the Securities Act) shall be entitled to contribution from any seller of Registrable Securities who was not guilty of such fraudulent misrepresentation, and (iii)

contribution by any seller of Registrable Securities shall be limited in amount to the amount of proceeds received by such seller from the sale of such Registrable Securities.

6. Reports Under Securities Exchange Act of 1934. With a view to making available to the Investors the benefits of Rule 144 and any other rule or regulation of the SEC that may at any time permit the Investors to sell securities of the Company to the public without registration, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144, at all times after ninety (90) days after the effective date of the first registration statement filed by the Company for the offering of its securities to the general public.

(b) File with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act.

(c) Furnish to each Investor, so long as such Investor owns any Registrable Securities, forthwith upon request (i) a written statement by the Company that it has complied with the reporting requirements of Rule 144 (at any time after 90 days after the effective date of the first registration statement filed by the Company), the Securities Act and the Exchange Act (at any time after it has become subject to such reporting requirements), (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company, and (iii) such other information as may be reasonably requested in availing the Investors of any rule or regulation of the SEC which permits the selling of any such securities without registration.

7. Assignments of Registration Rights. The rights to have the Company register securities pursuant to this Agreement may be assigned by the Investors to transferees or assignees of such securities provided that (i) the Company is, within a reasonable time after such transfer, furnished with written notice of

the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned, (ii) such assignment is in accordance with and permitted by all other agreements between the Company and the transferor or assignor, and (iii) such assignments shall be effective only if immediately following such transfer the further disposition of such securities by the transferee or assignee is restricted under the Securities Act. The term "Investors" as used in this Agreement shall include permitted assignees.

8. Miscellaneous.

(a) Notices required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given when personally delivered or sent by registered mail, return receipt requested, addressed (i) if to the Company, Access Pharmaceuticals, Inc., 2600 Stemmons Freeway, Suite 176, Dallas, Texas 75207, Attention: President, with a copy to Jack Concannon, Esq. of Bingham Dana LLP, 151 Federal Street, Boston, Massachusetts 02110, and (ii) if to an Investor, at the address set forth under his or her name in the subscription agreement executed by such Investor in connection with its investment, or at such other address as each such party furnishes by notice given in accordance with this Section 8(a).

(b) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, will not operate as a waiver thereof. No waiver will be effective unless and until it is in writing and signed by the party giving the waiver.

(c) This Agreement shall be enforced, governed and construed in all respects in accordance with the laws of the State of New York, as such laws are applied by New York courts to agreements entered into and to be performed in New York by and between residents of New York. This Agreement shall be binding upon each Investor and its heirs, estate, legal representatives, successors and permitted assignees and shall inure to the benefit of the Company and its successors and assigns. In the event that any provision of this Agreement is invalid or unenforceable under any applicable statute or rule of law, then such provision shall be deemed inoperative to the extent that it may conflict therewith and shall be deemed modified to conform with such statute or rule of law. Any provision hereof which may prove invalid or unenforceable under any law shall not affect the validity or enforceability of any other provision hereof.

(d) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof. Any provision of this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by a writing executed by the Company and Investors who hold a majority in interest of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 8(d) shall be binding upon such Investor and the Company.

(e) Any such person is deemed to be a holder of Registrable Securities whenever such person or entity owns of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more persons or entities with respect to the same Registrable Securities, then the Company shall be entitled to act upon the basis of the instructions, notice or election received from the registered owner of such Registrable Securities.

Dated this 18 day of June, 1998.

---- ACCESS PHARMACEUTICALS, INC.

By: /s/ Kerry P. Gray

Kerry P. Gray
President and Chief Executive Officer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH QUARTERLY REPORT ON FORM 10-Q.

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