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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act Of 1934

November 9, 2005
Date of Report (Date of earliest event reported)

ACURA PHARMACEUTICALS, INC.

(Exact Name of Registrant as Specified in Charter)

State of New York	**1-10113**	**11-0853640**
(State of Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

616 N. North Court, Suite 120
Palatine, Illinois 60067
(Address of principal executive offices) (Zip Code)

(847) 705-7709
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR240.14d- 2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17CFR 240.13e- 4(c))

Item 1.01 Entry Into a Material Definitive Agreement

On November 9, 2005, Acura Pharmaceuticals, Inc. (the "Company") entered into a Loan Agreement (the "Loan Agreement") with Essex Woodlands Health Venture V, L.P., Care Capital Investments II, L.P., Care Capital Offshore Investments II, L.P., Galen Partners III, L.P., Galen Partners International III, L.P., Galen Employee Fund III, L.P. and the additional lenders that may become a party thereto in accordance with the terms of the Loan Agreement (collectively, the "Bridge Lenders") . Pursuant to the initial Closing of the Loan Agreement, the Bridge Lenders extended bridge financing to the Company in the principal amount of $800,000. The Loan Agreement also permits additional loan advances to the Company by Bridge Lenders that become a party to the Loan Agreement in accordance with its terms. No assurance can be given, however, that any additional bridge loans will be made to the Company by the Bridge Lenders. The net proceeds from loans advanced pursuant to the Loan Agreement (collectively, the "Bridge Loan"), after the satisfaction of related, expenses, will be used by the Company to continue the development of its Aversion^{TM} Technology and to fund operating expenses.

The Bridge Loan bears interest at the rate of ten percent (10%) per annum and matures on June 1, 2006. The Bridge Loan is secured by a lien on all of the Company's and its subsidiaries' assets, senior in right of payment and lien priority to all other indebtedness of the Company. The Bridge Loan is subject to mandatory pre-payment by the Company upon the Company's completion of equity or debt financing or any sale, transfer, license or similar arrangement pursuant to which the Company or any of its subsidiaries sells, licenses or otherwise grants rights in any material portion of the Company's intellectual property to any third party, provided that the consummation of any such transaction results in cash proceeds to the Company, net of all costs and expenses, of at least the sum of (i) $4.0 million, plus (ii) the aggregate principal amount of the Bridge Loan. The Bridge Loan also contains normal and customary affirmative and negative covenants, including restrictions on the Company's ability to incur additional debt, or grant any lien on the assets of the Company or its Subsidiaries, subject to certain permitted exclusions.

Item 2.02 Results of Operations and Financial Condition

On November 10, 2005, Acura Pharmaceuticals, Inc. (the "Company") issued a press release disclosing, among other things, the financial results for its third quarter ended September 30, 2005. A copy of the Company's press release is attached as Exhibit 99.1 hereto.

Item 3.02 Unregistered Sales of Equity Securities.

Effective November 10, 2005, all of the issued and outstanding preferred shares of the Company were automatically and mandatorily converted into the Company's common stock, $.01 par value per share (the "Common Stock") in accordance with the terms of the Company's Restated Certification of Incorporation (the "Preferred Stock Conversion"). In accordance with the conversion provisions contained in the Restated Certificate of Incorporation, all issued and outstanding shares of the Company's Series A Preferred Stock, Series B Preferred Stock, Series C-1 Preferred Stock, Series C-2 Preferred Stock and Series C-3 Preferred Stock (collectively, the "Preferred Stock") are converted automatically into the Company's Common Stock upon the Company's receipt of the written consent to the Preferred Stock Conversion from the holders of at least 51% of the shares of the Company's Series A Preferred Stock.

On November 10, 2005, the Company received the consent to the Preferred Stock Conversion from GCE Holdings LLC (the assignee of all Preferred Stock formerly held by each of Care Capital Investments II, LP, Care Capital Offshore Investments II, LP, Essex Woodlands Health Ventures V, L.P., Galen Partners International III, L.P., Galen Partners III, L.P. and Galen Employee Fund III, L.P.), such entity holding in the aggregate in excess of 51% of the issued and outstanding shares of the Company's Series A Preferred Stock. In accordance with the terms of the Company's Restated Certificate of Incorporation, all shares of the Company's Preferred Stock were automatically converted into an aggregate of approximately 305.4 million shares of the Company's Common Stock.

After giving effect to the Preferred Stock Conversion, effective November 10, 2005 the Company has an aggregate of approximately 329.0 million shares of Common Stock issued and outstanding.

The Company issued the Common Stock in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended and/or Regulation D promulgated under the Securities Act of 1933. At the time of acquisition of the Preferred Stock, the holders of the Preferred Stock represented to the Company that each of such shareholder was an accredited investor as defined in Rule 501(a) of the Securities Act of 1933 and that the Preferred Stock was being acquired for investment purposes.

Item 5.01 Changes in Control of Registrant.

Prior to the Preferred Stock Conversion (as described in Item 3.02 above) each of Care Capital Investments II, LP, Care Capital Offshore Investments II, LP (collectively, "Care Capital"), Essex Woodlands Health Ventures V, L.P. ("Essex"), Galen Partners III, L.P., Galen Partners International III, L.P. and Galen Employee Fund III, L.P. (collectively, "Galen") assigned and conveyed to GCE Holdings LLC ("GCE Holdings") all of their respective shares of the Company's Preferred Stock. Prior to such conveyance, the Preferred Stock holdings of Care Capital, Essex and Galen represented 14.6%, 17.1% and 46.2%, respectively, of the Company's outstanding voting securities. After giving effect to the conveyance by Care Capital, Essex and Galen of their respective Preferred Stock to GCE Holdings and the Preferred Stock Conversion, GCE Holdings holds an aggregate of approximately 258.2 million shares, or 78.5% of the Company's issued and outstanding Common Stock. As a result, in view of its ownership percentage of the Company, GCE Holdings will be able to control or significantly influence all matters requiring approval of the Company's shareholders, including the approval of mergers or other business combination transactions.

In addition, pursuant to the terms of the Amended and Restated Voting Agreement, dated February 6, 2004, as amended, between the Company and the former holders of the Company's Preferred Stock, all of such shareholders have agreed that the Board of Directors shall be comprised of not more than 7 members, 4 of whom shall be the designees of GCE Holdings (as the assignee of the Preferred Stock of Care Capital, Essex and Galen). As such, in view of its controlling position on the Board of Directors, GCE Holdings will be able to control or significantly influence matters to be determined by the Board of Directors.

Item 9.01 Financial Statements and Exhibits

Exhibit Number	Description
10.1	Joinder and Amendment to Amended and Restated Voting Agreement dated November 9, 2005 between the Company, GCE Holdings, Care Capital, Essex and Galen.
10.2	Loan Agreement by and among Acura Pharmaceuticals, Inc. Essex Woodlands Health Venture V, L.P., Care Capital Investments II, L.P., Care Capital Offshore Investments II, L.P., Galen Partners III, L.P., Galen Partners International III, L.P., Galen Employee Fund III, L.P., and the Additional Lenders that become a party thereto dated November 9, 2005.
10.3	Form of Secured Promissory Note of Acura Pharmaceuticals, Inc.
10.4	Subordination Agreement by and among Essex Woodlands Health Venture V, L.P., Care Capital Investments II, L.P., Care Capital Offshore Investments II, L.P., Galen Partners III, L.P., Galen Partners International III, L.P., and Galen Employee Fund III, L.P., dated November 9, 2005.
10.5	Company General Security Agreement by and between Acura Pharmaceuticals, Inc. and Galen Partners III, L.P., as Agent, dated November 9, 2005
10.6	Guaranty of Axiom Pharmaceutical Corporation, dated November 9, 2005
10.7	Guaranty of Acura Pharmaceutical Technologies, Inc., dated November 9, 2005
10.8	Guarantors Security Agreement by and among Axiom Pharmaceutical Corporation, Acura Pharmaceutical Technologies, Inc. and Galen Partners III, L.P., as Agent, dated November 9, 2005
10.9	Stock Pledge Agreement by and between Acura Pharmaceuticals, Inc. and Galen Partners III, L.P., as Agent, dated November 9, 2005
99.1	Press Release dated November 10, 2005 Announcing Financial Results for Third Quarter 2005, Receipt of Interim Funding, Conversion of Preferred Shares and Update on OxyADF™ Tablet Development and Cash Reserves

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.

ACURA PHARMACEUTICALS, INC.

By: /s/ Peter A. Clemens

Peter A. Clemens

Senior Vice President & Chief Financial Officer

Date: November 10, 2005

Exhibit Index

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JOINDER AND AMENDMENT TO AMENDED AND RESTATED VOTING AGREEMENT

THIS JOINDER AND AMENDMENT AGREEMENT ("Joinder Agreement") to the Amended and Restated Voting Agreement dated as of February 6, 2004 (the "Agreement") by and among Acura Pharmaceuticals, Inc. (f/k/a Halsey Drug Co., Inc.), a New York corporation (the "Company"), Care Capital Investments II, LP, Care Capital Offshore Investments II, LP, Essex Woodlands Health Ventures V, L.P., Galen Partners III, L.P. and the other signatories thereto, is made and entered into as of November 9, 2005 by and among the Company, Care Capital Investments II, LP, Care Capital Offshore Investments II, LP (collectively "Care Capital"), Essex Woodlands Health Ventures, L.P. ("Essex"), Galen Partners International III, L.P., Galen Partners III, L.P., Galen Employee Fund III, L.P. (collectively, "Galen") and GCE Holdings LLC (the "Transferee"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Agreement.

WHEREAS, Transferee is acquiring Securities from each of Care Capital, Essex and Galen; and

WHEREAS, Section 6 of the Agreement requires each transferee to which Securities are transferred, assigned, conveyed or otherwise disposed to agree to be bound by the terms of the Agreement (unless such transfer is made pursuant to an effective registration statement under the Securities Act or through a broker pursuant to Rule 144); and

WHEREAS, the Parties desire to amend the Agreement to preserve the rights of Care Capital, Essex and Galen relating to the nomination and election of Company directors following the conveyance of Securities from each of Care Capital, Essex and Galen to Transferee.

NOW, THEREFORE, the parties to this Joinder Agreement hereby agree as follows:

1. Amendments.

A. Section 2 of the Agreement is hereby deleted and the following inserted in its place:

"2. Election of Director Nominees. Commencing upon the Company's next upcoming meeting of shareholders, each Party and GCE Holdings LLC (the "Designating Party") agree as follows:

(a) Each Party holding Common Stock, Series A Preferred, Series B Preferred and Series C Preferred (collectively, the "Securities") shall vote its Securities, and take or cause to be taken such other actions, as may be required from time to time to (i) ensure that the Board of Directors consists of no more than seven directors, and (ii) elect to the Board of Directors of the Company (A) four (4) persons designated by the Designating Party, (B) one person who shall be the Chief Executive Officer of the Company, and (C) two persons who shall be independent directors (as defined in Rule 4200(a)(15) of the National Association of Securities' Dealers Listing Standards, as may be modified or supplemented) nominated and elected to the Board of Directors by the then current directors. Without limiting the generality of the foregoing, at each annual meeting of the shareholders of the Company, and at each special meeting of the shareholders and debentureholders of the Company called for the purpose of electing directors of the Company, and at any time at which the shareholders and debentureholders of the Company have the right to elect directors of the Company, in each such event, each Party shall vote all Securities owned by them (or shall consent in writing in lieu of a meeting of shareholders and debentureholders of the Company, as the case may be), or take such other actions as shall be necessary, to elect the Designating Party's designees as a director of the Company in accordance with the preceding provisions of this Section 2(a);

(b) Each Party shall take all actions necessary to remove forthwith the director designated by the Designating Party when such removal is requested for any reason, with or without cause, by the Designating Party. In the case of the death, resignation or removal as herein provided of a Designating Party's designee, each Party shall vote all Securities held by it to elect another person designated by the Designating Party pursuant to Section 2(a);

(c) Each Party hereby agrees that it will not vote any of its Securities in favor of the removal of any director that shall have been designated by the Designating Party, unless the Designating Party shall have consented to such removal in writing.

In the event that any Party shall fail to vote the Securities held by it in accordance with Section 2(a) and (b), such Party shall, upon such failure to so vote, be deemed immediately to have granted to the Designating Party, a proxy to vote its Securities solely for the election of the nominee of the Designating Party or the removal of director designated by the Designating Party. Such Party acknowledges that each such proxy granted hereby, including any successive proxy, if necessary, is being given to secure the performance of an obligation hereunder, is coupled with an interest, and shall be irrevocable until such obligation is performed;

(d) No Party shall grant any proxy or enter into or agree to be bound by any voting trust with respect to the Securities held by such Party, or enter into any shareholder agreement or arrangement of any kind with any person with respect to the Securities held by such person that is, in either case, inconsistent with the terms of this Agreement (whether or not such agreement and arrangement was or is with other shareholders of the Company that are or are not parties to this Agreement);

(e) The Company shall take, or cause to be taken, such actions as may be required from time to time to establish and maintain executive, audit and compensation committees of the Board of Directors, as well as such other committees of the boards of directors of the Company as the Board of Directors shall determine, having such duties and responsibilities as are customary for such committees. The designees of the Designating Party shall be, if so requested by the Designating Party, in its sole discretion, a member of each such committee; and

(f) The rights of the Designating Party shall terminate on the date the Designating Party ceases to be a holder of the Minimum Threshold. For purposes hereof, "Minimum Threshold" shall mean at least 50% of the shares of Series A Preferred initially transferred and conveyed to the Designating Party by Care Capital, Essex and Galen (or at least 50% of the shares of Common Stock issued upon conversion thereof)."

B. Section 7 of the Agreement is hereby deleted and the following inserted in its place:

"7. Term. Except as provided in Sections 2(f) and 6 hereof, this Agreement and the Parties' obligations hereunder ıll continue in effect for so long as the Designating Party owns the Minimum Threshold."

C. Section 8 of the Agreement is hereby deleted and the following inserted in its place:

"8. Amendment. Any term of this Agreement or the powers granted hereunder may be amended and the ;ervance of any such term or power may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written ısent of a majority of the Securities then subject to this Agreement, which majority must include the Designating Party so long as it owns the Minimum reshold."

D. Section 9.1(a) of the Agreement is hereby deleted and the following inserted in its place:

"9.1 Binding Effect. (a) This Agreement and the powers granted hereunder shall be binding upon, and shall inure :he benefit of, the Designating Party and the Parties."

E. Section 12 of the Agreement is hereby deleted and the following inserted in its place:

"12. Board Observer. So long as the Designating Party has the right to designate a director pursuant to Section 2(a) ·eof, the Company will permit one observer selected by the Designating Party to attend all meetings of the Board of Directors of the Company, and shall)vide such observer with such notice and other information with respect to such meetings as are delivered to the directors of the Company; provided, that such ;erver shall not be permitted to attend any meeting or portion thereof or have access to such other information if, in the judgment of the Company under advice counsel, such observer's presence or receipt of such information would adversely affect attorney-client privilege with respect to such meeting or information."

2. Agreement to be Bound. Upon execution of this Joinder Agreement, Transferee shall become a party to the Agreement and shall, together with the Company, and other parties thereto be fully bound by, subject to, and entitled to the rights and benefits of, all of the covenants, terms and conditions of the Agreement.

3. Successors and Assigns. Except as otherwise provided herein, this Joinder Agreement shall inure to the benefit of, and be binding upon and enforceable against, the parties hereto and their respective successors, assigns, heirs, executors and administrators.

4. Counterparts. This Joinder Agreement may be executed in separate counterparts, including by facsimile, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

5. Notices. For purposes of Section 10 of the Agreement, all notices, demands or other communications to the Transferee shall be directed to the address set forth on the signature page hereto.

6. Governing Law. This Joinder Agreement and rights of the parties hereunder shall be governed in all respects by the laws of the State of New York wherein the terms of this Joinder Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Joinder Agreement as of the date first above written.

ACURA PHARMACEUTICALS, INC.

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and Chief Executive Officer

GCE HOLDINGS LLC

By: /s/ Bruce F. Wesson

Name: Bruce F. Wesson
Title:
Address: c/o Galen Partners III, L.P
610 Fifth Avenue, 5th Floor
New York, New York 10019

CARE CAPITAL INVESTMENTS II, LP

By: /s/ David R. Ramsay

Name: David R. Ramsay
Title: Authorized Signatory

CARE CAPITAL OFFSHORE INVESTMENTS II, LP

By: /s/ David R. Ramsay

Name: David R. Ramsay
Title: Authorized Signatory

ESSEX WOODLANDS HEALTH VENTURES V, L.P.

By: /s/ Immanuel Thangaraj

Name: Immanuel Thangaraj
Title: Managing Director

GALEN PARTNERS III, L.P.

By: /s/ Srini Conjeevaram

Name: Srini Conjeevaram
Title: Member

GALEN EMPLOYEE FUND III, L.P.

By: /s/ Bruce F. Wesson

Name: Bruce F. Wesson
Title: President

GALEN PARTNERS INTERNATIONAL III, L.P

By: /s/ Srini Conjeevaram

Name: Srini Conjeevaram
Title: Member

LOAN AGREEMENT

This Loan Agreement ("Agreement") is made as of November 9, 2005 by and among (i) Acura Pharmaceuticals, Inc., a New York corporation ("Company"), (ii) Essex Woodlands Health Ventures V, L.P. ("Essex"), (iii) Care Capital Investments II, L.P. and Care Capital Offshore Investments II, L.P. (collectively "Care Capital") (iv) Galen Partners III, L.P., Galen Partners International III, L.P. and Galen Employee Fund III, L.P. (collectively "Galen and, together with Essex and Care Capital and the Additional Lenders joinding this Agreement in accordance with its terms, the "Lenders"). In consideration of the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I

LOAN; SECURITY DOCUMENTS

1.1. TERM LOAN

On the terms and subject to the conditions of this Agreement, each Lender severally agrees to make to the Company on the Closing Date a term loan (each, a "Loan") in a principal amount equal to such Lender's Commitment. No amounts paid or prepaid with respect to any Loan may be reborrowed.

1.2. NOTES

The Company's unconditional and absolute obligation to repay to the Lenders the principal of the Loans and interest thereon shall be evidenced by a promissory note (each, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof, and together with any renewals thereof or substitutions therefor, a "Note"), in the form of Exhibit A hereto with appropriate insertions, dated the Closing Date. The date and amount of each repayment and prepayment of principal thereon received by a Lender shall be recorded by the Lender in its records or, at its option, on the schedule attached to the Note. The aggregate unpaid principal amount so recorded shall be prima facie evidence of the principal amount owing and unpaid on the Note to the Lender absent manifest error. The failure to so record any such amount or any error in so recording any such amount, however, shall not limit or otherwise affect the Company's obligations hereunder or under the Note to repay the principal amount of the Loan together with all interest accruing thereon.

1.3. CLOSING

The initial closing (the "Closing") at which the Loans from Essex, Care Capital and Galen shall be disbursed to the Company will take place at the offices of St. John & Wayne, L.L.C., Two Penn Plaza East, Newark, New Jersey 07105 upon the satisfaction of the conditions to Closing set forth in this Agreement on the date hereof, or such other place, time and date as shall be mutually agreed to by the Company and the Lenders. The Company and the Lenders acknowledge and agree that additional Loans may be funded to the Company pursuant to the terms of this Agreement on one or more Closing Dates; provided, however, that the aggregate principal amount of the Loans shall not exceed $1,050,000 without the prior written consent of any two (2) of Essex, Care Capital and Galen. Upon the funding of any additional Loans under this Agreement, any additional lender (each an "Additional Lender") shall be required to execute a Joinder Agreement, which Joinder Agreement shall specify the Commitment of such Additional Lender. Any Additional Lender executing a Joinder Agreement shall be deemed a "Lender" for all purposes of this Agreement. On the date of a Closing (each a "Closing Date"), the Company shall deliver to each Lender at such Closing a Note, dated the applicable Closing Date, in the principal amount equal to such Lender's Commitment. The Company shall deliver the foregoing Notes against receipt by the Company from each Lender of an amount equal to the Commitment of such Lender, in each case by wire transfer in immediately available funds in U.S. dollars to an account designated by the Company.

1.4. USE OF PROCEEDS

The Company shall apply the proceeds of the Loans to general corporate purposes. The Company shall not use any proceeds of the Loans to purchase or carry any "margin stock" (as defined in Regulation U promulgated by the Board of Governors of the Federal Reserve System).

1.5. COMPANY SECURITY DOCUMENTS

All of the obligations of the Company under the Transaction Documents to or for the benefit of the Lenders (or their agents and representatives) shall be secured by the following items (collectively, the "Company Collateral"), each of which shall be senior and superior to all other liens: (a) a lien on all the personal property and assets of the Company now existing or hereinafter acquired granted pursuant to the Company General Security Agreement, including, without limitation, a lien on and security interest in all of the issued and outstanding shares of common stock of the Guarantors pursuant to a separate Stock Pledge Agreement; and (b) collateral assignments of all leases, contracts, patents, copyrights, trademarks and service marks of the Company.

1.6. GUARANTIES; GUARANTOR SECURITY

All of the obligations of the Company under the Notes and this Agreement shall be guaranteed pursuant to the Guaranties by the Guarantors. All of the obligations of the Guarantors under the Guaranties shall be secured by the following (collectively, the "Guarantor Collateral") each of which shall be a lien ranking senior and superior to all other liens: (a) a lien on all of the personal property and assets of the respective Guarantors now existing or hereinafter acquired, granted pursuant to the Guarantors General Security Agreement; and (b) collateral assignments of all leases, contracts, patents, copyrights, trademarks and service marks of the Guarantors.

ARTICLE II

REPAYMENT; PREPAYMENTS; INTEREST

2.1. REPAYMENT OF THE LOANS

The Company shall repay the aggregate outstanding principal amount of the Loans, together with all accrued but unpaid interest thereon, in full on the earlier of June 1, 2006 (the "Maturity Date"), or the date upon which the Loans become or are declared due and payable pursuant to Article VII of this Agreement.

2.2. PREPAYMENTS

The Company shall have the right to prepay the principal amount of a Loan, in whole or in part, at any time without penalty or premium. Any prepayment of principal shall be accompanied by a payment of all interest accrued and unpaid on the portion of the principal amount being prepaid. In addition the Company shall, unless the Lenders shall otherwise agree in writing, prepay the Loans from time to time in an amount equal to the net amounts received (after satisfaction of associated expenses) by the Company in connection with any Funding Event immediately upon the Company's receipt thereof.

2.3. INTEREST

(a) The Loans shall bear interest on the outstanding principal amount thereof at a rate of ten percent (10%) per annum from the Closing Date. All accrued interest on each Loan shall be payable in arrears on the last day of each calendar quarter; provided that (i) interest accrued pursuant to Section 2.3(b) shall be payable on demand, and (ii) in the event of any repayment or prepayment of any Loan, accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment. All computations of interest shall be made on the basis of a year of 360 days, and actual days elapsed.

(b) Notwithstanding the rate of interest specified above, after an Event of Default and during the continuance thereof (regardless of whether the Loans have been accelerated), the Company agrees to pay interest (after as well as before judgment to the extent permitted by applicable law) on all unpaid principal, interest or other amounts owing under the Transaction Documents, at a rate of thirteen percent (13%) per annum. Unpaid interest on such amounts will continue to accrue and will (to the extent permitted by applicable law) be compounded daily.

2.4. USURY

Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to a Loan, together with all fees, charges and other amounts which are treated as interest on the Loan under applicable law shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lenders in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all charges payable in respect thereof, shall be limited to the Maximum Rate.

ARTICLE III

CONDITIONS TO CLOSING

The obligation of each Lender to make its Loan at a Closing is subject to the fulfillment to such Lender's satisfaction on or prior to the Closing Date of each of the following conditions, unless otherwise waived by such Lender:

3.1. REPRESENTATIONS AND WARRANTIES CORRECT; NO DEFAULT

The representations and warranties of the Company set forth in Article IV hereof shall be true and correct when made, and shall be true and correct on the Closing Date with the same force and effect as if they had been made on and as of the Closing Date. No Event of Default, or any other event which, with the giving of notice, the lapse of time, or both, would constitute an Event of Default, shall have occurred and be continuing on the date of this Agreement or on the Closing Date.

3.2. PERFORMANCE

All covenants, agreements and conditions contained in this Agreement to be performed or complied with by the Company on or prior to the Closing Date shall have been performed or complied with by the Company.

3.3. NO IMPEDIMENTS

None of the Company, or any of the Guarantors, or any Lender shall be subject to any order, decree or injunction of a court or administrative or governmental body or agency of competent jurisdiction directing that the transactions provided for in the Transaction Documents or any material aspect thereof not be consummated as contemplated by the Transaction Documents. There shall not be any action, suit, proceeding, complaint, charge, hearing, inquiry or investigation before or by any court or administrative or governmental body or agency pending or, to the Company's best knowledge, threatened, wherein an unfavorable order, decree or injunction would prevent the performance of any of the Transaction Documents or the consummation of any material aspect of the transactions or events contemplated thereby, declare unlawful any aspect of the transactions or events contemplated by the Transaction Documents, cause any material aspect of the transactions contemplated by the Transaction Documents to be rescinded or have a Material Adverse Effect.

3.4. OTHER AGREEMENTS AND DOCUMENTS

The Company shall have executed and delivered to each Lender this Agreement, issued to such Lender its Note, and the Company and each of the Guarantors, as applicable, shall have executed and delivered the following agreements and documents:

(a) the Company General Security Agreement;

(b) the Guaranties;

(c) the Guarantors Security Agreement;

(d) the Stock Pledge Agreement;

(e) a secretary's certificate of the Company, (i) attaching a certified copy of the Certificate of Incorporation and current bylaws of the Company and certifying the same as not having been amended and as being in being in full force and effect, (ii) attaching and certifying resolutions by the Board of Directors approving the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereby, and (iii) certifying as to the incumbency, and attaching specimen signatures of, the officers or representatives of the Company signing the Transaction Documents to which the Company is a party;

(f) a secretary's certificate of each of the Guarantors, (i) attaching a certified copy of the certificate of incorporation and current bylaws of such Guarantor and certifying the same as not having been amended and as being in being in full force and effect, (ii) attaching and certifying resolutions by the board of directors of such Guarantor approving the execution, delivery and performance of the Transaction Documents and the transactions contemplated thereby, and (iii) certifying as to the incumbency, and attaching specimen signatures of, the officers or representatives of such Guarantor signing the Transaction Documents to which such Guarantor is a party;

(g) a Certificate of Good Standing and Tax Status from the state of incorporation of the Company and each Guarantor and from every state in which any of them is qualified to do business;

(h) the IP Collateral Assignments; and

(i) Financing Statements with respect to all personal property and assets of the Company and each Guarantor.

3.5. CONSENTS

The Company shall have obtained all necessary consents or waivers, if any, from all parties governmental and private to any other material agreements to which the Company is a party or by which it is bound immediately prior to the Closing in order that the transactions contemplated by the Transaction Documents may be consummated.

3.6. PROCEEDINGS AND OTHER DOCUMENTS

All corporate and other proceedings taken or required to be taken by the Company and any Guarantor in connection with the transactions contemplated by this Agreement and the other Transaction Documents to be consummated prior to the Closing shall have been taken, and the Lenders shall have received such other documents, in form and substance reasonably satisfactory to the Lenders and their counsel, as to such other matters incident to the transactions contemplated hereby as the Lenders may reasonably request.

3.7. OPINION OF COUNSEL

The Lenders shall have received the opinion of St. John & Wayne, L.L.C., counsel to the Company, dated the Closing Date, substantially in the form of Exhibit B attached hereto.

3.8. INDEPENDENT COMMITTEE OF BOARD OF DIRECTORS

The Company's independent committee of the Board of Directors (the "Independent Committee") shall deliver to each of the Lenders the Independent Committee's resolutions approving the execution, delivery and performance of the Transaction Documents to which the Company is a party and the transactions contemplated thereby, each in form and substance reasonably acceptable to the Lenders.

3.9. SUBORDINATION AGREEMENT

The holders of the Senior Note, the holders of the June 2005 Notes and the holders of the September 2005 Notes shall have entered into a subordination agreement, in form and substance acceptable to the Lenders, pursuant to which all liens (and all other interests in collateral) securing the Company's obligations under the Senior Note, the Watson Term Loan, the June 2005 Notes, the June 2005 Bridge Loan, the September 2005 Notes and the September 2005 Bridge Loan shall be fully subordinated to the liens (and other interests in collateral) securing the Loans.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

As a material inducement to each Lender to enter into and perform its obligations under this Agreement, except as set forth in the Schedule of Exceptions, the Company hereby represents and warrants to each Lender as follows:

4.1. ORGANIZATION AND EXISTENCE

The Company is a corporation duly organized, validly existing and in good standing under the laws of New York and is qualified to do business in such other jurisdictions as the nature or conduct of its operations or the ownership of its properties require such qualification. The Company does not own or lease any property or engage in any activity in any jurisdiction that might require qualification to do business as a foreign corporation in such jurisdiction and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect or subject the Company to a material liability. The Company has furnished the Lenders with true, correct and complete copies of its Certificate of Incorporation, By-Laws and all amendments thereto, as of the date hereof.

4.2. SUBSIDIARIES AND AFFILIATES

Section 4.2 of the Schedule of Exceptions sets forth the name, jurisdiction of incorporation and authorized and outstanding capitalization of each Subsidiary. Except as disclosed in Section 4.2 of the Schedule of Exceptions, all of the outstanding shares of capital stock of each of the Subsidiaries are duly and validly authorized, are validly issued and are fully paid and nonassessable and have been offered, issued, sold and delivered in compliance with applicable federal and state securities laws. Except as set forth in Section 4.2 of the Schedule of Exceptions, the Company has, and upon the Closing will have, no Subsidiaries and will not own of record or beneficially any capital stock or equity interest or investment in any corporation, association or business entity. Except as disclosed in Section 4.2 of the Schedule of Exceptions, each Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to carry on its business as now conducted and proposed to be conducted. Except as set forth in Section 4.2 of the Schedule of Exceptions, no Subsidiary owns or leases any property or engages in any activity in any jurisdiction which might require such Subsidiary to qualify to do business as a foreign corporation in such jurisdiction and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect or subject such Subsidiary to a material liability.

4.3. CAPITALIZATION

As of the date hereof, the Company's authorized capital stock consists of (i) 650,000,000 shares of Common Stock, of which 23,539,190 shares are outstanding and approximately 339,298,914 shares are reserved for issuance for the purposes set forth in Section 4.3 of the Schedule of Exception, and (ii) 290,000,000 shares of Preferred Stock, of which (1) 45,000,000 shares are Series A Preferred, (2) 25,000,000 shares are Series B Preferred, (3) 70,000,000 shares are Series C-1 Preferred, (4) 50,000,000 shares are Series C-2 Preferred and (5) 100,000,000 shares are Series C-3 Preferred. Set forth in Section 4.3 of the Schedule of Exceptions is a complete and correct list, as of the Closing Date, of the number of shares of Common Stock held by the Company's public stockholders generally, stockholders holding in excess of 5% of the Company's Common Stock and all holders of Preferred Stock, options, warrants, debentures and other securities convertible or exercisable for Common Stock. Such schedule is complete and correct in all material respects. All the issued and outstanding shares of capital stock of the Company are (i) duly authorized and validly issued, (ii) fully paid and nonassessable and (iii) have been offered, issued, sold and delivered by the Company in compliance with applicable federal and state securities laws.

4.4. AUTHORIZATION

(a) Each of the Company and the Guarantors has all requisite corporate power and authority (i) to execute and deliver, and to perform and observe their respective obligations under, the Transaction Documents to which it is a respective party, and (ii) to consummate the transactions contemplated hereby and thereby, including, without limitation, the grant of any security interest, mortgage, payment trust, guaranty or other security arrangement by the Company in, on or in respect of the Company Collateral, and by any and all of the Guarantors in, on or in respect of the Guarantor Collateral.

(b) All corporate action on the part of (i) the Company and the directors and, except as set forth in Section 4.4(b) of the Schedule of Exceptions, the stockholders of the Company necessary for the authorization, execution, delivery and performance by the Company of the Transaction Documents and the transactions contemplated therein, and for the authorization, issuance and delivery of the Notes, has been taken and (ii) each Guarantor and their respective directors and stockholders necessary for the authorization, execution, delivery and performance by each Guarantor of the Guarantors General Security Document, the Guaranties and the transactions contemplated therein or in any other Transaction Document with respect to the Guarantors, has been taken.

4.5. BINDING OBLIGATIONS; NO MATERIAL ADVERSE CONTRACTS

The Transaction Documents constitute valid and binding obligations of the Company and the Guarantors enforceable in accordance with their respective terms. Except as set forth in Section 4.5 of the Schedule of Exceptions, the execution, delivery and performance by the Company and the Guarantors of the Transaction Documents and compliance therewith will not result in any violation of and will not conflict with, or result in a breach of any of the terms of, or constitute a default, or accelerate or permit the acceleration of any rights or obligations, under, any provision of state, local, federal or foreign law to which the Company or either of the Guarantors is subject, the Certificate of Incorporation, as amended, or the By-Laws, as amended, of the Company or either of the Guarantors, or any mortgage, indenture, agreement, instrument, judgment, decree, order, rule or regulation or other restriction to which the Company or either of the Guarantors is a party or by which it is bound, and except for Permitted Liens, result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or either of the Guarantors pursuant to any such term. No stockholder of the Company or either Guarantor has or will have any preemptive rights or rights of first refusal by reason of the issuance of the Notes.

4.6. COMPLIANCE WITH INSTRUMENTS

Neither the Company nor any Subsidiary (a) is in violation of its organizational documents, (b) is in default, and no event has occurred which, with the giving of notice, or the lapse of time, or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any material agreement, including, without limitation, any license, indenture or other instrument to which it is a party or by which it is bound or to which any of its property or assets is subject or (c) is in violation of any law, ordinance, governmental rule, regulation or court decree to which it or its property may be subject (including without limitation any Legal Requirements relating to the biotechnology and pharmaceutical industry) except for (x) such defaults and violations set forth in Section 4.6 of the Schedule of Exceptions, and (y) such violations under clause (b) and (c) that would not, individually or in the aggregate, have a Material Adverse Effect.

4.7. LITIGATION

Except as set forth in Section 4.7 of the Schedule of Exceptions, there are no actions, suits or proceedings (including governmental or administrative proceedings), investigations, third-party subpoenas or inquiries by any regulatory agency, body or other governmental authority, to which the Company or any of the Subsidiaries is a party or is subject, or to which any of their authorizations, consents and approvals or other properties or assets, is subject, which is pending, or, to the best knowledge of the Company, threatened or contemplated against the Company or any Subsidiary, or any of such property or assets, that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect. The Company is not subject to any actions, suits or proceedings (including governmental or administrative proceedings), investigation, third-party subpoenas or inquiries by any regulatory agency, body or other governmental authority or any third Person regarding its accounting practices or policies.

4.8. FINANCIAL INFORMATION; SEC DOCUMENTS

(a) The Company has furnished to the Lenders complete and correct copies of the consolidated financial statements of the Company and its Subsidiaries, including consolidated balance sheets as of December 31, 2004 and 2003 and consolidated statements of operations, changes in cash flows and stockholders' equity, covering the three years ended December 31, 2004, all of which statements have been certified by BDO Seidman LLP or Grant Thornton LLP, independent accountants within the meaning of the Securities Act and the rules and regulations thereunder, and all of which statements are included or incorporated by reference in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 filed with the SEC under the Exchange Act. Such financial statements have been prepared in conformity with GAAP applied on a consistent basis throughout the periods involved, except as otherwise stated therein and fairly present the consolidated financial position of the Company and its Subsidiaries as of the dates thereof and their consolidated results of operations for such periods. Except as previously disclosed to the Lenders in writing, the Company's auditors have raised no material issues nor delivered any material correspondence with respect to any of the Company's financial statements or financial affairs.

(b) The Company has also furnished to the Lenders the unaudited consolidated balance sheet of the Company and its Subsidiaries as of June 30, 2005 and the related unaudited consolidated statements of operations, consolidated statements of cash flow and consolidated statements of stockholders' equity for the six months ended June 30, 2005. Such financial statements were prepared in conformity with GAAP applied on a basis consistent with the financial statements referred to in Section 4.8(a) and fairly present the consolidated financial position of the Company and its Subsidiaries as of such date and their consolidated results of operations for such periods (subject to normal year-end adjustments).

(c) None of the documents filed by the Company with the SEC since December 31, 2003 contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements contained therein not false or misleading in light of the circumstances in which they were made. There are no facts which the Company has not disclosed in the Company Reports or disclosed to the Lenders which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(d) Except as set forth in Section 4.8 of the Schedule of Exceptions or in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, subsequent to December 31, 2004, (i) none of the Company or any Guarantor has incurred any liability or obligations, direct or indirect, or entered into any transactions not in the ordinary course of business, in either case which is material to the Company or any Guarantor, as a whole, (ii) there has not been any material change in the short-term debt or long-term debt of any of the Company or any Guarantor and (iii) there has been no material change in the Company's accounting principles.

(e) Except as set forth in Section 4.8 of the Schedule of Exceptions or in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005, since December 31, 2004, there has been no Material Adverse Effect with respect to the Company and its Subsidiaries.

4.9. OFFERING EXEMPTION

(a) None of the Company, its Affiliates or any Person acting on its or their behalf has engaged or will engage, in connection with the offering and sale of the Notes, in any form in general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act, and none of the Company, or any of its Affiliates has, directly or indirectly, solicited any offer to buy, sell or offer to sell or otherwise negotiate in respect of, in the United States or to any United States citizen or resident, any security which is or would be integrated with the sale of the Notes in a manner that would require the Notes to be registered under the Securities Act. The offering, sale and issuance of the Notes have been, are, and will be exempt from registration under the Securities Act, and such offering, sale and issuance is also exempt from registration under applicable state securities and "blue sky" laws.

(b) None of the Company or any Guarantor is, or upon consummation of the transactions contemplated under the Transaction Documents, will be, subject to registration as an "investment company" under the 1940 Act.

4.10. PERMITS; GOVERNMENTAL AND OTHER APPROVALS

(a) Other than as set forth in Section 4.10 of the Schedule of Exceptions or in the Company Reports, each of the Company and its Subsidiaries possesses all necessary consents, approvals, authorizations, orders, registrations, stamps, filings, qualifications, licenses, permits or other analogous acts by, of, from or with all public, regulatory or governmental agencies, bodies and authorities and all other third parties, to own, lease and operate its respective properties and to carry on its business as now conducted and proposed to be conducted except to the extent that the failure to obtain any such consents, approvals, authorizations, orders, registrations, stamps, filings, qualifications, licenses or permits would not have a Material Adverse Effect. Other than as set forth in Section 4.10 of the Schedule of Exceptions, no approval, consent, authorization or other order of, and no designation, filing, registration, qualification or recording with, any governmental authority or any other Person is required in connection with the Company's valid execution, delivery and performance of this Agreement or the offer, issuance and sale of the Notes by the Company to the Lenders or the consummation of any other transaction contemplated on the part of the Company hereby.

(b) Without limiting the generality of the representations and warranties made in Section 4.10(a), the Company represents and warrants that (i) it and the Guarantors are in compliance with all applicable provisions of the FDC Act, except where any such noncompliance could not reasonably be expected to have a Material Adverse Effect; (ii) its products and those of the Guarantors are not adulterated or misbranded and are in lawful distribution; (iii) the consent agreement entered into by the Company with the United States Attorney for the Eastern District of New York on behalf of the FDA on June 29, 1993 has been terminated; and (iv) it and the Guarantors are, and will be, in compliance with the following specific requirements: (A) Acura Pharmaceutical Technologies, Inc. has registered its facility with the FDA, (B) the Company and the Guarantors have listed their drug products with the FDA, (C) each drug product marketed by the Company or any Guarantor is the subject of an application approved by the FDA, (D) all drug products marketed by the Company or either Guarantor comply with any conditions of approval and the terms of the application submitted to the FDA, (E) all of the Company's and the Guarantors' drug products are manufactured in compliance with the FDA's good manufacturing practice regulations, (F) all of the Company's and the Guarantors' products are labeled and promoted in accordance with the terms of the marketing application and the provisions of the FDC Act, (G) all adverse events relating to the Company and the Guarantors that were required to be reported to the FDA have been reported to the FDA in a timely manner, (H) to the Company's best knowledge, neither the Company nor any Guarantor is employing or utilizing the services of any individual who has been debarred under the FDC Act, (I) all stability studies required to be performed for products distributed by the Company or a Guarantor have been completed or are ongoing in accordance with the applicable FDA requirements, (J) to the best of the Company's knowledge, none of the Company's or a Guarantor's products have been exported for sale outside the United States, and (K) each of the Company and the Guarantors is in compliance with the provisions of the Prescription Drug Marketing Act, to the extent applicable; except, with respect to subclauses (iv)(E), (iv)(G), (iv)(J) and (iv)(K) above, where any such noncompliance could not reasonably be expected to have a Material Adverse Effect.

(c) Without limiting the generality of the representations and warranties made in Section 4.10(a), the Company also represents and warrants that it and the Guarantors are in compliance with all applicable provisions of the CSA and that the Company and the Guarantors are in compliance with the following specific requirements, except where such noncompliance could not reasonably be expected to have a Material Adverse Effect: (i) the Company and the Guarantors are registered with the DEA at each facility where controlled substances are exported, imported, manufactured or distributed; (ii) all controlled substances are stored and handled pursuant to DEA security requirements; (iii) all records and inventories of receipt and distributions of controlled substances are maintained in the manner and form as required by DEA regulations; (iv) all reports, including, but not limited to, ARCOS, manufacturing quotas, production quotas, and disposals, have been submitted to the DEA in a timely manner; (v) all adverse events, including thefts or significant losses of controlled substances, have been reported to the DEA in a timely manner; (vi) to the Company's best knowledge, neither the Company nor any Guarantor is employing any individual, with access to controlled substances, who has previously been convicted of a felony involving controlled substances; and (vii) any imports or exports of controlled substances have been conducted in compliance with the CSA and DEA regulations.

4.11. SALES REPRESENTATIVES; CUSTOMERS AND KEY EMPLOYEES

(a) Except as set forth in Section 4.11 of the Schedule of Exceptions, to the best knowledge of the Company, no independent sales representatives, customers, officers or key employees or group of key employees of the Company or any Guarantor has any intention to terminate his, her or its relationship with the Company or such Guarantor on or after the Closing or, in the case of employees, leave the employ of the Company or any of the Guarantors on and after the Closing, nor has the Company or any of the Guarantors discussed or taken any steps to terminate the employment of any officer or key employee or group of key employees. Other than as set forth in Section 4.11 of the Schedule of Exceptions or in the Company Reports, all personnel of the Company and any of the Guarantors are employed on an "at will" basis and may be terminated upon notice of not more than 30 days.

(b) To the Company's best knowledge, no employee of the Company or any of the Guarantors, or any consultant (including any scientific advisor) with whom the Company or any of the Guarantors has contracted, is in violation of any term of any employment contract, proprietary information agreement, licenses, or any other agreement relating to the right of any such individual to be employed by, or to contract with, the Company or any of the Guarantors because of the nature of the business conducted by the Company and the Guarantors; and the continued employment by the Company or any of the Guarantors of their present employees, and the performance of the Company's and the Guarantor's contracts with its independent contractors, will not result in any such violation, except where any such violation could not reasonably be expected to have a Material Adverse Effect. None of the Company or any of the Guarantors has received any written, or to the best knowledge of the Company, oral notice alleging that any such violation has occurred.

(c) All of the Company's and any of the Guarantor's consultants (including scientific advisors), officers and key employees are subject to customary non-disclosure and non-competition agreements.

4.12. COPYRIGHTS, TRADEMARKS AND PATENTS; LICENSES

(a) Section 4.12 of the Schedule of Exceptions sets forth a list of all of the Company's and any Guarantor's Intellectual Property Rights. The Intellectual Property Rights are, to the best of the Company's knowledge, fully valid and are in full force and effect; provided, that the Company makes no representation as to whether any pending patent applications will be allowed.

(b) The Company or a Guarantor owns outright all of the Intellectual Property Rights listed on Section 4.12 of the Schedule of Exceptions attached hereto free and clear of all liens and encumbrances except for the Permitted Liens, and does not pay, and is not required to pay, any royalty to anyone under or with respect to any of them.

(c) Neither the Company nor any Guarantor has licensed anyone to use any of such Intellectual Property Rights and has no knowledge of, nor has it received any notice relating to, the infringing use by the Company or any Guarantor of any Intellectual Property Rights.

(d) Except as otherwise disclosed to the Company's Board of Directors, the Company has no knowledge, nor has it received any notice (i) of any conflict with the asserted rights of others with respect to any Intellectual Property Rights used in, or useful to, the operation of the business conducted by the Company and the Guarantors or with respect to any license under which the Company or a Guarantor is licensor or licensee; or (ii) that the Intellectual Property Rights infringe upon the rights of any third party.

(e) Except as set forth in Section 4.12 of the Schedule of Exceptions, neither the Company nor any Guarantor is a party to any license agreement pursuant to which the Company is the licensor or licensee of any Intellectual Property Rights.

4.13. INVENTORY

The Company and its Subsidiaries do not maintain any material inventory.

4.14. NO DISCRIMINATION; LABOR MATTERS

Neither the Company nor any Guarantor in any manner or form discriminates, fosters discrimination or permits discrimination against any Person based on gender or age, or belonging to any minority race or believing in any minority creed or religion. No charge of discrimination in employment, whether by reason of age, gender, race, religion or other legally protected category that has been asserted or is now pending or, to the best knowledge of the Company and the Guarantors, threatened before the United States Equal Employment Opportunity Commission or other federal or governmental authorities. The Company and each Guarantor is in compliance with all applicable Legal Requirements respecting employment practices, terms and conditions of employment and wages and hours and is not and has not engaged in any unfair labor practice. The Company and each Guarantor has withheld and paid to the appropriate governmental authorities or is holding for payment not yet due to governmental authorities, all amounts required to be withheld from such employees of the Company or the Guarantors and is not liable for any arrears of wages, taxes, penalties or other sums for failure to comply with any of the foregoing. Except as set forth in Section 4.14 of the Schedule of Exceptions, in connection with the operation of the Company's and each Guarantor's business, (a) there is no unfair labor practice charge or complaint against the Company or any Guarantor pending before the National Labor Relations Board or any other governmental agency arising out of the Company's or any Guarantor's activities and the Company has no knowledge, nor has it received notice of any facts or information that would give rise thereto; (b) there is no significant labor trouble, labor strike, material controversy, material unsettled grievance, dispute, request for representation, slowdown or stoppage actually pending against or affecting the Company or any of the Guarantors and, to the best knowledge of the Company, none is or has been threatened; and (c) none of the Company or any of the Guarantors has any collective bargaining agreements with respect to any personnel nor is the Company aware of any current attempts to organize or establish any labor union or employee association with respect to any personnel, nor is there any certification, interim certifications or voluntary recognition of any such union with regard to a bargaining unit.

4.15. ENVIRONMENTAL MATTERS

(a) Without limiting the generality of the representations and warranties given in Section 4.10(a), each of the Company and the Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations necessary or required for the operation of its business, except where the failure to possess such franchises, licenses, permits or other authority could not reasonably be expected to have a Material Adverse Effect, and all such permits, licenses and other authorizations are in full force and effect and each of the Company and, except as set forth in Section 4.15 of the Schedule of Exceptions, the Subsidiaries is in compliance with all terms and conditions of such permits, except where such noncompliance could not reasonably be expected to have a Material Adverse Effect.

(b) There is no proceeding pending or, to the best knowledge of the Company, threatened, which may result in the denial, rescission, termination, modification or suspension of any environmental or health or safety permits, licenses or other authorizations necessary for the operation of the business of the Company and the Subsidiaries.

(c) During the occupancy by the Company or any Subsidiary of any real property owned or leased by the Company or such Subsidiary, neither the Company nor any Subsidiary, and to the best knowledge of the Company, no other Person, has caused or permitted materials to be generated, released, stored, treated, recycled, disposed of on, under or at such parcels, which materials, if known to be present, would require cleanup, removal or other remedial or responsive action under any environmental Legal Requirements. To the best knowledge of the Company, there are no underground storage tanks and no PCB, PCB contaminated oil or asbestos on any property leased by the Company or any Subsidiary.

(d) Except as set forth in Section 4.15 of the Schedule of Exceptions, neither the Company nor any Subsidiary is subject to any judgment, decree, order or citation related to or arising out of environmental Legal Requirements, or has received notice that it has been named or listed as a potentially responsible party by any Person in any matter arising under environmental Legal Requirements.

(e) To the Company's best knowledge, each of the Company and the Subsidiaries has disposed of all waste in full compliance with all environmental Legal Requirements.

4.16. TAXES

The Company and each of the Guarantors have (a) filed all necessary income, franchise and other material tax returns, domestic and foreign, (b) paid all taxes shown as due thereunder and (c) withheld and paid to the appropriate tax authorities all amounts required to be withheld from wages, salaries and other remuneration to employees. The Company has no knowledge, nor has it received notice, of any tax deficiency which might be assessed against the Company or any Guarantor which, if so assessed, could reasonably be expected to have a Material Adverse Effect.

4.17. EMPLOYEE BENEFIT PLANS AND SIMILAR ARRANGEMENTS

(a) Section 4.17 of the Schedule of Exceptions and the Company Reports list all employee benefit plans and collective bargaining, labor and employment agreements or other similar arrangements in effect to which the Company, the Guarantors, and any of their respective ERISA Affiliates are a party or by which the Company, the Guarantors, and any of respective ERISA Affiliates are bound, legally or otherwise, including, without limitation, (i) any profit-sharing, deferred compensation, bonus, stock option, stock purchase, pension, retainer, consulting, retirement, severance, welfare or incentive plan, agreement or arrangement; (ii) any plan, agreement or arrangement providing for fringe benefits or perquisites to employees, officers, directors or agents, including but not limited to benefits relating to employer-supplied automobiles, clubs, medical, dental, hospitalization, life insurance and other types of insurance, retiree medical, retiree life insurance and any other type of benefits for retired and terminated employees; (iii) any employment agreement; or (iv) any other "employee benefit plan" (within the meaning of Section 3(3) of ERISA) (herein referred to individually as "Plan" and collectively as "Plans").

(b) True and complete copies of the following documents with respect to any Plan of the Company, its Subsidiaries, and each ERISA Affiliate, as applicable, have been made available to each of the Lenders: (i) the most recent Plan document and trust agreement (including any amendments thereto and prior plan documents, if amended within the last two years), (ii) the last two Form 5500 filings and schedules thereto, (iii) the most recent IRS determination letter, (iv) all summary plan descriptions, (v) a written description of each material non-written Plan, (vi) each written communication to employees intended to describe a Plan or any benefit provided by such Plan, (vii) the most recent actuarial report, and (viii) all correspondence with the IRS, the Department of Labor and the PBGC concerning any controversy. Each report described in clause (vii) accurately reflects the funding status of the Plan to which it relates and subsequent to the date of such report there has been no adverse change in the funding status or financial condition of such Plan.

(c) Each Plan is and has been maintained in compliance with applicable Legal Requirements, including but not limited to ERISA and the Code, and with any applicable collective bargaining agreements or other contractual obligations.

(d) With respect to any 412 Plan, there has been no failure to make any contribution or pay any amount due as required by Section 412 of the Code, Section 302 of ERISA or the terms of any such Plan, and no funding waiver has been requested or received from the IRS. The assets of the Company, its Subsidiaries, or any ERISA Affiliates are not now, nor will they after the passage of time be, subject to any lien imposed under Section 412(n) of the Code by reason of a failure of the Company, any Subsidiary, or any ERISA Affiliate to make timely installments or other payments required under Section 412 of the Code.

(e) No Plan subject to Title IV of ERISA has any Unfunded Pension Liability.

(f) Except as shown on Section 4.17 of the Schedule of Exceptions, there are no pending, or to the best knowledge of the Company, its Subsidiaries, and ERISA Affiliates, threatened claims, investigations, actions or lawsuits, other than routine claims for benefits in the ordinary course, asserted or instituted against (i) any Plan or its assets, (ii) any ERISA Affiliate with respect to any 412 Plan, or (iii) any fiduciary with respect to any Plan for which the Company, its Subsidiaries, or any ERISA Affiliate may be directly or indirectly liable, through indemnification obligations or otherwise.

(g) Except as set forth in Section 4.17 of the Schedule of Exceptions, none of the Company, any Subsidiary, or any ERISA Affiliate has incurred and or reasonably expects to incur (i) any Withdrawal Liability and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in Withdrawal Liabilities, or any liability under Section 4063, 4064, or 4243, or (ii) any outstanding liability under Title IV of ERISA with respect to any 412 Plan.

(h) Except as shown on Section 4.17 of the Schedule of Exceptions, within the last five years, none of the Company, any Subsidiary or any ERISA Affiliate has transferred any assets or liabilities of a 412 Plan subject to Title IV of ERISA which had, at the date of such transfer, an Unfunded Pension Liability or has engaged in a transaction which may reasonably be subject to Section 4212(c) or Section 4069 of ERISA.

(i) None of the Company, any Subsidiary, or any ERISA Affiliate has engaged, directly or indirectly, in a non-exempt prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan.

(j) No “reportable event” (within the meaning of Section 4043 of ERISA) has occurred with respect to any Plan.

(k) Neither the Company nor any of its Subsidiaries provides, or has provided, retiree welfare benefits for the benefit of any present or former employee or director.

(l) Neither the Company nor any of its Subsidiaries has made any commitment or any formal plan to create any additional Plan or to modify or terminate (except to the extent required by applicable law) any existing Plan.

(m) Neither the Company nor any of its Subsidiaries is a party to any plan, agreement or arrangement pursuant to the terms of which the consummation or announcement of any transaction contemplated by this Agreement will result (either alone or in connection with the occurrence of any additional or further acts or events) in any benefit under any Plan being established or becoming accelerated or immediately vested and payable.

(n) The provisions of Section 280G of the Code will not apply with respect to any payment made or to be made pursuant to or in connection with any Plan.

4.18. PERSONAL PROPERTY

The Company and the Guarantors have good and marketable title to each item of equipment, machinery, furniture, fixtures, vehicles, structures and other personal property, tangible and intangible, included as an asset in the Financial Statements filed as part of the Company Reports, free and clear of any security interests, options, liens, claims, charges or encumbrances whatsoever, except as set forth in Section 4.18 of the Schedule of Exceptions and as disclosed in the Company General Security Agreement and the Guarantors General Security Agreement.

4.19. REAL PROPERTY

(a) The Company and the Guarantors do not own any fee simple interest in real property other than as set forth in Section 4.19 of the Schedule of Exceptions (the "Owned Property"). The Company and the Guarantors do not lease or sublease any real property other than as set forth on Schedule 4.19 (the "Leased Property"). The Company has made available for inspection by the Lenders true and complete copies of all Leases. The Company and each Guarantor enjoys a peaceful and undisturbed possession of the Owned Property and Leased Property. No Person other than the Company or any Guarantor has any right to use or occupy any part of the Owned Property and the Leased Property. Except as set forth in Section 4.19 of the Schedule of Exceptions, the Leases are valid, binding and in full force and effect, all rent and other sums and charges payable thereunder are current, no notice of default or termination under any of the Leases is outstanding, no termination event or condition or uncured default on the part of the Company or, to the best of the Company's knowledge, on the part of the landlord, sublandlord, as the case may be, thereunder, exists under the Leases, and no event has occurred and no condition exists which, with the giving of notice, or the lapse of time, or both, would constitute such a default or termination event or condition. There are no subleases, licenses or other agreements granting to any Person other than the Company or the Guarantors any right to possession, use, occupancy or enjoyment of the Premises demised by the Leases. Each Owned Property and Leased Property is used in the conduct of the Company's or the Guarantors' business.

(b) Without limiting the generality of the representations and warranties given in Section 4.10(a), all required permits, licenses, franchises, approvals and authorizations of all governmental authorities having jurisdiction over each Leased Property and from all insurance companies and fire rating and other similar boards and organizations have been issued to the Company and the Guarantors to enable each Leased Property or Owned Property to be lawfully occupied and used for all the purposes for which they are currently occupied and used and have been lawfully issued and are in full force and effect, except where the failure to possess such permits, licenses, franchises, approvals and authorizations, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(c) Neither the Company nor the Guarantors have received any notice nor have they any knowledge of any pending, threatened or contemplated condemnation proceeding affecting any Leased Property or the Owned Property or any part thereof.

4.20. DISCLOSURE

The information heretofore provided and to be provided in connection with this Agreement, including, without limitation, the Schedule of Exceptions and the Exhibits hereto, the Transaction Documents and each of the agreements, documents, certificates and writings previously furnished to the Lenders or their representatives, do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary in order to make the statements and writings contained herein and therein not false or misleading in the light of the circumstances under which they were made. There are no facts that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect, which has not been set forth herein or in the Schedule of Exceptions or the Company Reports.

4.21. INSURANCE

(a) Each of the Company and the Guarantors maintains, with financially sound and reputable insurers, insurance against loss or damage by theft, fire, explosion and other risks customarily insured against by companies in the line of business of the Company or the Guarantors, in amounts sufficient to prevent the Company or the Guarantors from becoming a co-insurer of the property insured as well as insurance against other hazards and risks and liability to Persons and property to the extent and in the manner customary for companies in similar businesses similarly situated or as may be required by law, including, without limitation, general liability, fire and business interruption insurance, and product liability insurance as may be required pursuant to any license agreement to which the Company or the Guarantors is a party or by which it is bound.

(b) The Company maintains D&O Insurance as detailed in Section 4.21(b) of the Schedule of Exceptions, which D&O Insurance is in full force and effect and as to which the Company has not received any notice of default, termination, change in terms, change in coverage or similar notice.

4.22. NON-COMPETES

Except as set forth in Section 4.22 of the Schedule of Exceptions, and as contemplated by Section 4.11(c), the Company and its Subsidiaries are not subject to any non-compete or similar arrangements with any Persons that restrict or may restrict the Company and its Subsidiaries from carrying on its business as now conducted and as it is proposed to be conducted.

4.23. PRODUCT WARRANTY

Except as set forth in Section 4.23 of the Schedule of Exceptions, or as reflected or reserved against in the Financial Statements, (a) to the knowledge of the Company, each product manufactured by the Company or any Subsidiary has been in material conformity with all applicable contractual commitments of the Company or any Subsidiary, and (b) no product currently manufactured by the Company or any Subsidiary is subject to any guaranty, warranty or indemnity of a contractual nature other than the applicable standard terms and conditions, if any, applicable to the sale or delivery of such product.

4.24. MINUTE BOOKS

The Company and the Subsidiaries have made accurate and complete copies of their minute books available for inspection by the Lenders.

ARTICLE V

AFFIRMATIVE COVENANTS

The Company hereby covenants and agrees, so long as any Note remains outstanding, as follows:

5.1. MAINTENANCE OF CORPORATE EXISTENCE; PROPERTIES AND LEASES; TAXES; INSURANCE

(a) The Company shall, and shall cause each of the Guarantors to, maintain in full force and effect its corporate existence, rights and franchises and all terms of licenses and other rights to use licenses, trademarks, trade names, service marks, copyrights, patents, processes or any other Intellectual Property Rights owned or possessed by it and necessary to the conduct of its business, except where failure to maintain such rights, franchises and terms of licenses and other rights to use such Intellectual Property Rights could not reasonably be expected to have a Material Adverse Effect.

(b) The Company shall, and shall cause the Guarantors to, keep each of its properties necessary to the conduct of its business in good repair, working order and condition, reasonable wear and tear excepted, and from time to time make all needful and proper repairs, renewals, replacements, additions and improvements thereto; and the Company shall, and shall cause the Guarantors to, at all times comply with each provision of all leases to which it is a party or under which it occupies property, except where any such noncompliance could not reasonably be expected to have a Material Adverse Effect.

(c) The Company shall, and shall cause each of the Guarantors to, (i) promptly pay and discharge, or cause to be paid and discharged when due and payable, all lawful taxes, assessments and governmental charges or levies imposed upon the income, profits, assets, property or business of the Company and the Guarantors, (ii) withhold and promptly pay to the appropriate tax authorities all amounts required to be withheld from wages, salaries and other remuneration to employees, and (iii) promptly pay all claims or indebtedness (including, without limitation, claims or demands of workmen, materialmen, vendors, suppliers, mechanics, carriers, warehousemen and landlords) which, if unpaid might become a lien upon the assets or property of the Company or the Guarantors; provided, however, that any such tax, lien, assessment, charge or levy need not be paid if (1) the validity thereof shall be contested timely and in good faith by appropriate proceedings, (2) the Company or the Guarantors shall have set aside on its books adequate reserves with respect thereto, and (3) the failure to pay shall not be prejudicial in any material respect to the holders of the Notes, and provided further that the Company or the Guarantors will pay or cause to be paid any such tax, lien, assessment, charge or levy forthwith upon the commencement of proceedings to foreclose any lien which may have attached as security therefore. Except to the extent prohibited by Article VI of this Agreement, the Company shall, and shall cause the Guarantors to, pay or cause to be paid all other indebtedness incident to the operations of the Company or the Guarantors.

(d) The Company shall, and shall cause each of the Guarantors to, keep its assets which are of an insurable character insured by financially sound and reputable insurers against loss or damage by theft, fire, explosion and other risks customarily insured against by companies in the line of business of the Company or the Guarantors, in amounts sufficient to prevent the Company or the Guarantors from becoming a co-insurer of the property insured; and the Company shall, and shall cause the Guarantors to, maintain, with financially sound and reputable insurers, insurance against other hazards and risks and liability to Persons and property to the extent and in the manner customary for companies in similar businesses similarly situated or as may be required by law, including, without limitation, general liability, fire and business interruption insurance, and product liability insurance as may be required pursuant to any license agreement to which the Company or the Guarantors is a party or by which it is bound.

5.2. BASIC FINANCIAL INFORMATION

The Company shall furnish the following reports to each Lender, so long as it is a holder of a Note:

(a) as soon as practicable, but in any event within 90 days after the end of each fiscal year of the Company, (i) audited balance sheets of the Company as at the end of such year, together with audited statements of income and retained earnings and statements of cash flows of the Company for such year, together with notes related thereto, each prepared in accordance with GAAP, consistently applied, and setting out in each case in comparative form the figures for the previous fiscal year, all in reasonable detail and certified by certified independent public accountants of established national reputation, and (ii) a report of the principal financial officer of the Company containing a management discussion and analysis of the Company's consolidated financial condition at the end of such year and the results of operations for such year, including, but not limited to, a description of significant events with respect to the Company and its Subsidiaries, if any, during the preceding year and any planned or anticipated significant activities or events during the upcoming months;

(b) as soon as practicable, but in any event within 45 days after the end of each of the first three fiscal quarters of the Company in each year, (i) an unaudited balance sheet at the end of such quarter, and unaudited statements of income, of profit and loss and of changes in financial condition of the Company (including cash flow statements) for such period and for the current fiscal year to date, in each case prepared in accordance with GAAP, consistently applied (other than for accompanying notes and subject to changes resulting from year-end audit adjustments), and (ii) a report of the principal financial officer of the Company containing a management discussion and analysis of the Company's consolidated financial condition at the end of such quarter and the results of operations for such quarter and the year to date, including, but not limited to, a description of significant events with respect to the Company and its Subsidiaries, if any, during such periods and any planned or anticipated significant activities or events during the upcoming months; and

(c) with reasonable promptness such other information and financial data concerning the Company as any Person entitled to receive materials under this Section 5.2 may reasonably request.

5.3. NOTICE OF ADVERSE CHANGE

The Company shall promptly give notice to all Lenders (but in any event within two days) after becoming aware of the existence of any condition or event which constitutes, or the occurrence of, any of the following:

(a) any Event of Default or any default that with the passage of time or the giving of notice would constitute an Event of Default;

(b) the institution or threatening of institution of any action, suit or proceeding against the Company or any Subsidiary before any court, administrative agency or arbitrator, including, without limitation, any action of a foreign government or instrumentality, which, if adversely decided, could reasonably be expected to have a Material Adverse Effect;

(c) any information relating to the Company or any Subsidiary which could reasonably be expected to have a Material Adverse Effect; or

(d) any failure by the Company or any of its Subsidiaries to comply with the provisions of Section 5.4 below.

Any notice given under this Section 5.3 shall specify the nature and period of existence of the condition, event, information, development or circumstance, the anticipated effect thereof and what actions the Company or any Guarantor, as the case may be, has taken and proposes to take with respect thereto.

5.4. COMPLIANCE WITH AGREEMENTS; COMPLIANCE WITH LAWS

The Company shall, and shall cause its Subsidiaries to, comply with the terms and conditions of all material agreements, commitments or instruments to which the Company or any of its Subsidiaries is a party or by which it or they may be bound. The Company shall, and shall cause each of its Subsidiaries to, duly comply with any Legal Requirements relating to the conduct of their respective businesses, properties or assets, including, but not limited to, the requirements of the FDA Act, the Prescription Drug Marketing Act, the CSA, ERISA, the Environmental Protection Act, the Occupational Safety and Health Act, the Foreign Corrupt Practices Act, the Sarbanes-Oxley Act of 2002 and the rules and regulations of each of the agencies administering such acts, in each case except for any such noncompliance that could not reasonably be expected to have a Material Adverse Effect.

5.5. PROTECTION OF LICENSES

The Company shall, and shall cause its Subsidiaries to, maintain, defend and protect to the best of their ability licenses and sublicenses (and to the extent the Company or a Subsidiary is a licensee or sublicensee under any license or sublicense, as permitted by the license or sublicense agreement), trademarks, trade names, service marks, patents and applications therefore and other proprietary information or Intellectual Property Rights owned or used by it or them and shall keep duplicate copies of any licenses, trademarks, service marks or patents owned or used by it, if any, at a secure place selected by the Company.

5.6. ACCOUNTS AND RECORDS; INSPECTIONS

(a) The Company shall keep true records and books of account in which full, true and correct entries will be made of all dealings or transactions in relation to the business and affairs of the Company and its Subsidiaries in accordance with GAAP applied on a consistent basis.

(b) The Company shall permit each Lender or any of such Lender's officers, employees or representatives during regular business hours of the Company, upon reasonable notice and as often as such Lender may reasonably request, to visit and inspect the offices and properties of the Company and its Subsidiaries and to make extracts or copies of the books, accounts and records of the Company or its Subsidiaries, and to discuss the affairs, finances and accounts of the Company and its Subsidiaries, with the Company's (or Subsidiary's) directors and officers, its independent public accountants, consultants and attorneys.

(c) Nothing contained in this Section 5.6 shall be construed to limit any rights that a Lender may have with respect to the books and records of the Company and its Subsidiaries, to inspect its properties or to discuss its affairs, finances and accounts.

(d) The Company will retain an Approved Accounting Firm to audit the Company's financial statements at the end of each fiscal year. In the event the services of an Approved Accounting Firm or any firm of independent public accountants hereafter employed by the Company are terminated, the Company will promptly thereafter request the firm of independent public accountants whose services are terminated to deliver to the Lenders a letter of such firm setting forth its understanding as to the reasons for the termination of their services and whether there were, during the two most recent fiscal years or such shorter period during which said firm had been retained by the Company any disagreements between them and the Company on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. In its notice, the Company shall state whether the change of accountants was recommended or approved by the Board of Directors or any committee thereof. In the event of such termination, the Company will promptly thereafter engage another Approved Accounting Firm.

5.7. MAINTENANCE OF OFFICE

The Company will maintain its principal office at the address of the Company set forth in Section 10.4 of this Agreement where notices, presentments and demands in respect of this Agreement and any of the Notes may be made upon the Company, until such time as the Company shall notify the Lenders in writing, at least 30 days prior thereto, of any change of location of such office.

5.8. FURTHER ASSURANCES

From time to time the Company shall execute and deliver to the Lenders such other instruments, certificates, agreements and documents and take such other action and do all other things as may be reasonably requested by the Lenders in order to implement or effectuate the terms and provisions of this Agreement and the transactions contemplated hereby.

5.9. SEC REPORTS

The Company will file, on a timely basis, any SEC Reports and keep all such SEC Reports and public information current. The Company agrees that none of the SEC Reports filed by the Company will, at the time of filing, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

5.10. COLLATERAL

With respect to all Company Collateral and Guarantor Collateral, the Company shall (and shall cause the Guarantors to) take all actions necessary to preserve and protect the Lenders' first priority security interest therein pursuant to the applicable Transaction Documents or otherwise.

5.11. PREEMPTIVE RIGHTS

Each Lender shall have the right (the "Participation Right") to purchase such Lender's Pro Rata Amount of any Preferred Stock that the Company may from time to time propose to sell and issue after the date hereof, at the price and upon the general terms specified in the Preferred Stock Issue Notice (as defined below) regarding such Preferred Stock and otherwise on the following terms:

(a) Whenever the Company proposes to issue and sell any Preferred Stock, the Company shall give each Lender written notice (a "Preferred Stock Issue Notice") describing the type and amount of Preferred Stock proposed to be issued and the price and general terms upon which the Company proposes to issue such Preferred Stock, specifying a proposed closing date and specifying such Lender's Pro Rata Amount as of the date of the Preferred Stock Issue Notice.

(b) Each Lender may exercise its Participation Right with respect to the proposed issuance of Preferred Stock by notice to the Company, given within 15 days after the Lender shall have received the Preferred Stock Issue Notice describing the Preferred Stock.

(c) If any Lender does not exercise its Participation Right with respect to any proposed Preferred Stock within the 15 day period, then within 1 business day after the expiration of such 15 day period, the Company shall notify each Lender who proposed to purchase not less than such Lender's Pro Rata Amount of such Preferred Stock of the number of shares of Preferred Stock which remain available for purchase. Upon receipt of the notice specified in the preceding sentence, each such Lender shall have the additional Participation Right to purchase such Lender's Pro Rata Amount of the remaining Preferred Stock (considering the Shares held by all Lenders who purchased less than their Pro Rata Amount of the Preferred Stock not to be issued and outstanding for purposes of computing the Pro Rata Amount), exercisable by written notice delivered to the Company within 2 business days after receipt of the notice of the availability of the balance of the Preferred Stock. Such Lenders also may allocate the right to purchase the Preferred Stock between or among them in any proportion they choose as reflected in a written notice to the Company within such 15 day or 2 business day period, as the case may be. Each Lender's rights under this Section 5.11 may be assigned to and among such Lender's Affiliates.

(d) The Company may sell the Preferred Stock not committed for by Lenders at a price and upon general terms no more favorable to the purchasers than those specified in the Preferred Stock Issue Notice with regard to such Preferred Stock, at any time during (and only during) the 120 days following the expiration of the last notice period specified in Section 5.11(c).

(e) The sale of any Preferred Stock to Lenders pursuant to this Section 5.11 shall be closed on the same terms, at the same place as, and simultaneously with, the sale of any such Preferred Stock to any other purchasers (provided that the closing shall not take place earlier than the proposed closing date specified in the applicable Preferred Stock Issue Notice without the consent of all participating Lenders).

(f) Notwithstanding anything to the contrary contained herein, this Section 5.11 shall survive until the later to occur of (i) the payment of the principal and all accrued and unpaid interest on all Notes issued pursuant to this Agreement, and (ii) the Company's receipt of aggregate gross proceeds of at least $7,500,000 from one or more Funding Transactions completed after the date of this Agreement.

ARTICLE VI

NEGATIVE COVENANTS

The Company hereby covenants and agrees, so long as any Note remains outstanding, it will not (and not allow any of the Guarantors to), directly or indirectly, without the prior written consent of the Lenders:

6.1. STAY, EXTENSION AND USURY LAWS

At any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereinafter in force, which may affect the covenants or the performance of the Notes or this Agreement, the Company hereby expressly waiving all benefit or advantage of any such law, or by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Lenders but will suffer and permit the execution of every such power as though no such law had been enacted.

6.2. LIENS

Except as otherwise provided in this Agreement or any other Transaction Document, create, incur, assume or permit to exist any mortgage, pledge, lien, security interest or encumbrance on any part of its properties or assets, or on any interest it may have therein, now owned or hereafter acquired, nor acquire or agree to acquire property or assets under any conditional sale agreement or title retention contract, except that the foregoing restrictions shall not apply to:

(a) liens for taxes, assessments and other governmental charges, if payment thereof shall not at the time be required to be made, and provided such reserve as shall be required by GAAP consistently applied shall have been made therefore;

(b) liens of workmen, materialmen, vendors, suppliers, mechanics, carriers, warehouseman and landlords or other like liens, incurred in the ordinary course of business for sums not then due or that are being contested in good faith and provided that an adverse decision in such contest would not materially affect the business of the Company;

(c) liens securing the Company's obligations under (i) the Senior Note and the Watson Term Loan, (ii) the June 2005 Notes and the June 2005 Bridge Loan, and (iii) the September 2005 Notes and the September 2005 Bridge Loan.

(d) statutory liens of landlords, statutory liens of banks and rights of set-off, and other liens imposed by law, in each case incurred in the ordinary course of business (i) for amounts not yet overdue or (ii) for amounts that are overdue and that are being contested in good faith by appropriate proceedings, so long as reserves or other appropriate provisions, if any, as shall be required by GAAP, shall have been made for any such contested amounts;

(e) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money);

(f) any attachment or judgment lien not otherwise constituting an Event of Default, or an event which, with the giving of notice, the lapse of time, or both, would not otherwise constitute an Event of Default;

(g) easements, rights-of-way, restrictions, encroachments, and other minor defects or irregularities in title, in each case which do not and will not interfere with the ordinary conduct of the business of the Company or any of its Subsidiaries, except where such interference could not reasonably be expected to have a Material Adverse Effect;

(h) any (i) interest or title of a lessor or sublessor under any lease, (ii) restriction or encumbrance that the interest or title of such lessor or sublessor may be subject to, or (iii) subordination of the interest of the lessee or sublessee under such lease to any restriction or encumbrance referred to in the preceding clause (ii), so long as the holder of such restriction or encumbrance agrees to recognize the rights of such lessee or sublessee under such lease;

(i) liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(j) any zoning or similar law or right reserved to or vested in any governmental office or agency to control or regulate the use of any real property;

(k) liens securing obligations (other than obligations representing Indebtedness for borrowed money) under operating, reciprocal easement or similar agreements entered into in the ordinary course of business of the Company and its Subsidiaries; and

(l) the replacement, extension or renewal of any lien permitted by this Section 6.2 upon or in the same property theretofore subject or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Indebtedness secured thereby.

6.3. INDEBTEDNESS

Create, incur, assume, suffer, permit to exist, or guarantee, directly or indirectly, any Indebtedness, excluding:

(a) the endorsement of instruments for the purpose of deposit or collection in the ordinary course of business;

(b) Indebtedness which may, from time to time be incurred or guaranteed by the Company which in the aggregate principal amount does not exceed $500,000 and is subordinate to the Indebtedness under this Agreement on terms reasonably satisfactory to the Lenders;

(c) Indebtedness existing on the date hereof and described in Section 6.3 of the Schedule of Exceptions;

(d) Indebtedness relating to contingent obligations of the Company and its Subsidiaries under guaranties in the ordinary course of business of the obligations of suppliers, customers, and licensees of the Company and its Subsidiaries;

(e) Indebtedness relating to loans from the Company to its Subsidiaries or Indebtedness owed to any of the Guarantors;

(f) Indebtedness relating to capital leases in an amount not to exceed $500,000;

(g) Indebtedness relating to a working capital line of credit in an amount not to exceed $5,000,000 and which is subordinate to the Indebtedness under this Agreement on terms reasonably satisfactory to the Lenders;

(h) accounts or notes payable arising out of the purchase of merchandise or services in the ordinary course of business; or

(i) the Notes.

6.4. ARM'S LENGTH TRANSACTIONS

Enter into any transaction, contract or commitment or take any action other than at Arm's Length.

6.5. LOANS AND ADVANCES

Except for loans and advances outstanding as of the Closing Date and set forth in Section 6.5 of the Schedule of Exceptions, directly or indirectly, make any advance or loan to, or guarantee any obligation of, any Person, except for intercompany loans or advances in the ordinary course of business and those provided for in this Agreement.

6.6. INTERCOMPANY TRANSFERS; TRANSACTIONS WITH AFFILIATES; DIVERSION OF CORPORATE OPPORTUNITIES

(a) Make any intercompany transfers of monies or other assets in any single transaction or series of transactions, except as otherwise permitted in this Agreement.

(b) Engage in any transaction with any of the officers, directors, employees or Affiliates of the Company or of its Subsidiaries, except on terms no less favorable to the Company or the Subsidiary as could be obtained at Arm's Length.

(c) Divert (or permit anyone to divert) any business or opportunity of the Company or any Subsidiary to any other corporate or business entity.

6.7. INVESTMENTS

Make any investments in, or purchase any stock, option, warrant, or other security or evidence of Indebtedness of, any Person (exclusive of any Subsidiary), other than obligations of the United States Government or certificates of deposit or other instruments maturing within one year from the date of purchase from financial institutions with capital in excess of $100 million, in each case which are pledged to the Lenders (or their agent) in a manner that is acceptable to the Lenders and that results in a perfected first priority security interest in favor of the Lenders (or their agent).

6.8. OTHER BUSINESS

Enter into or engage, directly or indirectly, in any business other than the business currently conducted or proposed to be conducted as disclosed to the Lenders prior to the date hereof by the Company or any Subsidiary.

6.9. EMPLOYEE BENEFIT PLANS AND COMPENSATION

Except as otherwise approved by the Board, or by a committee thereof to whom the Board has delegate such authority, (a) enter into or materially amend any agreement to provide for or otherwise establish any written or unwritten employee benefit plan, program or other arrangement of any kind, covering current or former employees of the Company or its Subsidiaries except for any such plan, program or arrangement expressly permitted under an existing agreement listed in Section 4.17 the Schedule of Exceptions or in the Company Reports; or (b) provide for or agree to any material increase in any benefit provided to current or former employees of the Company or its Subsidiaries over that which is provided to such individuals pursuant to a plan or arrangement disclosed in Section 4.17 of the Schedule of Exceptions or in the Company Reports.

6.10. CAPITAL EXPENDITURES

Other than for capital expenditures approved by the Company's Board of Directors, make or commit to make, or permit any of its Subsidiaries to make or commit to make, any capital expenditures in excess of $25,000 in the aggregate during any fiscal year of the Company.

6.11. FORMATION OF SUBSIDIARIES

Organize or invest, or permit any Subsidiary to organize or invest, in any new corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) (a) more than 50% of the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class of such corporation shall or might have voting power upon the occurrence of any contingency), the interest in the capital or profits of such partnership, joint venture or limited liability company or the beneficial interest in such trust or estate, is at the time directly or indirectly owned or controlled by the Company, any of its Subsidiaries or any of their respective officers or directors, or (b) a material minority investment in any such entity is directly or indirectly owned or controlled by the Company, any of its Subsidiaries or any of their respective officers or directors.

6.12. CERTAIN PAYMENTS

Make any cash payments of principal or interest with respect to any Indebtedness (other than the Loans or as expressly provided for in the Budget), without the prior written consent of the Lenders, which consent shall be within their sole and absolute discretion.

6.13 ISSUANCE OF PREFERRED STOCK

Issue or incur any obligation to issue any shares of the Company's Preferred Stock. Notwithstanding anything to the contrary contained herein, this Section 6.13 shall survive until the later to occur of (i) the payment of the principal and all accrued and unpaid interest on all Notes issued pursuant to this Agreement, and (ii) the Company's receipt of aggregate gross proceeds of at least $7,500,000 from one or more Funding Transactions completed after the date of this Agreement.

ARTICLE VII

EVENTS OF DEFAULT

7.1. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing, an "Event of Default" shall be deemed to have occurred:

(a) if the Company shall default in the payment of any part of the principal or interest of any Note, when the same shall become due and payable, whether at maturity or at a date fixed for payment or prepayment or by acceleration or otherwise;

(b) if the Company shall default in the performance of any of the covenants contained in Articles V or VI and, in a case of a default under Section 5.1 through and including Section 5.7 (exclusive of Section 5.1(c)), such default shall have continued without cure for fifteen (15) days after written notice ("Default Notice") is given to the Company with respect to such covenant by any holder of the Notes (and the Company shall give to all of the holders of the Notes at the time outstanding prompt written notice of the receipt of such Default Notice, specifying the default referred to therein); provided, however, that such 15 day grace period shall not apply in the event the Company fails to give notice as provided in Section 5.3;

(c) except as provided in Section 7.1(b), if the Company or any of the Guarantors shall default in the performance of any other agreement contained in any Transaction Document or in any other agreement executed in connection with this Agreement and such default shall not have been remedied to the satisfaction of the Lenders within 15 days after notice thereof shall have been given to the Company; provided, however, that such 15 day grace period shall not apply in the event the Company fails to give notice as provided in Section 5.3;

(d) if any representation or warranty made by the Company, any Guarantor or any of their officers in any Transaction Document or in or any certificate delivered pursuant thereto shall prove to have been incorrect in any material respect when made;

(e) if (i) any default shall occur under any indenture, mortgage, agreement, instrument or commitment evidencing, or under which there is at the time outstanding, any Indebtedness of the Company or a Subsidiary, in excess of $250,000, or which results in such Indebtedness, in an aggregate amount (with other defaulted Indebtedness) in excess of $250,000 becoming (or being declared by its holders or, on its behalf, by an agent or trustee therefore to be) due and payable prior to its due date; (ii) irrespective of the monetary thresholds specified in subclause (i) above, if any default, event of default or any other condition shall occur or exist under the Watson Term Loan, the June 2005 Bridge Loan or the September 2005 Bridge Loan which shall be continuing after the respective grace period, if any, specified in the Watson Term Loan, the June 2005 Bridge Loan or the September 2005 Bridge Loan, and the effect of which is to permit the acceleration of the maturity of the Indebtedness outstanding thereunder; (iii) a Change of Control shall have occurred; or (iv) a Funding Event shall have occurred without the simultaneous prepayment in full of the Loans pursuant to Section 2.2 above;

(f) if any of the Company or its Subsidiaries shall default in the observance or performance of any term or provision of an agreement to which it is a party or by which it is bound which default could reasonably be expected to have a Material Adverse Effect and such default is not waived or cured within the applicable grace period;

(g) if a final judgment which, either alone or together with other outstanding final judgments against the Company and its Subsidiaries, exceeds an aggregate of $250,000 shall be rendered against the Company or any Subsidiary and such judgment shall have continued undischarged or unstayed for 45 days after entry thereof;

(h) if the Company or any Subsidiary shall generally not pay its debts as such debts become due or shall make an assignment for the benefit of creditors generally, or shall admit in writing its inability to pay its debts generally; or if any proceeding shall be instituted by or against the Company or any Subsidiary seeking to adjudicate it as bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or the reorganization or relief of debtors, or seeking entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of such proceeding instituted against it (but not instituted by it) that is being diligently contested by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 45 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or if any writ of attachment or execution or any similar process shall be issued or levied against it or any substantial part of its property which is either not released, stayed, bonded or vacated within 45 days after its issue or levy or any of the actions sought or relief sought in any proceeding pursuant to which such writ or similar process shall be issued or initiated shall occur or be granted; or if the Company or any Subsidiary takes corporate action in furtherance of any of the aforesaid purposes or conditions;

(i) if any provision of any Transaction Document shall for any reason cease to be valid and binding on, or enforceable against, the Company or any Guarantor, or the Company or any Guarantor shall so assert in writing; or

(j) any Transaction Document (or any financing statement) which purports:

(i) to create, perfect or evidence a lien on or security interest in any Company Collateral or Guarantor Collateral in favor of the Lenders (or their agents and representatives), or to provide for the priority of any such lien or security interest over the interest of any other party in the same Collateral, shall cease to create, or to preserve the enforceability, perfection or priority of, such lien and security interest; or

(ii) to provide for the priority in right of payment of the Company's obligations under the Transaction Documents to or in favor of the Lenders (or their agents or representatives) shall cease to preserve such priority.

7.2. REMEDIES

Upon the occurrence and during the continuance of an Event of Default, any Lender or Lenders of 50% or more of the then outstanding principal amount of the Loans may at any time (unless all defaults shall theretofore have been remedied) at its or their option, by written notice or notices to the Company (a) declare all the Notes to be due and payable, whereupon the same shall forthwith mature and become due and payable, together with interest accrued thereon, without presentment, demand, protest or notice, all of which are hereby waived by the Company; and (b) declare any other amounts payable to the Lenders under this Agreement or as contemplated hereby due and payable; provided, however, that upon the occurrence of an Event of Default under Section 7.1(h), the Notes, together with interest accrued thereon, shall automatically become and be due and payable, without presentment, demand, protest or notice of any kind, or any other action of any Lender of any kind, all of which are hereby waived by the Company.

Notwithstanding anything to the contrary contained in this Section 7.2, in the event that at any time after the principal of the Notes shall so become due and payable and prior to the date of maturity stated in the Notes all arrears of principal of an interest on the Notes (with interest at the rate specified in the Notes on any overdue principal and, to the extent legally enforceable, on any interest overdue) shall be paid by or for the account of the Company, then the holder or holders of fifty percent (50%) or more of the then outstanding principal amount of the Loans, by written notice or notices to the Company, may (but shall not be obligated to) waive such Event of Default and its consequences and rescind or annul such declaration, but no such waiver shall extend to or affect any subsequent Event of Default or impair a right resulting therefrom. If any holder of the Note shall give any notices or take any other action with respect to a claimed default, the Company, forthwith upon receipt of such notice or obtaining knowledge of any such other action, will give notice thereof to all other holders of the Notes, describing such notice or other action and the nature of the claimed default.

7.3. ENFORCEMENT

In case any one or more Events of Default shall occur and be continuing, the Lenders or their agent may proceed to protect and enforce the rights of the Lenders (granted to them or to their agent) by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement in favor of the Lenders or their agent which is contained in any of the Transaction Documents or in such Note or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law (including, without limitation, the right to enforce the Company Collateral, the Guaranties and the Guarantor Collateral, each in accordance with its respective terms). Each Lender agrees that it will give written notice to the other Lenders prior to instituting any such action. In case of a default in the payment of any principal of or interest on any Note, the Company will pay to the holder thereof such further amount as shall be sufficient to cover the cost and the expenses of collection, including, without limitation, reasonable attorney's fees, expenses and disbursements. No course of dealing and no delay on the part of any Lender or their agent in exercising any rights shall operate as a waiver thereof or otherwise prejudice such Lender's or their agent's rights. No right conferred hereby or by any Note upon any holder thereof shall be exclusive of any other right referred to herein or therein or now available at law or in equity, by statute or otherwise.

ARTICLE VIII

INDEMNIFICATION

To the greatest extent permitted by applicable law, the Company agrees to indemnify each Lender, its Affiliates and respective legal counsel, and each of the officers, directors, partners and stockholders of each, against and hold it harmless from all Losses arising out of or resulting from: (i) the breach of any representation or warranty of the Company in any Transaction Document or in any agreement, certificate or instrument delivered pursuant thereto; and (ii) the breach of any agreement by the Company contained in any Transaction Document or any agreement, certificate of instrument delivered pursuant thereto.

ARTICLE IX

AMENDMENT AND WAIVER

No amendment of any provision of this Agreement, including any amendment of this Article IX, shall be valid unless the same shall be in writing and signed by the Company (and the Independent Committee) and holder or holders of fifty percent (50%) or more of the then outstanding principal amount of the Loans. The Lenders acknowledge and agree that any such waiver, consent or amendment executed by the holders of 50% or more of the then outstanding principal amount of the Loans shall be binding and controlling on all Lenders. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder or under any other Transaction Document, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or thereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

ARTICLE X

MISCELLANEOUS

10.1. GOVERNING LAW

This Agreement and the rights of the parties hereunder shall be governed in all respects by the laws of the State of New York wherein the terms of this Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

10.2. SUCCESSORS AND ASSIGNS

Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon and enforceable by and against, the parties hereto and their respective successors, assigns, heirs, executors and administrators. No party may assign any of its rights hereunder without the prior written consent of the other parties; provided, however, that any Lender may assign any of its rights under any of the Transaction Documents to (a) any Affiliate of such Lender or (b) any Person to whom such Lender shall transfer its Note, provided, that in each case the transferee will be subject to the applicable terms of the Transaction Documents to the same extent as if such transferee were an original Lender hereunder.

10.3. ENTIRE AGREEMENT

This Agreement (including the Exhibits and Schedules hereto), the other Transaction Documents and any other documents delivered pursuant hereto and simultaneously herewith constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof.

10.4. NOTICES

All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if transmitted by facsimile or delivered either personally or by a nationally recognized courier service marked for next business day delivery or sent in a sealed envelope by first class mail, postage prepaid and either registered or certified, return receipt requested, addressed as follows:

(b) if to the Company:

Acura Pharmaceuticals, Inc.
616 N. North Court, Suite 120
Palatine, Illinois 60067
Attention: Mr. Andrew D. Reddick
President and Chief Executive Officer
Facsimile: (847) 705-5399

(b) if to a Lender, to the address set forth on the signature page hereto, or to such other address with respect to any party hereto as such party may from time to time notify (as provided above) the other parties hereto. Any such notice, demand or communication shall be deemed to have been given (i) on the date of delivery, if delivered personally, (ii) on the date of facsimile transmission, receipt confirmed, (iii) one business day after delivery to a nationally recognized overnight courier service, if marked for next day delivery, or (iv) five business days after the date of mailing, if mailed.

(c) Copies of any notice, demand or communication given to the Company shall also be delivered to St. John & Wayne, L.L.C., Two Penn Plaza East, Newark, New Jersey, 07105-2249 Attn.: John P. Reilly, Esq., or such other address as may be directed.

10.5. DELAYS, OMISSIONS OR WAIVERS

No delay or omission to exercise any right, power or remedy accruing to any Lender upon any breach or default of the Company under this Agreement shall impair any such right, power or remedy of such Lender nor shall it be construed to be a waiver of any such breach or default, or an acquiescence, therein, or of or in any similar breach or default thereafter occurring. Any permit, consent or approval of any kind or character on the part of any Lender of any breach or default under this Agreement must be made in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Lender, shall be cumulative and not alternative. Notwithstanding anything set forth herein or in any Transaction Document, if the consent of or the waiver by any Lender is needed or otherwise desirable under any Transaction Document and the Company, or any Affiliate thereof, pays or other gives consideration to any Lender, or an Affiliate thereof, for such consent or waiver the Company shall offer the same to all other Lenders.

10.6. INDEPENDENCE OF COVENANTS AND REPRESENTATIONS AND WARRANTIES

All covenants hereunder shall be given independent effect so that if a certain action or condition constitutes a default under a certain covenant, the fact that such action or condition is permitted by another covenant shall not affect the occurrence of such default. In addition, all representations and warranties hereunder shall be given independent effect so that if a particular representation or warranty proves to be incorrect or is breached, the fact that another representation or warranty concerning the same or similar subject matter is correct or is not breached will not affect the incorrectness of or a breach of a representation and warranty hereunder.

10.7. RIGHTS AND OBLIGATIONS; SEVERABILITY

Unless otherwise expressly provided herein, each Lender’s rights and obligations hereunder are several rights and obligations, not rights and obligations jointly held with any other Person. In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

10.8. AGENT’S FEES

The Company hereby (a) represents and warrants that the Company has not retained a finder or broker in connection with the transactions contemplated by this Agreement and (b) agrees to indemnify and to hold the Lenders harmless of and from any liability for commission or compensation in the nature of an agent’s fee to any broker or other Person, and the costs and expenses of defending against such liability or asserted liability, including, without limitation, reasonable attorney’s fees, arising from any act by the Company or any of the Company’s employees or representatives.

10.9. EXPENSES

(a) The Company shall bear its own expenses and legal fees incurred on its behalf with respect to the negotiation, execution and consummation of the transactions contemplated by this Agreement, and, subject to Section 10.9(b) the Company will reimburse each Lender for all of the legal fees and expenses incurred by such Lender's counsel with respect to the negotiation, execution and consummation of the transactions contemplated by this Agreement and the transactions contemplated hereby; provided, however, that the Company's reimbursement obligation under this Section 10.9(a) shall not exceed Ten Thousand Dollars ($10,000) in the aggregate.

(b) If the Loans are not disbursed, then each party shall bear its own expenses and legal fees incurred on its behalf with respect to the negotiation, execution and consummation of the transactions contemplated by this Agreement.

(c) The Company also agrees to reimburse each Lender for all reasonable legal fees and expenses subsequently incurred by such Lender or its agent and their respective Affiliates in connection with the negotiation, execution and consummation of any amendment, waiver or consent with respect to any agreement to which the Company and the Lender or its agent are parties; provided, that such waiver, amendment or consent (i) is requested by the Company or (ii) is required by the terms of the agreement or is required as a result of any action or inaction of the Company in violation of any such agreement.

(d) The Company further agrees to pay or reimburse each Lender and their agent for all out-of-pocket costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, and costs of settlement incurred by the Lenders or their agent after the occurrence of an Event of Default (i) in enforcing any obligation or in foreclosing against the Company Collateral or Guarantors Collateral or exercising or enforcing any other right or remedy available by reason of such Event of Default; (ii) in connection with any negotiation, refinancing or restructuring of, or attempted refinancing or restructuring of, the credit arrangements provided under this Agreement and the other Transaction Documents in the nature of a "work-out" or in any insolvency or bankruptcy proceeding; (iii) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to either Company or any of its Affiliates and related to or arising out of the transactions contemplated hereby or by any of the other Transaction Documents; (iv) in taking any other action in or with respect to any suit or proceeding (whether in bankruptcy or otherwise) arising out of or in connection with this Agreement or any of the other Transaction Documents; (v) in protecting, preserving, collecting, leasing, selling, taking possession of, or liquidating any of the Company Collateral or Guarantors Collateral; or (vi) attempting to enforce or enforcing any security interest in any of the Company Collateral, the Guarantors Collateral or any other rights under any Transaction Document.

10.10. JURISDICTION

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Transaction Documents to which it is a party or to whose benefit it is entitled, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

10.11. WAIVER OF JURY TRIAL

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

10.12. CONFIDENTIALITY

(a) Each of the Lenders hereby agrees to keep (and to cause its Affiliates, employees, agents, attorneys, accountants and other professional advisors to keep) confidential the confidential information provided to it by or on behalf of the Company or its Subsidiaries pursuant to or in connection with the Agreement or any other Transaction Document, provided that, such information may be disclosed (i) solely in connection with the performance of the transactions contemplated by this Agreement and any other Transaction Document to (A) its Affiliates, directors, officers and employees who have a need to know such information and its agents, attorneys, accountants and other professional advisors or (B) the other Lenders, (ii) in response to any order of any court or other governmental or administrative body or agency or as may be required by any law binding upon any of the Lenders, (iii) in connection with the exercise of any remedies under any Transaction Document or the enforcement of rights hereunder and thereunder, (iv) with the consent of the Company or (v) to the extent such information (A) is on the date hereof, or at or before the time such disclosure becomes, publicly available other than as a result of a breach by such disclosing Person of the obligation set forth in this Agreement or (B) at or before the time of such disclosure becomes available to any Lender on a nonconfidential basis from a source other than the Company or its Subsidiaries, which source is not known to the recipient of such information to have breached a confidentiality agreement with the Company or its Subsidiaries in respect of such information.

(b) Each Lender hereby agrees that in the event such Lender is requested or required other than by applicable law (by interrogatory, request for information or documents, subpoena, deposition, civil investigative demand or other process) to disclose any information pursuant to Section 10.12(a)(ii), such Lender will, except to the extent such notice would cause such Lender to be in violation of law, provide the Company with prompt notice of any such request or requirement so that the Company may seek an appropriate protective order or other similar assurance to prevent disclosure of such information or waive compliance with the provisions of this Section 10.12. Such Lender may not oppose action by the Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded such information, provided that such Lender may oppose the Company's action to obtain an appropriate protective order or other reliable assurance in the event that, in connection with any action, suit or other legal or equitable proceeding (including any bankruptcy proceeding), such Lender reasonably believes that the failure to publicly disclose such information would adversely affect such Lender's ability to protect or exercise its rights and remedies hereunder or under any other Transaction Document.

(c) A Lender may also disclose, subject to their compliance with the requirements of Section 10.12(b), such information to the extent the Lender reasonably believe it is appropriate to in connection with any action, suit or other legal or equitable proceeding (including any bankruptcy proceeding) to protect or otherwise exercise their rights and remedies hereunder or under any other Transaction Document in any legal or equitable proceeding.

(d) In furtherance to the foregoing, each of the Lenders agrees that its right to request any information pursuant to Section 5.2(b) or to avail itself of the provisions of Section 5.6(b) shall be conditioned on its continuing compliance with the requirements of this Section 10.12.

10.13. TITLES AND SUBTITLES

The titles of the articles, sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

10.14. COUNTERPARTS

This Agreement may be executed in any number of counterparts, including by facsimile copy, each of which shall be deemed an original, but all of which together shall constitute one instrument.

10.15. MARSHALLING; RECOURSE TO SECURITY; PAYMENTS SET ASIDE

The Lenders shall not be under any obligation to marshal any assets in favor of the Company or any of its Affiliates or any other party or against or in payment of any or all of the Loan or other obligations hereunder. Recourse to security shall not be required at any time. To the extent that the Company makes a payment or payments to a Lender or a Lender enforces its security interests or exercises its rights of setoff, and such payment or payments or the proceeds of such enforcement or setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

ARTICLE XI

CERTAIN DEFINED TERMS

For purposes of this Agreement, the following terms have the meanings indicated (unless otherwise expressly provided herein):

"412 Plan" means a Plan that is subject to Section 412 of the Code.

"1940 Act" means the Investment Company Act of 1940, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the 1940 Act shall be deemed to include any corresponding provisions of future law.

"Additional Lenders" has the meaning provided in Section 1.3.

"Affiliate" has the meaning specified in Rule 501(b) under the Securities Act.

"Approved Accounting Firm" means any firm of independent certified public accountants reasonably acceptable to the Lenders.

"ARCOS" means the Automation of Reports and Consolidated Orders System which monitors the flow of DEA controlled substances from their point of manufacture to point of sale or distribution.

"Board of Directors" means the board of directors of the Company.

"Change of Control" means the occurrence of any of the following: (a) the Company consolidates with, or merges with or into, another Person (other than a direct or indirect wholly owned Subsidiary) or sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of the Company's assets or the assets of the Company and its Subsidiaries taken as a whole to any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which the outstanding Voting Stock of the Company, as the case may be, is converted into or exchanged for cash, securities or other property, other than any such transaction where the outstanding Voting Stock of the Company, as the case may be, is converted into or exchanged for Voting Stock of the surviving or transferee corporation and the beneficial owners of the Voting Stock of the Company immediately prior to such transaction own, directly or indirectly, not less than a majority of the Voting Stock of the surviving or transferee corporation immediately after such transaction, or (b) the Company, either individually or in conjunction with one or more Subsidiaries sells, assigns, conveys, transfers, leases or otherwise disposes of, or the Subsidiaries sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the properties and assets of the Company and its Subsidiaries, taken as a whole (either in one transaction or a series of related transactions), including capital stock of the Subsidiaries, to any Person (other than the Company or a wholly owned Subsidiary of the Company). For purposes of this definition, the term "Voting Stock" of the Company means securities of any class of capital stock of the Company entitling the holders thereof to vote in the election of members of the Board of Directors.

"Code" means the Internal Revenue Code of 1986, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Code shall be deemed to include any corresponding provisions of future law.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make such Loan hereunder. The initial amount of the Commitment of each of Essex, Care Capital and Galen is set forth opposite its signature hereto. The Commitment of each Additional Lender will be set forth opposite its signature on the Joinder Agreement to which it is a party. The aggregate amount of the Commitments of Essex, Care Capital and Galen is $800,000.

"Common Stock" means the common stock, $0.01 par value, of the Company (now or hereafter issued).

"Company General Security Agreement" means that certain Company General Security Agreement of even date herewith by and between the Company and Galen Partners III, L.P, as agent for the Lenders, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"Company Reports" means, collectively, (a) the Company's Annual Reports on Form 10-K for the fiscal years ended December 31, 2004, and (b) the Company's Quarterly Reports on Form 10-Q for the three months ended March 31, 2005 and six months ended June 30, 2005.

"CSA" means Controlled Substances Act, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the CSA shall be deemed to include any corresponding provisions of future law.

"D&O Insurance" means "directors and officers" insurance.

"DEA" means the United States Drug Enforcement Administration.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of ERISA shall be deemed to include any corresponding provisions of future law.

"ERISA Affiliates" means (a) any corporation which at any time on or before the Closing Date is or was a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company, its Subsidiaries, or any ERISA Affiliate; (b) any partnership, trade or business (whether or not incorporated) which at any time on or before the Closing Date is or was under common control (within the meaning of Section 414(c) of the Code) with the Company, its Subsidiaries, or any ERISA Affiliate; and (c) any entity which at any time on or before the Closing Date is or was a member of the same affiliated service group (within the meaning of Section 414(m) of the Code) as the Company, its Subsidiaries or any ERISA Affiliate, or any corporation described in clause (a) or any partnership, trade or business described in clause (b) of this paragraph.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Exchange Act shall be deemed to include any corresponding provisions of future law.

"FDA" means the United States Food and Drug Administration.

"FDC Act" means the federal Food, Drug, and Cosmetic Act, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the FDC Act shall be deemed to include any corresponding provisions of future law.

"Funding Event" means the consummation by the Company or any of its Subsidiaries after the date hereof of (a) any equity or debt financing, or (b) any sale, transfer, license or similar arrangement (including by means of a joint venture) whereby the Company or any of its Subsidiaries sells, transfers, licenses or otherwise grants an interest in any material portion of its assets (including Intellectual Property Rights) to another Person, provided that the consummation of a transaction under Section (a) and/or (b) results in cash proceeds to the Company, net of all costs and expenses, of at least the sum of Four Million Dollars ($4,000,000), plus the aggregate principal amount of the Loans advanced to the Company pursuant to this Agreement.

"Funding Transactions" means the consummation by the Company or any of its Subsidiaries on one or more occasions after the date hereof of (a) any equity financing, and/or (b) any sale, transfer, license or similar arrangement (including by means of a joint venture) whereby the Company or any of its Subsidiaries sells, transfers, licenses or otherwise grants an interest in any material portion of its assets (including Intellectual Property Rights) to another Person.

"GAAP" means generally accepted accounting principles in the United States.

"Guaranties" means the Continuing Unconditional Secured Guaranties of even date herewith by each of the Guarantors.

"Guarantors" means Acura Pharmaceutical Technologies, Inc. and Axiom Pharmaceutical Corporation.

"Guarantors Security Agreement" means that certain Guarantors General Security Agreement of even date herewith by and among the Guarantors and Galen Partners III, L.P, as agent for the Lenders, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"Intellectual Property Rights" means any and all patents, patent applications, trademarks, copyrights, trademark registrations and applications therefore, patent, trademark or trade name licenses, service marks, domain names, contracts with employees or others relating in whole or in part to disclosure, assignment or patenting of any inventions, discoveries, improvements, processes, formulae or other know-how, and all patent, trademark or trade names or copyright licenses which are in force.

"IP Collateral Assignments" means (a) that certain Patent Security Agreement and that certain Trademark Security Agreement, each of even date herewith by and between the Company and Galen Partners III, L.P, as agent for the Lenders, and (b) that certain Trademark Security Agreement of even date herewith by and between Axiom Pharmaceutical Corporation and Galen Partners III, L.P, as agent for the Lenders, as such agreements may be supplemented, amended or otherwise modified from time to time in accordance with their terms.

"IRS" means the Internal Revenue Service.

"Joinder Agreement" means a joinder agreement in the form attached to this Agreement as Exhibit C, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"June 2005 Bridge Loan" means the certain Loan Agreement dated June 22, 2005 by and among the Company and the holders of the June 2005 Notes, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"June 2005 Notes" means those certain Promissory Notes dated June 22, 2005 in the aggregate principal amount of $1,000,000 issued by the Company pursuant to the June 2005 Bridge Loan.

"Leases" any lease and sublease agreements, as amended to date, relating to the Owned Property and the Leased Property.

"Legal Requirements" means any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution, ordinance, code, order, edict, judgment, decree, rule, regulation, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any governmental entity.

"Losses" means any claims, losses, damages, liabilities (or actions in respect thereof), obligations, penalties, awards, judgments, expenses (including, without limitation, reasonable fees and expenses of counsel) or disbursements.

"Material Adverse Effect" means (a) a material adverse effect on, or change in, the business, prospects, properties, operations, condition (financial or other) or results of operations of the Company and its Subsidiaries, taken as a whole, or (b) a material adverse effect on (i) the ability of the Company or any of the Guarantors to perform its respective obligations or (ii) the rights or remedies of any Lender under any Transaction Document.

"PBGC" means the Pension Benefit Guaranty Corporation.

"PCB" means polychlorinated biphenyls.

"Permitted Liens" means the liens permitted by Section 6.2.

"Person" means any individual, corporation, limited liability company, partnership, association, trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" means the Series A Preferred, the Series B Preferred, the Series C-1 Preferred, the Series C-2 Preferred and the Series C-3 Preferred.

"Pro Rata Amount" means, as of any date with respect to a specified Lender, the percentage equal to (a) the number of Shares held by such Lender as of that date, divided by (b) the aggregate number of Shares held by all Lenders as of that date, each determined on an as converted and as if exercised basis; provided, however, that for purposes of calculating the Pro Rata Amount with respect to each of Essex, Care Capital and Galen, the holdings of Shares of GCE Holdings LLC, a limited liability company under common control of such Lenders, shall be allocated 30% to Essex, 27% to Care Capital and 43% to Galen.

"Schedule of Exceptions" means the Schedule of Exceptions attached to this Agreement.

"SEC" means the Securities and Exchange Commission.

"SEC Reports" means any reports, statements, releases or other documents required to be filed by the Company with the SEC under the Exchange Act.

"Securities Act" means the Securities Act of 1933, as amended, and any applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future law.

"Senior Note" means that certain Amended and Restated Note in the principal amount of $5,000,000 issued by the Company pursuant to the Watson Term Loan, and any other promissory notes issued by the Company pursuant to the Watson Term Loan from time to time.

"September 2005 Bridge Loan" means the certain Loan Agreement dated September 16, 2005 by and among the Company and the holders of the September 2005 Notes, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"September 2005 Notes" means those certain Promissory Notes dated September 16, 2005 in the aggregate principal amount of $500,000 issued by the Company pursuant to the September 2005 Bridge Loan.

"Series A Preferred" means the Series A Convertible Preferred Stock, $.01 par value, of the Company (now or hereafter issued).

"Series B Preferred" means the Series B Convertible Preferred Stock, $.01 par value, of the Company (now or hereafter issued).

"Series C-1 Preferred" means the Series C-1 Convertible Preferred Stock, $.01 par value, of the Company (now or hereafter issued).

"Series C-2 Preferred" means the Series C-2 Convertible Preferred Stock, $.01 par value, of the Company (now or hereafter issued).

"Series C-3 Preferred" means the Series C-3 Convertible Preferred Stock, $.01 par value, of the Company (now or hereafter issued).

"Shares" means and includes all shares of Common Stock and Preferred Stock of the Company issued and outstanding at the relevant time plus (a) all shares of Common Stock and Preferred Stock that may be issued upon exercise of any options, warrants and other rights of any kind that are then exercisable, and (b) all shares of Common Stock and Preferred Stock that may be issued upon conversion of (i) any convertible securities, including, without limitation, any debt securities then outstanding, which are by their terms then convertible into or exchangeable for Common Stock or Preferred Stock of the Company or (ii) any such convertible securities issuable upon exercise of options, warrants or other rights that are then exercisable.

"Stock Pledge Agreement" means the Stock Pledge Agreement of even date herewith by and among the Company and Galen Partners III, L.P, as agent for the Lenders, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms.

"Subsidiary" means any entity in which the Company owns securities having a majority of the voting power in the election of directors or persons serving equivalent functions.

"Transaction Documents" means, collectively, (a) this Agreement, (b) the Notes, (c) the Company General Security Agreement, (d) the Guaranties, (e) the Guarantors Security Agreement, (f) the IP Collateral Assignments and (g) the Stock Pledge Agreement.

"Unfunded Pension Liability" means, as of any determination date, the amount, if any, by which the present value of all benefit liabilities (as that term is defined in Section 4001(a)(16) of ERISA) of a plan subject to Title IV of ERISA exceeds the fair market value of all assets of such plan, all determined using the actuarial assumptions that would be used by the PBGC in the event of a termination of the plan on such determination date.

"Watson Term Loan" means that certain Term Loan Agreement dated March 29, 2000 by and between the Company and Watson, as such agreement may be supplemented, amended or otherwise modified from time to time in accordance with its terms, including, without limitation, by the Third Amendment to the Watson Term Loan as of February 6, 2004.

"Withdrawal Liability" has the meaning specified in Section 4201 of ERISA.

[SIGNATURE PAGES TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the date first written above.

ACURA PHARMACEUTICALS, INC.

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: Chief Executive Officer

Commitment:
$17,120

CARE CAPITAL OFFSHORE INVESTMENTS II, LP
By: Care Capital II, LLC, as general partner
47 Hulfish Street, Suite 310
Princeton, NJ 08542

By: /s/ David R. Ramsey
Name: David R. Ramsay
Its: Authorized Signatory

Commitment:
$249,546.66

CARE CAPITAL INVESTMENTS II, LP
By: Care Capital II, LLC, as general partner
47 Hulfish Street, Suite 310
Princeton, NJ 08542

By: /s/ David R. Ramsey
Name: David R. Ramsay
Its: Authorized Signatory

Commitment:
$243,617.51

GALEN PARTNERS III, L.P.
By: Claudius, L.L.C., General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10020

By: /s/ Srini Conjeevaram
Name: Srini Conjeevaram
Its: General Partner

Commitment:
$22.051.58

GALEN PARTNERS INTERNATIONAL, III, L.P.
By: Claudius, L.L.C., General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10020

By: /s/ Srini Conjeevaram
Name: Srini Conjeevaram
Its: General Partner

Commitment:
$997.57

GALEN EMPLOYEE FUND III, L.P.
By: Wesson Enterprises, Inc.
610 Fifth Avenue, 5th Fl.
New York, New York 10020

By: /s/ Bruce F. Wesson
Name: Bruce F. Wesson
Its: General Partner

Commitment:
$266,666.67

ESSEX WOODLANDS HEALTH VENTURES V, L.P.
190 South LaSalle Street, Suite 2800
Chicago, IL 60603

By: /s/ Immanuel Thangaraj
Name: Immanuel Thangaraj
Its: Managing Director

EXHIBIT A

FORM OF NOTE

See attached.

EXHIBIT B

LEGAL OPINION

See attached.

EXHIBIT C

JOINDER AGREEMENT

See Attached.

JOINDER TO LOAN AGREEMENT

THIS JOINDER AGREEMENT ("Joinder Agreement") to the Loan Agreement, dated as of November __, 2004 (the "Agreement") by and among Acura Pharmaceuticals, Inc., a New York corporation (the "Company"), Care Capital Investments II, LP, Care Capital Offshore Investments II, LP, Essex Woodlands Health Ventures V, L.P., Galen Partners III, L.P. and the other Lenders listed on the signature pages thereto, is made and entered into as of _____ __, 2005 by and between the Company and the Lenders set forth on Exhibit A hereto (each a "Lender" and collectively, the "Lenders"). Capitalized terms used herein but not otherwise defined shall have the meanings set forth in the Agreement.

WHEREAS, Lenders have advanced certain term loans to the Company pursuant to the terms of the Agreement as more particularly described as Exhibit A hereto; and

WHEREAS, the Agreement requires each Lender to become a party to the Agreement and certain Transaction Documents, and each Lender agrees to do so in accordance with the terms hereof.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties to this Joinder Agreement hereby agree as follows:

1. Agreement to be Bound. Each Lender hereby agrees that upon execution of this Joinder Agreement, it shall become a party to the Agreement and shall, together with the Company, be fully bound by, subject to, and entitled to the rights and benefits of, all of the covenants, terms and conditions of the Agreement and the following Transaction Documents as though an original party thereto and shall be deemed a Lender for all purposes thereof:

(i) the Company General Security Agreement;
(ii) the Guaranties;
(iii) the Guarantors Security Agreement;
(iv) the IP Collateral Assignments;
(v) the Stock Pledge Agreement; and
(vi) the Subordination Agreement.

2. Successors and Assigns. Except as otherwise provided herein, this Joinder Agreement shall inure to the benefit of, and be binding upon and enforceable against, the parties hereto and their respective successors, assigns, heirs, executors and administrators.

3. Counterparts. This Joinder Agreement may be executed in separate counterparts, including by facsimile, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

4. Notices. For purposes of Section 10.4 of the Agreement, all notices, demands or other communications to the Lender shall be directed to the address set forth on the signature page hereto.

5. Governing Law. This Joinder Agreement and rights of the parties hereunder shall be governed in all respects by the laws of the State of New York wherein the terms of this Joinder Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

6. Consent to Jurisdiction. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

7. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

8. Descriptive Headings. The description headings of this Joinder Agreement are inserted for convenience only and do not constitute a part of this Joinder Agreement.

9. Representations and Warranties. In addition to the representations and warranties contained in the Agreement, the Company hereby represents and warrants to the Purchasers as follows:

(a) The Company has all requisite corporate power and authority (i) to execute and deliver, and to perform and observe its obligations under, this Joinder Agreement and the Transaction Documents to which it is a party, and (ii) to consummate the transactions contemplated hereby and thereby, including, without limitation, the granting of any payment trust or other security arrangement entered into by the Company in connection therewith. The Notes issued by the Company to the Lenders as a result of the Agreement and this Joinder Agreement (A) are issued and sold in full compliance with the Transaction Documents, and (B) are entitled to, and upon issuance will have, the same perfected security, guaranties, and priority under the Transaction Documents as do the Notes issued at the initial Closing.

(b) All corporate action on the part of the Company and its stockholders (if any) necessary for the authorization, execution, delivery and performance by the Company of this Joinder Agreement and the transactions contemplated herein, and for the authorization, issuance and delivery of the Notes hereunder, has been taken.

(c) This Joinder Agreement and the Transaction Documents constitute valid and binding obligations of the Company and the Guarantors enforceable in accordance with their respective terms. The execution, delivery and performance by the Company of this Joinder Agreement and compliance herewith will not result in any violation of and will not conflict with, or result in a breach of any of the terms of, or constitute a default, or accelerate or permit the acceleration of any rights or obligations, under, any provision of state, local, Federal or foreign law to which the Company or either of the Guarantors is subject, the Certificate of Incorporation, as amended, or the By-laws, as amended, of the Company or either of the Guarantors, or any mortgage, indenture, agreement, instrument, judgment, decree, order, rule or regulation or other restriction to which the Company or either of the Guarantors is a party or by which it is bound, and except for Permitted Liens, result in the creation of any mortgage, pledge, lien, encumbrance or charge upon any of the properties or assets of the Company or either of the Guarantors pursuant to any such term.

10. Continuing Effect. Except as otherwise set forth specifically above, the Agreement and the Transaction Documents shall remain in full force and effect in accordance with their respective terms.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Joinder Agreement as of the date first above written.

ACURA PHARMACEUTICALS, INC.

By: _____

Name: Andrew D. Reddick
Title: Chief Executive Officer

LENDERS

Commitment:
$_____

_____
Name: _____
Address: _____
_____
_____

Commitment:
$_____

_____
Name: _____
Address: _____
_____
_____

Commitment:
$_____

_____
Name: _____
Address: _____
_____
_____

SECURED PROMISSORY NOTE

ACURA PHARMACEUTICALS, INC.

$_____ No. N-__

November __, 2005

ACURA PHARMACEUTICALS, INC., a corporation organized under the laws of the State of New York (the "Company"), for value received, hereby promises to pay to _____, or registered assigns (the "Payee" or "Holder"), upon due presentation and surrender of this Secured Promissory Note (this "Note"), on the Maturity Date, the principal amount of [_____] ($_____) and all accrued but unpaid interest thereon as hereinafter provided. As used herein, the "Maturity Date" means June 1, 2006.

This Note was issued by the Company pursuant to a certain Loan Agreement dated as of November _, 2005 among the Company and certain lenders identified therein, including the Payee (together with the Schedules and Exhibits thereto, the "Loan Agreement"). The holders from time to time of the Notes issued under the Loan Agreement (including the Holder) are referred to hereinafter as the "Holders". The Holder is entitled to the benefits of the Loan Agreement, including, without limitation, the rights upon the occurrence and during the continuance of an Event of Default and the benefits of security interests and guaranties referred to below. Reference is made to the Loan Agreement and the documents entered into pursuant thereto with respect to certain additional rights of the Holder and obligations of the Company and its Subsidiaries not expressly set forth herein. Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed thereto in the Loan Agreement. All such rights and obligations set forth in the Loan Agreement are incorporated herein by reference.

ARTICLE I

PAYMENT OF PRINCIPAL AND INTEREST; METHOD OF PAYMENT

1.1. Payment, if any, of the principal and accrued interest on this Note shall be made in cash, in immediately available funds, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Interest (computed on the basis of a 360-day year of twelve 30-day months) shall accrue on the unpaid portion of said principal amount from time to time outstanding at the Stated Interest Rate (as defined below), and shall be paid by the Company to the Payee in arrears on the last day of each calendar quarter unless required to be paid earlier by the terms of the Loan Agreement. Both principal hereof and interest hereon are payable at such address as the Holder shall designate from time to time by written notice to the Company. The Company will pay or cause to be paid all sums becoming due hereon for principal and interest by check or wire transfer, at the Holder's election, and, without any requirement for the presentation of this Note or making any notation thereon, except that the Holder hereof agrees that payment of the final amount due shall be made only upon surrender of this Note to the Company for cancellation. Prior to any sale or other disposition of this instrument, the Holder hereof agrees to endorse hereon the amount of principal paid hereon and the last date to which interest has been paid hereon and to notify the Company of the name and address of the transferee. As used herein, the "Stated Interest Rate" means the rate of (i) ten percent (10%) per annum prior to the occurrence of an Event of Default, and (ii) thirteen percent (13%) per annum after the occurrence of an Event of Default and during the continuance thereof (regardless of whether the Loans have been accelerated), in each case subject to the limitations of applicable law.

1.2. If this Note or any portion hereof becomes due and payable on a Saturday, Sunday or public holiday under the laws of the State of New York, the due date hereof shall be extended to the next succeeding full business day and interest shall be payable at the Stated Interest Rate per annum during such extension. All payments received by the Holder shall be applied first to the payment of all accrued interest payable hereunder.

1.3 The Company shall have the right to prepay the principal amount of this Note, in whole or in part, at any time without penalty or premium. Any prepayment of principal shall be accompanied by a payment of all interest accrued and unpaid on the portion of the principal amount being prepaid. In addition, this Note is subject to mandatory prepayment as provided in the Loan Agreement.

ARTICLE II

SECURITY

2.1. The obligations of the Company under this Note are secured pursuant to security interests on and collateral assignments of, assets, tangible and intangible, of the Company granted by the Company to the Holder and the other Holders (or their agent) pursuant to a General Security Agreement of even date herewith, and the collateral assignments referred to in the Loan Agreement. In addition, each of Acura Pharmaceutical Technologies, Inc. ("APT") and Axiom Pharmaceutical Corporation, each a wholly owned subsidiary of the Company (individually a "Guarantor" and collectively, the "Guarantors"), has executed and delivered in favor of the Holder and the other Holders (or their agent) a Continuing Unconditional Guaranty, dated an even date herewith (each a "Guarantee"), guaranteeing the full and unconditional payment when due of the amounts payable by the Company to the Holder and the other Holders pursuant to the terms of their respective Notes. The obligations of each Guarantor under its Guaranty are secured pursuant to security interests on and collateral assignments of, assets, tangible and intangible, of such Guarantor granted by the Guarantor to the Holder and the other Holders (or their agent) pursuant to a security agreement of even date herewith, and the collateral assignments referred to in the Loan Agreement.

ARTICLE III

MISCELLANEOUS

3.1. Default. Subject to the terms of the Loan Agreement, upon the occurrence of any one or more of the Events of Default specified in the Loan Agreement all amounts then remaining unpaid on this Note may be declared to be, or automatically become, immediately due and payable as provided in the Loan Agreement.

3.2. Collection Costs. In the event that this Note shall be placed in the hands of an attorney for collection by reason of any event of default hereunder, the undersigned agrees to pay reasonable attorney's fees and disbursements and other reasonable expenses incurred by the Holder or its agent in connection with the collection of this Note. In addition, the undersigned shall be responsible for all other expenses of the Holder and its agent to the extent provided by the Loan Agreement.

3.3. Rights Cumulative; Specific Performances. The rights, powers and remedies given to the Payee under this Note shall be in addition to all rights, powers and remedies given to it by virtue of the Loan Agreement, any document or instrument executed in connection therewith, or any statute or rule of law.

3.4. No Waivers. Any forbearance, failure or delay by the Payee in exercising any right, power or remedy under this Note, the Loan Agreement, any documents or instruments executed in connection therewith or otherwise available to the Payee shall not be deemed to be a waiver of such right, power or remedy, nor shall any single or partial exercise of any right, power or remedy preclude the further exercise thereof.

3.5. Amendments in Writing. Subject to the terms of the Loan Agreement, no amendment, modification or waiver of any provision of this Note shall be effective unless it shall be in writing and signed by the Holder, and any such amendment, modification or waiver shall apply only in the specific instance for which given.

3.6. Governing Law; Jurisdiction. (a) This Note and the rights of the holders hereof shall be governed by, and construed in accordance with, the laws of the State of New York wherein the terms of this Note were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

(b) The undersigned hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. The undersigned agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or any other manner provided by law. Nothing in this Note or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Note or any of the other Transaction Documents in the courts of any jurisdiction.

(c) The Company irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Note or any other transaction document to which it is a party in any such New York State or United States Federal Court. The Company hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

3.7. No Counterclaims. The Company waives the right to interpose counterclaims or set-offs of any kind and description in any litigation arising hereunder (whether or not arising out of or relating to this Note).

3.8. Successors. The term "Payee" and "Holder" as used herein shall be deemed to include the Holder and its successors, endorsees and assigns.

3.9. Certain Waivers. The Company hereby waives presentment, demand for payment, protest, notice of protest and notice of non-payment hereof.

3.10. Mutilated, Lost, Stolen or Destroyed Notes. In case this Note shall be mutilated, lost, stolen or destroyed, the Company shall issue and deliver in exchange and substitution for and upon cancellation of the mutilated Note, or in lieu of and substitution for the Note, mutilated, lost, stolen or destroyed, a new Note of like tenor and representing an equivalent right or interest, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction and an indemnity, if requested, also reasonably satisfactory to it (but without requirement of posting any bond).

3.11. Maintenance of Office. The Company covenants and agrees that so long as this Note shall be outstanding, it will maintain an office or agency in New York (or such other place as the Company may designate in writing to the holder of this Note) where notices, presentations and demands to or upon the Company in respect of this Note may be given or made.

3.12. WAIVER OF JURY TRIAL. THE COMPANY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS DEBENTURE OR ANY OTHER TRANSACTION DOCUMENT TO WHICH IT IS A PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

IN WITNESS WHEREOF, Acura Pharmaceuticals, Inc. has caused this Note to be signed by its authorized officer and to be dated the day and year first above written.

ATTEST [SEAL]

ACURA PHARMACEUTICALS, INC.

By: _____

Name: Peter Cleme
Title: Senior Vice President and CFO

ATTACHMENT I

Assignment

For value received, the undersigned hereby assigns subject to the provisions of the Loan Agreement, to _____ $_____ principal amount of the Secured Promissory Note evidenced hereby and hereby irrevocably appoints _____ attorney to transfer the Note on the books of the within named corporation with full power of substitution in the premises.

Dated:

In the presence of:

_____ _____

CHIDMS1/569044.2

SUBORDINATION AGREEMENT, dated as of November 9, 2005, by and among Acura Pharmaceuticals, Inc., a New York corporation (the "Company"), the legal and beneficial holders of the Watson Note (the "Watson Holders"), the holders of the June 2005 Notes (the "June 2005 Lenders"), the holders of the September 2005 Notes (the "September 2005 Lenders"), the holders of the November 2005 Notes (the "November 2005 Lenders"), Galen Partners III, L.P., a Delaware limited partnership, as agent for the Watson Holders, the June 2005 Lenders, the September 2005 Lenders and the November 2005 Lenders (in such capacity, the "Agent") and the Grantors listed on the signature pages hereof.

RECITALS

(A) Certain capitalized terms used in this Agreement without definition have the meaning ascribed to them in Section 1 below.

(B) WHEREAS, Watson Pharmaceuticals, Inc., a Nevada corporation ("Watson") and the Company have entered into a Loan Agreement dated March 29, 2000 (such agreement, as supplemented, amended or otherwise modified from time to time, including, without limitation, as amended through the Third Amendment to Loan Agreement dated February 6, 2004, the "Watson Loan Agreement") pursuant to which Watson agreed to extend certain funds to the Company. The Company's obligation to pay the principal amount of, and interest on, the Watson Term Loan is now evidenced by a secured promissory note dated as of December 20, 2002 (the "Watson Note") which is secured by (i) a lien on and security interest in the Company Personal Property granted pursuant to the Watson Security Agreement dated March 29, 2000 between the Company and Watson (such agreement, as amended, supplemented, or otherwise modified from time to time, the "Watson Security Agreement"), (ii) collateral assignments of the Company Assignable Property pursuant to the Watson Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "Watson Assignments"), and (iii) a lien on and security interest in the Company Investment Property pursuant to a Stock Pledge Agreement between the Company and Watson (such agreement, as amended, supplemented, or otherwise modified from time to time, the "Watson Stock Pledge Agreement").

(C) WHEREAS, in connection with, and in order to support the obligations of the Company under, the Watson Loan Agreement, each of the Guarantors has guaranteed the Company's obligations under the Watson Term Loan and has undertaken certain additional obligations pursuant to the Continuing Unconditional Secured Guaranty by each Guarantor dated March 29, 2000 (each such guaranty and all other obligations of each of the Guarantors under the Watson Loan Agreement, in each case, as they may be amended, supplemented or otherwise modified from time to time, a "Watson Guaranty"). The Watson Guaranties are secured by (i) a lien on and security interest in the Guarantor Personal Property of each Guarantor granted pursuant to a Guarantors General Security Agreement dated March 29, 2000 between the Guarantors and Watson (such agreement, as amended, supplemented, or otherwise modified from time to time, the "Watson Guarantors General Security Agreement"), (ii) collateral assignments of the Guarantor Assignable Property of each Guarantor pursuant to the Watson Guarantors General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "Watson Guarantor Assignments"), and (iii) a mortgage granted by Acura Pharmaceutical Technologies, Inc. to Watson of its Guarantor Mortgage Property (such mortgage, as amended, supplemented, or otherwise modified from time to time, the "Watson Mortgage").

(D) WHEREAS, the June 2005 Lenders and the Company have entered into a Loan Agreement dated as of June 22, 2005 (such agreement, as amended, supplemented, or otherwise modified from time to time, the "June 2005 Loan Agreement") pursuant to which the Company has issued the June 2005 Notes. The June 2005 Notes are secured by (i) liens and security interests granted pursuant to the Company General Security Agreement dated as of June 22, 2005 between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "June 2005 Company General Security Agreement"), (ii) collateral assignments of the Company Assignable Property pursuant to the June 2005 Company General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "June 2005 Assignments"), and (iii) a lien on and security interest in the Company Investment Property pursuant to a Stock Pledge Agreement between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "June 2005 Stock Pledge Agreement").

(E) WHEREAS, as a condition to the June 2005 Lenders' obligation to lend sums under the June 2005 Loan Agreement and in order to support the Obligations of the Company under the June 2005 Loan Agreement, each of the Guarantors has guaranteed the Company's Obligations under the June 2005 Notes and the June 2005 Loan Agreement and has undertaken certain additional obligations pursuant to the Continuing Unconditional Secured Guaranty by each Guarantor dated as of June 22, 2005 (each such guaranty and all other obligations of each of the Guarantors under the June 2005 Loan Agreement, in each case, as they may be amended, supplemented or otherwise modified from time to time, a "June 2005 Guaranty"). The June 2005 Guaranties are secured by (i) a lien on and security interest in the Guarantor Personal Property of each Guarantor granted pursuant to a Guarantors General Security Agreement dated as of June 22, 2005 between the Guarantors and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "June 2005 Guarantors General Security Agreement") and (ii) collateral assignments of the Guarantor Assignable Property of each Guarantor pursuant to the June 2005 Guarantors General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "June 2005 Guarantor Assignments").

(F) WHEREAS, the September 2005 Lenders and the Company have entered into a Loan Agreement dated as of September 16, 2005 (such agreement, as amended, supplemented, or otherwise modified from time to time, the "September 2005 Loan Agreement") pursuant to which the Company has agreed to issue the September 2005 Notes. The September 2005 Notes are secured by (i) liens and security interests granted pursuant to the Company General Security Agreement dated as of September 16, 2005 between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "September 2005 Company General Security Agreement"), (ii) collateral assignments of the Company Assignable Property pursuant to the September 2005 Company General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "September 2005 Assignments"), and (iii) a lien on and security interest in the Company Investment Property pursuant to a Stock Pledge Agreement between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "September 2005 Stock Pledge Agreement").

(G) WHEREAS, as a condition to the September 2005 Lenders' obligation to lend sums under the September 2005 Loan Agreement and in order to support the Obligations of the Company under the September 2005 Loan Agreement, each of the Guarantors has guaranteed the Company's Obligations under the September 2005 Notes and the September 2005 Loan Agreement and has undertaken certain additional obligations pursuant to the Continuing Unconditional Secured Guaranty by each Guarantor dated as of September 16, 2005 (each such guaranty and all other obligations of each of the Guarantors under the September 2005 Loan Agreement, in each case, as they may be amended, supplemented or otherwise modified from time to time, a "September 2005 Guaranty"). The September 2005 Guaranties are secured by (i) a lien on and security interest in the Guarantor Personal Property of each Guarantor granted pursuant to a Guarantors General Security Agreement dated as of September 16, 2005 between the Guarantors and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "September 2005 Guarantors General Security Agreement") and (ii) collateral assignments of the Guarantor Assignable Property of each Guarantor pursuant to the September 2005 Guarantors General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "September 2005 Guarantor Assignments").

(H) WHEREAS, in connection with the execution of the September 2005 Loan Agreement, the Company, Agent, the Watson Holders, the June 2005 Lenders and the September 2005 Lenders entered into a Subordination Agreement dated as of September 16, 2005 (the "September 2005 Subordination Agreement").

(I) WHEREAS, the November 2005 Lenders and the Company have entered into a Loan Agreement dated as of the date hereof (such agreement, as amended, supplemented, or otherwise modified from time to time, the "November 2005 Loan Agreement") pursuant to which the Company has agreed to issue the November 2005 Notes. The November 2005 Notes are, or will be, secured by (i) liens and security interests granted pursuant to the Company General Security Agreement dated as of the date hereof between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "November 2005 Company General Security Agreement"), (ii) collateral assignments of the Company Assignable Property pursuant to the November 2005 Company General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "November 2005 Assignments"), and (iii) a lien on and security interest in the Company Investment Property pursuant to a Stock Pledge Agreement between the Company and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "November 2005 Stock Pledge Agreement").

(J) WHEREAS, as a condition to the November 2005 Lenders' obligation to lend sums under the November 2005 Loan Agreement and in order to support the Obligations of the Company under the November 2005 Loan Agreement, each of the Guarantors has guaranteed the Company's Obligations under the November 2005 Notes and the November 2005 Loan Agreement and has undertaken certain additional obligations pursuant to the Continuing Unconditional Secured Guaranty by each Guarantor dated as of as of the date hereof (each such guaranty and all other obligations of each of the Guarantors under the November 2005 Loan Agreement, in each case, as they may be amended, supplemented or otherwise modified from time to time, a "November 2005 Guaranty"). The November 2005 Guaranties are, or will be, secured by (i) a lien on and security interest in the Guarantor Personal Property of each Guarantor granted pursuant to a Guarantors General Security Agreement dated as of the date hereof between the Guarantors and the Agent (such agreement, as amended, supplemented, or otherwise modified from time to time, the "November 2005 Guarantors General Security Agreement") and (ii) collateral assignments of the Guarantor Assignable Property of each Guarantor pursuant to the November 2005 Guarantors General Security Agreement or otherwise (such collateral assignments, as amended, supplemented, or otherwise modified from time to time, collectively the "November 2005 Guarantor Assignments").

(K) WHEREAS, it is a condition to closing under the November 2005 Loan Agreement that the parties hereto shall have entered into this Agreement to confirm, among other things, their relative rights with respect to the Company Collateral and the Guarantor Collateral.

NOW THEREFORE, in consideration of the foregoing and the mutual promises and agreements hereinafter contained, the parties hereto agree as follows:

SECTION 1. Definitions. (a) As used herein, the following terms have the following meanings:

"Agent" has the meaning specified in the introductory paragraph of this Agreement.

this "Agreement" means this Subordination Agreement, as it may be supplemented, amended or otherwise modified from time to time.

"Bankruptcy Proceeding" means, in the case of any Grantor, each of the following: (a) any distribution of all or any of the assets of such Grantor upon the dissolution, winding up, total or partial liquidation, arrangement, reorganization, adjustment, protection, relief or composition of such Grantor or its debts, whether in any bankruptcy, insolvency, arrangement, reorganization, receivership or relief proceeding or similar case or proceeding under any Federal or state bankruptcy or similar law and (b) any assignment for the benefit of creditors of any other marshalling of the assets and liabilities of such Grantor or otherwise.

"Cash Obligations" means, as at any time, the Obligations of the Company or any Guarantor, as applicable, to the extent then payable in cash.

"Collateral" means, collectively, the Company Collateral and the Guarantor Collateral of all Guarantors.

"Company" has the meaning specified in the introductory paragraph of this Agreement.

"Company Assignable Property" means, collectively, all of the Company's leases, contracts, patents, copyrights, trademarks and service marks, now owned or existing or hereafter acquired or arising.

"Company Collateral" means, collectively, the Company Personal Property, the Company Assignable Property and Company Investment Property.

"Company Investment Property" means all of the issued and outstanding shares of Acura Pharmaceutical Technologies, Inc. and Axiom Pharmaceutical Corporation.

"Company Personal Property" means all of the Company's properties and assets of whatever nature, tangible or intangible, now owned or existing or hereafter acquired or arising.

"Company Security Documents" means, collectively, the Watson Company Security Documents, the June 2005 Company Security Documents, the September 2005 Company Security Documents and the November 2005 Company Security Documents.

"Grantors" means the Company, Axiom Pharmaceutical Corporation, a Delaware corporation, and Acura Pharmaceutical Technologies, Inc., an Indiana corporation, and each other subsidiary or affiliate of the Company that is or becomes a party to any Security Document or any Guaranty Security Document.

"Guarantors" means Axiom Pharmaceutical Corporation, a Delaware corporation, and Acura Pharmaceutical Technologies, Inc., an Indiana corporation, and each other subsidiary or affiliate of the Company that is or becomes a party to any Security Document.

"Guarantor Assignable Property" means, collectively, in respect of any Guarantor, all of such Guarantor's leases, contracts, patents, copyrights, trademarks and service marks, now owned or existing or hereafter acquired or arising.

"Guarantor Collateral" means, collectively, in respect of any Guarantor, (a) its Guarantor Personal Property, (b) its Guarantor Assignable Property and (c) if such Guarantor is Acura Pharmaceutical Technologies, Inc., its Guarantor Mortgage Property.

"Guarantor Mortgage Property" means Acura Pharmaceutical Technologies, Inc.'s real property located at 16235 State Road 17, Culver, Indiana.

"Guarantor Personal Property" means, in respect of either Guarantor, all of such Guarantor's properties and assets of whatever nature, tangible or intangible, now owned or existing or hereafter acquired or arising.

"Guarantor Security Documents" means, collectively, the Watson Guarantor Security Documents, the June 2005 Guarantor Security Documents, the September 2005 Guarantor Security Documents and the November 2005 Guarantor Security Documents.

"Guaranty Documents" means, collectively, the Watson Guaranties, the June 2005 Guaranties, the September 2005 Guaranties and the November 2005 Guaranties.

"June 2005 Company General Security Agreement" has the meaning specified in the recitals.

"June 2005 Company Security Documents" means, collectively, the June 2005 Company General Security Agreement, the June 2005 Assignments and the June 2005 Stock Pledge Agreement.

"June 2005 Guarantor Security Documents" means, collectively, the June 2005 Guarantors General Security Agreement and the June 2005 Guarantor Assignments.

"June 2005 Guarantors General Security Agreement" has the meaning specified in the recitals.

"June 2005 Guaranty" has the meaning specified in the recitals.

"June 2005 Lenders" has the meaning specified in the introductory paragraph of this Agreement.

"June 2005 Loan Agreement" has the meaning specified in the recitals.

"June 2005 Loan Maximum Amount" means, at any time, an amount equal to the sum of (a) the aggregate principal amount of all June 2005 Notes then outstanding, (b) without duplication, the aggregate amount of unpaid interest theretofore accrued on the June 2005 Notes, and (c) without duplication, the aggregate amount of all costs, expenses, fees, indemnities and other amounts payable in respect of the June 2005 Notes, the June 2005 Loan Agreement, the June 2005 Guaranties, the June 2005 Company Security Documents and the June 2005 Guarantor Security Documents.

"June 2005 Notes" means the Company's Secured Promissory Notes (as amended, supplemented or otherwise modified from time to time) issued from time to time under the June 2005 Loan Agreement.

"June 2005 Stock Pledge Agreement" has the meaning specified in the recitals.

"Junior Secured Party", as to any item of Collateral, and as to Secured Creditors purporting to have liens on and securities interests in such item under the Security Documents, means one such Secured Creditor whose lien on and security interest in such item (and to the extent such lien on and security interest in such item) is stated in Section 2 hereof to be junior in right to the liens and security interests of one or more such other Secured Creditors on and in such item.

"Obligations" of the Company or any Guarantor means, at any time, any loans, advances, debts, liabilities and obligations of the Company or such Guarantor, (a) in the case of the Company, under the November 2005 Notes, the November 2005 Loan Agreement, the September 2005 Notes, the September 2005 Loan Agreement, the June 2005 Notes, the June 2005 Loan Agreement and the Watson Loan Agreement; and (b) in the case of any Guarantor, under its Watson Guaranty, its November 2005 Guaranty, its September 2005 Guaranty and its June 2005 Guaranty, in each case, whether matured or unmatured, contingent or liquidated and whether for principal, accrued and unpaid interest (including, without limitation, interest accruing after the filing of a petition, or other act, initiating a Bankruptcy Proceeding), accrued and unpaid expenses, indemnities, fees (including attorneys fees and disbursements) or otherwise, whether or not such obligations are due and payable at such time.

"November 2005 Company General Security Agreement" has the meaning specified in the recitals.

"November 2005 Company Security Documents" means, collectively, the November 2005 Company General Security Agreement, the November 2005 Assignments and the November 2005 Stock Pledge Agreement.

"November 2005 Guarantor Security Documents" means, collectively, the November 2005 Guarantors General Security Agreement and the November 2005 Guarantor Assignments.

"November 2005 Guarantors General Security Agreement" has the meaning specified in the recitals.

"November 2005 Guaranty" has the meaning specified in the recitals.

"November 2005 Lenders" has the meaning specified in the introductory paragraph of this Agreement.

"November 2005 Loan Agreement" has the meaning specified in the recitals.

"November 2005 Loan Maximum Amount" means, at any time, an amount equal to the sum of (a) the aggregate principal amount of all November 2005 Notes then outstanding, (b) without duplication, the aggregate amount of unpaid interest theretofore accrued on the November 2005 Notes, and (c) without duplication, the aggregate amount of all costs, expenses, fees, indemnities and other amounts payable in respect of the November 2005 Notes, the November 2005 Loan Agreement, the November 2005 Guaranties, the November 2005 Company Security Documents and the November 2005 Guarantor Security Documents.

"November 2005 Notes" means the Company’s Secured Promissory Notes (as amended, supplemented or otherwise modified from time to time) issued from time to time under the November 2005 Loan Agreement.

"November 2005 Stock Pledge Agreement" has the meaning specified in the recitals.

“Required June 2005 Lenders” means June 2005 Lenders holding at least sixty percent (60%) of the outstanding principal amount under the June 2005 Notes.

“Required November 2005 Lenders” means November 2005 Lenders holding at least fifty percent (50%) of the outstanding principal amount under the November 2005 Notes.

“Required Senior Secured Parties” means the Required November 2005 Lenders, the Required September 2005 Lenders and the Required June 2005 Lenders.

“Required September 2005 Lenders” means September 2005 Lenders holding at least sixty percent (60%) of the outstanding principal amount under the September 2005 Notes;

“Required Watson Holders” means Watson Holders holding at least sixty percent (60%) of the outstanding principal amount under the Watson Notes.

"Person" means any individual, corporation, limited liability company, partnership, association, trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Secured Creditors" means the Watson Holders, the June 2005 Lenders, the September 2005 Lenders and the November 2005 Lenders and their respective agents, permitted successors, transferees and assigns, in their respective capacities as the beneficiaries under the Security Documents and the Guaranty Documents, respectively (whether named in such agreement or as an assignee thereof).

"Security Documents" means, collectively, the Company Security Documents and the Guarantor Security Documents.

"Senior Secured Party", as to any item of Collateral, and as to Secured Creditors purporting to have liens on and security interests in such item under the Security Documents, means one such Secured Creditor whose lien on and security interest in such item (and to the extent such lien on and security interest in such item) is stated in Section 2 hereof to be senior and prior in right to the liens and security interests of one or more such other Secured Creditors on and in such item.

"September 2005 Company General Security Agreement" has the meaning specified in the recitals.

"September 2005 Company Security Documents" means, collectively, the September 2005 Company General Security Agreement, the September 2005 Assignments and the September 2005 Stock Pledge Agreement.

"September 2005 Guarantor Security Documents" means, collectively, the September 2005 Guarantors General Security Agreement and the September 2005 Guarantor Assignments.

"September 2005 Guarantors General Security Agreement" has the meaning specified in the recitals.

"September 2005 Guaranty" has the meaning specified in the recitals.

"September 2005 Lenders" has the meaning specified in the introductory paragraph of this Agreement.

"September 2005 Loan Agreement" has the meaning specified in the recitals.

"September 2005 Loan Maximum Amount" means, at any time, an amount equal to the sum of (a) the aggregate principal amount of all September 2005 Notes then outstanding, (b) without duplication, the aggregate amount of unpaid interest theretofore accrued on the September 2005 Notes, and (c) without duplication, the aggregate amount of all costs, expenses, fees, indemnities and other amounts payable in respect of the September 2005 Notes, the September 2005 Loan Agreement, the September 2005 Guaranties, the September 2005 Company Security Documents and the September 2005 Guarantor Security Documents.

"September 2005 Notes" means the Company's Secured Promissory Notes (as amended, supplemented or otherwise modified from time to time) issued from time to time under the September 2005 Loan Agreement.

"September 2005 Stock Pledge Agreement" has the meaning specified in the recitals.

"September 2005 Subordination Agreement" has the meaning specified in the recitals.

"Transaction Documents" means, collectively, (a) this Agreement, (b) the November 2005 Loan Agreement, (c) the November 2005 Notes, (d) the September 2005 Loan Agreement, (e) the September 2005 Notes, (f) the June 2005 Loan Agreement, (g) the June 2005 Notes, (h) the Watson Loan Agreement, (i) the Watson Note, (j) the Security Documents, and (k) the Guaranty Documents.

"Watson" has the meaning specified in the recitals.

"Watson Holders" has the meaning specified in the introductory paragraph of this Agreement.

"Watson Company Security Documents" means, collectively, the Watson Security Agreement, the Watson Assignments and the Watson Stock Pledge Agreement.

"Watson Guarantor Security Documents" means, collectively, the Watson Guarantors General Security Agreement, the Watson Guarantor Assignments and the Watson Mortgage.

"Watson Guaranty" has the meaning specified in the recitals.

"Watson Guarantors General Security Agreement" has the meaning specified in the recitals.

"Watson Loan Agreement" has the meaning specified in the recitals.

"Watson Maximum Amount" means, at any time, an amount equal to the sum of (a) $5,000,000, (b) without duplication, the aggregate amount of unpaid interest theretofore accrued on the Watson Term Loan and (c) without duplication, the aggregate amount of all costs, expenses, fees, indemnities and other amounts payable in respect of the Watson Loan Agreement, the Watson Note, the Watson Guaranties, the Watson Company Security Documents and the Watson Guarantor Security Documents.

"Watson Mortgage" has the meaning specified in the recitals.

"Watson Note" has the meaning specified in the recitals.

"Watson Security Agreement" has the meaning specified in the recitals.

"Watson Stock Pledge Agreement" has the meaning specified in the recitals.

"Watson Term Loan" means the term loan in the principal amount of $5,000,000 (as amended, supplemented, or otherwise modified from time to time) evidenced by the Watson Note.

(b) UCC Terms. Terms defined in Article 9 of the Uniform Commercial Code in effect in the State of New York (or in any other State, including, without limitation, the State of Indiana, to the extent that the Uniform Commercial Code in effect in such State is to be applied pursuant to the terms hereof) and not otherwise defined herein are used as therein defined.

SECTION 2. Priorities. (a) (i) The parties hereto hereby agree to the following priorities of interest in the Company Collateral:

The liens and securities interests of the November 2005 Lenders (under the November 2005 Company Security Documents) on and in the Company Collateral, securing the Company's Obligations to the November 2005 Lenders (up to an aggregate amount equal to the November 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the September 2005 Lenders under the September 2005 Company Security Documents, the June 2005 Lenders under the June 2005 Company Security Documents and the Watson Holders under the Watson Company Security Documents.

The liens and securities interests of the September 2005 Lenders (under the September 2005 Company Security Documents) on and in the Company Collateral, securing the Company's Obligations to the September 2005 Lenders (up to an aggregate amount equal to the September 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the June 2005 Lenders under the June 2005 Company Security Documents and the Watson Holders under the Watson Company Security Documents.

The liens and security interests of the June 2005 Lenders (under the June 2005 Company Security Documents) on and in the Company Collateral, securing the Company's Obligations to the June 2005 Lenders (up to an aggregate amount equal to the June 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the Watson Holders under the Watson Company Security Documents.

The liens and security interests of the Watson Holders (under the Watson Company Security Documents) on and in the Company Collateral securing the Company's Obligations to the Watson Holders (up to an aggregate amount equal to the Watson Maximum Amount in effect from time to time) shall at all times be junior and subordinate in right to the liens thereon and security interests therein of the November 2005 Lenders under the November 2005 Company Security Documents, the September 2005 Lenders under the September 2005 Company Security Documents and the June 2005 Lenders under the June 2005 Company Security Documents.

(ii) The parties hereto hereby agree to the following priorities of interest in the Guarantor Collateral of each Guarantor:

The liens and security interests of the November 2005 Lenders (under the November 2005 Guarantor Security Documents) on and in the Guarantor Collateral of such Guarantor, securing such Guarantor's Obligations under its November 2005 Guaranty (in respect of the Company's Obligations to the November 2005 Lenders up to an aggregate amount equal to the November 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the September 2005 Lenders under the September 2005 Guarantor Security Documents, the June 2005 Lenders under the June 2005 Guarantor Security Documents and the Watson Holders under the Watson Guarantor Security Documents.

The liens and security interests of the September 2005 Lenders (under the September 2005 Guarantor Security Documents) on and in the Guarantor Collateral of such Guarantor, securing such Guarantor's Obligations under its September 2005 Guaranty (in respect of the Company's Obligations to the September 2005 Lenders up to an aggregate amount equal to the September 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the June 2005 Lenders under the June 2005 Guarantor Security Documents and the Watson Holders under the Watson Guarantor Security Documents.

The liens and security interests of the June 2005 Lenders (under the June 2005 Guarantor Security Documents) on and in the Guarantor Collateral of such Guarantor, securing such Guarantor's Obligations under its June 2005 Guaranty (in respect of the Company's Obligations to the June 2005 Lenders up to an aggregate amount equal to the June 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right to the liens thereon and security interests therein of the Watson Holders under the Watson Guarantor Security Documents.

The liens and security interests of the Watson Holders (under the Watson Guarantor Security Documents) on and in the Guarantor Collateral of such Guarantor securing such Guarantor's Obligations under its Watson Guaranty (in respect of the Company's Obligations to the Watson Holders up to an aggregate amount equal to the Watson Maximum Amount in effect from time to time) shall at all times be junior and subordinate in right to the liens thereon and security interests therein of the November 2005 Lenders under the November 2005 Guarantor Security Documents, the September 2005 Lenders under the September 2005 Guarantor Security Documents and the June 2005 Lenders under the June 2005 Guarantor Security Documents.

(b) (i) The parties hereto hereby agree to the following priorities in right of payment of the Company's Cash Obligations:

The Company's Cash Obligations under the November 2005 Notes and the November 2005 Loan Agreement (up to an aggregate amount equal to the November 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to the Company's Cash Obligations under the September 2005 Loan Agreement, the September 2005 Notes, the June 2005 Loan Agreement, the June 2005 Notes, the Watson Loan Agreement and the Watson Note.

The Company's Cash Obligations under the September 2005 Notes and the September 2005 Loan Agreement (up to an aggregate amount equal to the September 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to the Company's Cash Obligations under the June 2005 Loan Agreement, the June 2005 Notes, the Watson Loan Agreement and the Watson Note.

The Company's Cash Obligations under the June 2005 Notes and the June 2005 Loan Agreement (up to an aggregate amount equal to the June 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to the Company's Cash Obligations under the Watson Loan Agreement and the Watson Note.

The Company's Cash Obligations under the Watson Loan Agreement (up to an aggregate amount equal to the Watson Maximum Amount in effect from time to time) shall at all time be junior and subordinate in right of payment to the Company's Cash Obligations under the November 2005 Notes, the November 2005 Loan Agreement, the September 2005 Notes, the September 2005 Loan Agreement, the June 2005 Notes and the 2005 Loan Agreement.

(ii) The parties hereto hereby agree to the following priorities in right of payment of each Guarantor's Cash Obligations:

Such Guarantor's Cash Obligations under its November 2005 Guaranty in respect of the Company's Obligations to the November 2005 Lenders (up to an aggregate amount equal to the November 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to such Guarantor's Cash Obligations under its September 2005 Guaranty, its June 2005 Guaranty and its Watson Guaranty.

Such Guarantor's Cash Obligations under its September 2005 Guaranty in respect of the Company's Obligations to the September 2005 Lenders (up to an aggregate amount equal to the September 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to such Guarantor's Cash Obligations under its June 2005 Guaranty and its Watson Guaranty.

Such Guarantor's Cash Obligations under its June 2005 Guaranty in respect of the Company's Obligations to the June 2005 Lenders (up to an aggregate amount equal to the June 2005 Loan Maximum Amount in effect from time to time) shall at all times be senior and prior in right of payment to such Guarantor's Cash Obligations under its Watson Guaranty.

Such Guarantor's Cash Obligations under its Watson Guaranty in respect of the Company's Obligations to the Watson Holders (up to an aggregate amount equal to the Watson Maximum Amount in effect from time to time) shall at all times be junior and subordinate in right of payment to such Guarantor's Cash Obligations under its November 2005 Guaranty, its September 2005 Guaranty and its June 2005 Guaranty.

For the avoidance of doubt, nothing in this Section 2(b) shall apply at any time to any Obligations of the Company or any Guarantor to the extent that they are not then Cash Obligations.

(c) Except as otherwise provided in Sections 2(a) and 2(b) hereof, no Secured Creditor shall have any lien or security interest which is prior to the lien and security interest of any other Secured Creditor in any item of Collateral covered by the Company Security Documents or the Guarantor Security Documents.

(d) So long as any Person is a Secured Creditor, the priorities set forth in this Agreement are applicable irrespective of the order of creation, attachment or perfection of any lien or security interest arising under the Security Documents (whether or not such security interests have been perfected) or any priority that might otherwise be available to such Secured Creditor under applicable law and notwithstanding any representation or warranty of the Company or any of the Guarantors to the contrary in any Transaction Document.

(e) Each Secured Creditor agrees not to contest, or to bring (or voluntarily join in) any action or proceeding for the purpose of contesting, the creation, attachment, validity, enforceability, perfection or priority (as herein provided) of, or seeking to avoid, the lien and security interest which any Security Document (as amended or otherwise modified hereby) purports to create in favor of any other Secured Creditor on or in any item of Collateral. Nothing herein shall be deemed or construed to prevent any Secured Creditor from commencing an action or proceeding against any other Secured Creditor to assert any right or claim it may have arising under or in connection with this Agreement.

(f) Notwithstanding anything to the contrary in this Agreement, in the event of a Bankruptcy Proceeding of the Company, the September 2005 Lenders hereby agree as follows, in each case unless otherwise consented to in writing by the Required November 2005 Lenders:

(i) the September 2005 Lenders waive any and all rights to dispute actions taken by the Required November 2005 Lenders to seek adequate protection with respect to the collateral securing the November 2005 Notes;

(ii) the September 2005 Lenders agree not to seek any form of adequate protection other than: (A) replacement liens which shall be junior to any replacement liens granted to the November 2005 Lenders and to any liens securing debtor-in-possession ("DIP") financing that has been approved by the Required November 2005 Lenders, and (B) periodic reports from the Company;

(iii) the September 2005 Lenders agree not to oppose the use of cash collateral as agreed to by the Required November 2005 Lenders and will not oppose the use of any September 2005 Lenders' cash collateral; provided, however, that the September 2005 Lenders receive replacement liens. The September 2005 Lenders agree to a carve out from their collateral equal to any carve out agreed to by the Required November 2005 Lenders, for example, for fees of the U.S. Trustee and estate professionals;

(iv) the September 2005 Lenders agree not to oppose their liens being primed by any DIP loan that has been approved by the Required November 2005 Lenders; provided however, that the September 2005 Lenders receive replacement liens junior to the liens securing the DIP loan and the replacement liens received by the November 2005 Lenders. Notwithstanding the foregoing, the September 2005 Lenders reserve all rights to oppose other aspects of any DIP loan that could be asserted if they held unsecured debt;

(v) in the event of a sale or sales of an asset or assets by the Company that has been approved by the Required November 2005 Lenders in a bankruptcy case, the September 2005 Lenders agree to waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent. Notwithstanding the foregoing, the September 2005 Lenders retain their rights to object a sale of assets on grounds other than the assets being sold free and clear of the September 2005 Lenders' liens;

(vi) the September 2005 Lenders waive any and all rights to credit bid at a bankruptcy sale of the Company's assets, unless the Required November 2005 Lenders' consent; and

(vii) the September 2005 Lenders agree not to vote in favor of any plan of reorganization proposed in a bankruptcy case unless the plan either pays the November 2005 Lenders in full in cash or is supported by the Required November 2005 Lenders.

(g) Notwithstanding anything to the contrary in this Agreement, in the event of a Bankruptcy Proceeding of the Company, the June 2005 Lenders hereby agree as follows, in each case unless otherwise consented to in writing by the Required September 2005 Lenders and consented to in writing by the Required November 2005 Lenders:

(i) the June 2005 Lenders waive any and all rights to dispute actions taken by the Required September 2005 Lenders to seek adequate protection with respect to the collateral securing the September 2005 Notes and waive any all rights to dispute actions taken by the Required November 2005 Lenders to seek adequate protection with respect to the collateral securing the November 2005 Notes;

(ii) the June 2005 Lenders agree not to seek any form of adequate protection other than: (A) replacement liens which shall be junior to any replacement liens granted to the September 2005 Lenders and junior to any replacement liens granted to the November 2005 Lenders and to any liens securing debtor-in-possession ("DIP") financing that has been approved by the Required September 2005 Lenders and has been approved by the Required November 2005 Lenders, and (B) periodic reports from the Company;

(iii) the June 2005 Lenders agree not to oppose the use of cash collateral as agreed to by the Required November 2005 Lenders and as agreed to by the Required September 2005 Lenders and will not oppose the use of any June 2005 Lenders' cash collateral; provided, however, that the June 2005 Lenders receive replacement liens. The June 2005 Lenders agree to a carve out from their collateral equal to any carve out agreed to by the Required November 2005 Lenders and agreed to by the Required September 2005 Lenders, for example, for fees of the U.S. Trustee and estate professionals;

(iv) the June 2005 Lenders agree not to oppose their liens being primed by any DIP loan that has been approved by the Required November 2005 Lenders and has been approved by the Required September 2005 Lenders; provided however, that the June 2005 Lenders receive replacement liens junior to the liens securing the DIP loan and the replacement liens received by the November 2005 Lenders and the September 2005 Lenders. Notwithstanding the foregoing, the June 2005 Lenders reserve all rights to oppose other aspects of any DIP loan that could be asserted if they held unsecured debt;

(v) in the event of a sale or sales of an asset or assets by the Company that has been approved by the Required November 2005 Lenders and been approved by the Required September 2005 Lenders in a bankruptcy case, the June 2005 Lenders agree to waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent. Notwithstanding the foregoing, the June 2005 Lenders retain their rights to object a sale of assets on grounds other than the assets being sold free and clear of the June 2005 Lenders' liens;

(vi) the June 2005 Lenders waive any and all rights to credit bid at a bankruptcy sale of the Company's assets, unless the Required November 2005 Lenders consent and the Required September 2005 Lenders consent; and

(vii) the June 2005 Lenders agree not to vote in favor of any plan of reorganization proposed in a bankruptcy case unless the plan either pays both the November 2005 Lenders and the September 2005 Lenders in full in cash or is supported by the Required November 2005 Lenders and the Required September 2005 Lenders.

(h) Notwithstanding anything to the contrary in this Agreement, in the event of a Bankruptcy Proceeding of the Company, the Watson Holders hereby agree as follows, in each case unless otherwise consented to in writing by the Required Senior Secured Parties:

(i) the Watson Holders waive any and all rights to dispute actions taken by the Senior Secured Parties to seek adequate protection with respect to the collateral securing the June 2005 Notes, the September 2005 Notes and the November 2005 Notes;

(ii) the Watson Holders agree not to seek any form of adequate protection other than: (A) replacement liens which shall be junior to any replacement liens granted to the Senior Secured Parties and to any liens securing debtor-in-possession ("DIP") financing that has been approved by the Required Senior Secured Parties, and (B) periodic reports from the Company;

(iii) the Watson Holders agree not to oppose the use of cash collateral as agreed to by the Required Senior Secured Parties and will not oppose the use of any Watson Holders' cash collateral; provided, however, that the Watson Holders receive replacement liens. The Watson Holders agree to a carve out from their collateral equal to any carve out agreed to by the Required Senior Secured Parties, for example, for fees of the U.S. Trustee and estate professionals;

(iv) the Watson Holders agree not to oppose their liens being primed by any DIP loan that has been approved by the Required Senior Secured Parties; provided however, that the Watson Holders receive replacement liens junior to the liens securing the DIP loan and the replacement liens received by the Senior Secured Parties. Notwithstanding the foregoing, the Watson Holders reserve all rights to oppose other aspects of any DIP loan that could be asserted if they held unsecured debt;

(v) in the event of a sale or sales of an asset or assets by the Company that has been approved by the Required Senior Secured Parties in a bankruptcy case, the Watson Holders agree to waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent. Notwithstanding the foregoing, the Watson Holders retain their rights to object a sale of assets on grounds other than the assets being sold free and clear of the Watson Holders' liens;

(vi) the Watson Holders waive any and all rights to credit bid at a bankruptcy sale of the Company's assets, unless the Required Senior Secured Parties consent; and

(vii) the Watson Holders agree not to vote in favor of any plan of reorganization proposed in a bankruptcy case unless the plan either pays the Senior Secured Parties in full in cash or is supported by the Required Senior Secured Parties.

(i) The June 2005 Lenders agree than in the event of a Bankruptcy Proceeding of the Company to (i) vote for any Plan of Reorganization supported by the Required June 2005 Lenders, (ii) vote for and not object to a sale or sales of an asset that has been approved by the Required June 2005 Lenders; (iii) vote for and not object to any DIP loan that has been approved by the Required June 2005 Lenders; (iv) support and not object to a carve out from their collateral equal to any carve out agreed to by the Required June 2005 Lenders; (v) waive any and all rights to dispute actions taken by the Required June 2005 Lenders to seek adequate protection with respect to the collateral securing the June 2005 Notes; and (vi) waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent, if such right has been waived by the Required June 2005 Lenders.

(j) The September 2005 Lenders agree than in the event of a Bankruptcy Proceeding of the Company to (i) vote for any Plan of Reorganization supported by the Required September 2005 Lenders, (ii) vote for and not object to a sale or sales of an asset that has been approved by the Required September 2005 Lenders; (iii) vote for and not object to any DIP loan that has been approved by the Required September 2005 Lenders; (iv) support and not object to a carve out from their collateral equal to any carve out agreed to by the Required September 2005 Lenders; (v) waive any and all rights to dispute actions taken by the Required September 2005 Lenders to seek adequate protection with respect to the collateral securing the September 2005 Notes; and (vi) waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent, if such right has been waived by the Required September 2005 Lenders.

(k) The November 2005 Lenders agree than in the event of a Bankruptcy Proceeding of the Company to (i) vote for any Plan of Reorganization supported by the Required November 2005 Lenders, (ii) vote for and not object to a sale or sales of an asset that has been approved by the Required November 2005 Lenders; (iii) vote for and not object to any DIP loan that has been approved by the Required November 2005 Lenders; (iv) support and not object to a carve out from their collateral equal to any carve out agreed to by the Required November 2005 Lenders; (v) waive any and all rights to dispute actions taken by the Required November 2005 Lenders to seek adequate protection with respect to the collateral securing the November 2005 Notes; and (vi) waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent, if such right has been waived by the Required November 2005 Lenders.

(l) The Watson Holders agree than in the event of a Bankruptcy Proceeding of the Company to (i) vote for any Plan of Reorganization supported by the Required Watson Holders, (ii) vote for and not object to a sale or sales of an asset that has been approved by the Required Watson Holders; (iii) vote for and not object to any DIP loan that has been approved by the Required Watson Holders; (iv) support and not object to a carve out from their collateral equal to any carve out agreed to by the Required Watson Holders; (v) waive any and all rights to dispute actions taken by the Required Watson Holders to seek adequate protection with respect to the collateral securing the Watson Notes; and (vi) waive any right to assert that it is impossible to sell assets free and clear of their liens without their consent, if such right has been waived by the Required Watson Holders.

SECTION 3. Enforcement of Security. (a) Each Secured Creditor may, from time to time, to the extent provided in the Transaction Documents to which it is a party, (i) give notice that an "event of default" has occurred and is continuing under such Transaction Documents, (ii) accelerate the Company's Obligations under such Transaction Documents and (iii) whether or not it has given such notice or has effected such acceleration (but except as otherwise provided in this Agreement), take or authorize the taking of such action with regard to the protection, exercise, enforcement and collection of its rights in and to that portion of the Collateral, in which it may have an interest, as it may determine to be necessary or appropriate; provided, however, that each Secured Creditor which is, as to any item of Collateral, a Junior Secured Party in relation to one or more Senior Secured Parties, agrees that it (A) will not take any action to enforce, collect on or exercise any or its rights or remedies in respect of its liens on and security interests in such item or take or receive from the Company or any Guarantor, respectively, directly or indirectly, in cash or other property or by setoff or in any other manner, whether pursuant to any judicial or nonjudicial enforcement, collection, execution, levy or foreclosure proceedings or otherwise, including by deed in lieu of foreclosure, the Collateral, or any part thereof or interest therein, in each case unless and until each such Senior Secured Party has given written notice to such Junior Secured Party that those Obligations to such Senior Secured Party which are secured by such item and which are stated in Section 2 hereof to be senior to the Obligations to such Junior Secured Party have been indefeasibly paid in full (and each such Senior Secured Party hereby agrees promptly to give such notification following such payment to such Senior Secured Party), (B) will not interfere with any exercise by or on behalf of each such Senior Secured Party in respect of any liens and security interests of such Senior Secured Party on or in such item or any other rights or remedies of such Senior Secured Party in furtherance of the rights and remedies of such Senior Secured Party to the extent set forth in Section 2 hereof, and (C) will hold and promptly pay or deliver to each such Senior Secured Party, in order of and in accordance with the priorities set forth in Section 2 above (subject, however, to Section 3(b) hereof), any such item received by such Junior Secured Party (including, without limitation, any proceeds from the sale or other disposition of such item), in each case unless and until each such Senior Secured Party has given written notice to such Junior Secured Party that its Obligations (to the extent set forth in clause (A) above) have been indefeasibly paid in full.

(b) (i) Except as otherwise provided in clause (ii) below, each Secured Creditor agrees to hold any item of Collateral, received by it, in or against which a security interest or lien may be perfected by possession, as possessory agent on behalf of all Secured Creditors that have a lien on or security interest in such item (including, if appropriate, on its own behalf), and, unless such Secured Creditor is a Senior Secured Party as to such item in relation to all other Secured Creditors, to give notice (indicating the nature and amount of such items) of such item and to turn over to the appropriate Secured Creditor thereto forthwith upon receipt thereof, provided that this clause (i) is intended solely to assure continuous perfection of the liens and security interests granted under the Security Documents and nothing in this clause (i) shall be deemed or construed as altering the priorities or obligations set forth elsewhere in this Agreement; and (ii) in the event any Secured Creditor receives any proceeds from the sale or any other disposition of any Collateral in contravention of this Agreement) or in excess of the portion of such proceeds to which such Secured Creditor is entitled hereunder, such Secured Creditor shall give notice (indicating the nature and amount of such proceeds and such excess, as applicable) and turn such proceeds or such excess, as applicable, over to the appropriate Secured Creditor entitled thereto.

(c) Except as otherwise expressly provided in this Agreement, each right, power and remedy of any of the Secured Creditors provided for in this Agreement or any of the Transaction Documents, or any other document relating thereto, whether such right, power or remedy is now existing or hereafter available at law or in equity or by statute or otherwise, shall be cumulative and concurrent (except to the extent otherwise provided in any such document) and shall be in addition to every other such right, power or remedy. Except as otherwise provided in Section 3(a), the Transaction Documents, or any other document relating thereto, the exercise or the beginning of the exercise by any Secured Creditor of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise of all such rights, powers or remedies, and no course of dealing or failure or delay on the part of any party hereto in exercising any such right, power or remedy shall operate as a waiver thereof or otherwise prejudice its rights, powers or remedies.

(d) Each Secured Creditor which is, as to any item of Collateral, a Junior Secured Party in relation to one or more Senior Secured Parties agrees that this Agreement shall be enforceable against it in all circumstances, including, without limitation, in any Bankruptcy Proceeding.

SECTION 4. Notices of Default; Collateral Disposition, etc. (a) Each of the Secured Creditors agrees individually to give the others (as applicable): copies of any written notice of an event of default (under any Transaction Document) received from or sent to any Grantor, (i) within 10 business days of receipt of any such notice by such Secured Creditor from such Grantor (or, if earlier, prior to such Secured Creditor's exercising any right or remedy or taking any other action, in respect of such event of default, against the Company, any Guarantor, any Company Collateral or any Guarantor Collateral), or, as applicable, (ii) simultaneously with any such notice sent by such Secured Creditor to any Grantor; and

(b) This Agreement is intended, in part, to constitute a request for notice and a written notice of a claim by each Secured Creditor to the other of any interest in the Collateral, in accordance with the provisions of Section 9-611 and 9-621 of the Uniform Commercial Code.

(c) Anything herein to the contrary notwithstanding, nothing in this Section 4 shall permit any Secured Creditor to exercise any right or remedy, or to take any other action, against or in respect of the Company, any Guarantor, any Company Collateral or any Guarantor Collateral in contravention of Sections 2 or 3 hereof or of any other provision of this Agreement.

SECTION 5. Rights of Subrogation. Any Junior Secured Party in respect of one or more Senior Secured Parties agrees that, whether or not any such Senior Secured Party shall have received any payment or distribution to any one or more Senior Secured Parties from the Company or any Guarantor or on account of their Obligations, such Junior Secured Party shall not be entitled to exercise any rights of subrogation or reimbursement (or similar right or remedy of a surety) until the date on which all Obligations to all such Senior Secured Parties (to the extent such Obligations are stated in Section 2 hereof to be senior to the Obligations to such Junior Secured Party) shall have been indefeasibly paid in full.

SECTION 6. Further Assurances. Any Junior Secured Party in respect of one or more Senior Secured Parties will, at the expense of the Company, at any time and from time to time promptly execute and deliver all further instruments and documents and take all further action, that any Senior Secured Party may reasonably request, in order to protect any right or interest granted or purported to be granted hereby or to enable any Senior Secured Party to exercise and enforce its rights and remedies hereunder.

SECTION 7. Waiver of Marshalling and Similar Rights. Each of the parties hereto, to the fullest extent permitted by applicable law, waives any requirement regarding, and agrees not to demand, request, plead or otherwise claim the benefit of, any marshalling, appraisement, valuation or other similar right that a creditor or any other Person may otherwise may have under applicable law.

SECTION 8. Obligations Hereunder Not Affected. Except as otherwise provided in this Agreement, all rights, interests, agreements and obligations of the Secured Creditors hereunder, in respect of each other or in respect of the other parties to this Agreement, and all agreements and obligations of the Junior Secured Parties in respect of the respective Senior Secured Parties under this Agreement shall remain in full force and effect irrespective of:

(a) Any lack of validity or enforceability of any Transaction Document or any other agreement or instrument relating thereto;

(b) Any change in the time, manner or place of payment of, the security for, or in any other term of, all or any of the Obligations secured or guaranteed by the Security Documents, or any other extension, renewal, supplement, amendment or other modification, waiver, refinancing or restructuring of or any consent to departure from, or any act, omission or default under, this Agreement or any other Transaction Document (including, without limitation, any increase in such Obligations resulting from the extension of additional credit to, or the issuance of additional debt or equity instruments by, the Company or any of its Subsidiaries or otherwise, but excluding, in any event, any such increase in the Company's Obligations to any one or more Secured Creditors to the extent that, after giving effect thereto and to any reductions associated or occurring substantially concurrently with such increase, the aggregate amount of the Company's Obligations to such Secured Creditors would exceed the aggregate amount of such Obligations to such Secured Creditors stated to be subject to the priorities of Section 2 hereof);

(c) Any taking, exchange, surrender, release or non-perfection of any lien or security interest in the Collateral, or any other collateral, or any taking, release, supplement, amendment or other modification or waiver of or consent to departure from any Guaranty, or any other guaranty, for all or any of the Obligations, or any settlement or compromise of any of such Obligations;

(d) Any manner of application of the Collateral, or any other collateral, or proceeds thereof, to all or any of the Obligations of the Company secured or guaranteed by the Security Documents, or any manner of sale or other disposition of any Collateral or such other collateral or any other assets of the Company;

(e) Any exercise or failure to exercise any rights by or against any Secured Creditor;

(f) Any change, restructuring or termination of the corporate structure of the Company or any of its Subsidiaries (including, without limitation, Acura Pharmaceutical Technologies, Inc. and Axiom Pharmaceutical Corporation); or

(g) Any other circumstance (including, without limitation, any statute of limitations) that might otherwise constitute a defense available to, or a discharge of, any Grantor, any Guarantor, any borrower, any Secured Creditor or any other secured creditor (irrespective of such creditor being subordinated whether in priority of its liens on or security interest in collateral, in right of payment or otherwise).

This Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any Obligation is rescinded or must otherwise be returned by any Secured Creditor upon the initiation of any Bankruptcy Proceedings against any Grantor, or otherwise, all as though such payment had not been made.

SECTION 9. Appointment of Collateral Agents. In case of the pendency of any Bankruptcy Proceeding or other judicial proceeding relative to any Grantor or Guarantor, the Agent shall be entitled and empowered, by intervention in such proceeding or otherwise, (a) to file and prove a claim for the whole amount of the Obligations and other amounts due under the Transaction Documents or this Agreement and to file such other papers or documents as may be necessary or advisable in order to have such claims and amounts due allowed in such Bankruptcy Proceeding or judicial proceeding, and (b) to collect and receive any moneys or other property payable or deliverable on any such claims or other amounts due and to distribute the same in accordance with the provisions hereof. Nothing in this paragraph shall be deemed to authorize the Agent to authorize or consent to or accept or adopt on behalf of any 2005 Lender any plan or reorganization, arrangement, adjustment or composition affecting the Obligations or other amounts due under the Transaction Documents or this Agreement, or to authorize the Agent to vote in respect of the Obligations or other amounts due in any such Bankruptcy Proceeding or judicial proceeding.

SECTION 10. Representations and Warranties. Each of the Watson Holders, the June 2005 Lenders, the September 2005 Lenders and the November 2005 Lenders represents and warrants to the other Watson Holders, June 2005 Lenders, September 2005 Lenders and November 2005 Lenders party hereto as follows:

(a) (i) This Agreement has been duly executed and delivered by its duly authorized officer and constitutes its legal, valid and binding obligation, enforceable against it in accordance with the terms hereof; and (ii) the execution, delivery and performance by it of this Agreement have been duly authorized by all necessary corporate or partnership action, as the case may be, and do not and will not (A) violate any provision of any law, rule or regulation having applicability to it or of its (x) charter or articles of association or by-laws or (y) limited partnership agreement, as the case may be, (B) result in a breach of or constitute a default or an event of default (or any event which, with the giving of notice, the lapse of time, or both, would constitute an event of default) under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which it is a party, or (C) require the consent or approval of any governmental authority or arbitrator;

(b) Each of the Watson Holders represents and warrants that it has not heretofore transferred or assigned its lien on and security interest in any Collateral under the Watson Company Security Documents or the Watson Guarantor Security Documents;

(c) Each of the June 2005 Lenders represents and warrants that it has not heretofore transferred or assigned its lien on and security interest in any Collateral under the June 2005 Company Security Documents or the June 2005 Guarantor Security Documents; and

(d) Each of the September 2005 Lenders represents and warrants that it has not heretofore transferred or assigned its lien on and security interest in any Collateral under the September 2005 Company Security Documents or the September 2005 Guarantor Security Documents.

SECTION 11. Assignments. (a) No party hereto shall assign its rights hereunder or any interest herein or any of its rights or interests pursuant to the respective Security Documents made by it or in its favor, or any of its obligations hereunder or thereunder, to any other Person (i) without the prior written consent of the Senior Secured Parties holding a majority of the amount of the Obligations to such Senior Secured Parties and (ii) in compliance with Section 11(b) below.

(b) In the event of any assignment of any Security Document by any party hereto or by any successor or assignee of any party hereto or by any other party which may now or hereafter have any rights, title or interest in such Security Document, respectively, the terms of such assignment shall provide that, and the assigned Security Document shall bear a legend to the effect that (i) all provisions of such agreement, including provisions relating to the assignment thereof, shall be subject to the terms of this Agreement and that in the event of any conflict between such agreement and this Agreement, this Agreement shall prevail and (ii) the assignee of such Security Document shall be bound by all duties and obligations of the assignor of such Security Document under this Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, each party hereto acknowledges the assignment before the date hereof by Watson to the Watson Holders (and/or the Agent) of all of Watson's rights and interests under the Watson Company Security Documents, the Watson Guarantor Security Documents, the Watson Guaranty, the Watson Loan Agreement, the Watson Term Loan and the Watson Note.

SECTION 12. Continuing Agreement; Assignments of Obligations. (a) This Agreement shall remain in full force and effect until the date on which all Obligations shall have been indefeasibly paid in full and no Obligations are outstanding.

(b) This Agreement shall be binding upon, and inure to the benefit of and be enforceable by, each party hereto and its successors, permitted transferees and assigns.

(c) Without limiting the generality of Section 12(b) above, except as otherwise provided in Section 11, nothing in this Agreement shall preclude any Secured Creditor from assigning or otherwise transferring all or any porting of its rights and obligations under any Transaction Document to any other Person, and such other Person shall thereupon become vested with all the rights in respect thereof granted to such Secured Creditor herein or otherwise, in each case as provided in the respective Transaction Documents.

SECTION 13. Amendment; Modification; Waiver of Documents. (a) Except as otherwise expressly provided herein, no provision of this Agreement may be supplemented, amended, or otherwise modified or waived other than by a writing signed by the parties hereto holding (i) at least fifty percent (50%) of the outstanding principal amount under the November 2005 Notes; (ii) at least sixty percent (60%) of the outstanding principal amount under the September 2005 Notes, (iii) at least sixty percent (60%) of the outstanding principal amount under the June 2005 Notes, and (iv) at least sixty percent (60%) of the outstanding principal amount under the Watson Note. Without limiting the generality of the foregoing, the parties expressly acknowledge that no amendment, waiver or modification of Sections 2 or 3 of this Agreement shall require any consent of any Grantor. Furthermore, except as otherwise expressly provided herein, no rights of any Secured Creditor in any item of Collateral may be amended, supplemented, or otherwise modified (whether by virtue of supplement or amendment to or other modification of this Agreement, any Transaction Document or otherwise) without the prior written consent of such parties as would be sufficient to amend this Agreement pursuant to the first sentence of this Section 13. Anything herein to the contrary notwithstanding (but except as otherwise specified in the following sentence), each Secured Creditor may make supplements or amendments to, or modifications or waivers of the provisions of its Transaction Documents in accordance with the terms thereof without the prior written consent of or notice to any other Person, except for any changes in the definition of "Company Collateral" or "Guarantor Collateral" (or similar terms) set forth therein resulting in increase of the rights of such Secured Creditor in such item, which changes in such definitions shall require the prior written consent of such parties as would be sufficient to amend this Agreement pursuant to the first sentence of this Section 13.

(b) To the extent any provision of Section 13(a) or (b) hereof requires the consent of any Secured Creditor under one or more Security Documents to which such Secured Creditor is a party, the effectiveness of such consent shall be determined in accordance with such Security Documents.

(c) This Agreement supersedes in all respects the September 2005 Subordination Agreement.

SECTION 14. Intercreditor Agreement for Benefit of Parties Hereto. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon any person or entity other than the Secured Creditors any right, remedy or claim by reason of this Agreement or any covenant, condition or stipulation hereof; and the covenants, stipulations and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the parties hereto, and their respective successors and assigns.

SECTION 15. Notices. All notices, demands or other communications given hereunder shall be in writing and shall be sufficiently given if transmitted by facsimile or delivered either personally or by a nationally recognized courier service marked for next business day delivery or sent in a sealed envelope by first class mail, postage prepaid and either registered or certified, return receipt requested, addressed as follows:

if to any Watson Holder, June 2005 Lender, September 2005 Lender or November 2005 Lender, to it as set forth opposite its signature on the signature pages hereto;

if to the Company, to 616 N. North Court, Palatine, Illinois 60067, fax no. (847) 705-5399, to the attention of Mr. Andrew D. Reddick, Chief Executive Officer;

if to the Grantors and Guarantors, as applicable to: (i) Acura Pharmaceutical Technologies, Inc., c/o the Company at the notice address or fax number above; or (ii) Axiom Pharmaceutical Corporation, c/o the Company at the notice address or fax number above;

if to any future Grantor or Guarantor, at such address given by such Grantor or Guarantor for notices to it; and

or to such other address with respect to any party hereto as such party may from time to time notify (as provided above) the other parties hereto.

Any such notice, demand or communication shall be deemed to have been given (i) on the date of delivery, if delivered personally, (ii) on the date of facsimile transmission, receipt confirmed, (iii) one business day after delivery to a nationally recognized overnight courier service, if marked for next day delivery or (iv) five business days after the date of mailing, if mailed.

SECTION 16. Individual Action. No Secured Creditor may require any other Secured Creditor to take or refrain from taking any action hereunder or with respect to any of the Collateral, except as and to the extent expressly set forth in this Agreement. Except as otherwise specified herein, no Secured Creditor shall be responsible to the other Secured Creditors for any recitals, statements, representations or warranties contained in this Agreement, any of the Transaction Documents, or any other agreements or instruments executed and delivered by any Grantor pursuant to any of the Transaction Documents or in any certificate of other document referred to or provided for in, or received by either of them under, any of the Transaction Documents or for the authenticity, accuracy, completeness, value, validity, effectiveness, genuineness, enforceability or sufficiency of any of the Transaction Documents or any other document referred to or provided for therein or any lien under any Transaction Document, or the perfection of any such lien or for any failure by any Grantor to perform any of its Obligations under any of the Transaction Documents. Each Secured Creditor may employ agents and attorneys-in-fact and shall not be responsible, except as to money or securities received by it or its authorized agents, for the negligence or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. No Secured Creditor, and none of its directors, officers, employees or agents shall be liable or responsible for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

SECTION 17. Reliance. In acting with respect to this Agreement, each of the Secured Creditors shall be entitled (a) to rely on any communication believed by it to be genuine and to have been made, sent or signed by the Person by whom it purports to have been made, sent or signed and (b) to rely on the advice or services or opinions and statements of any professional advisor whose advice or services to it seem necessary, expedient or desirable and are given or made in connection with this Agreement.

SECTION 18. No Waiver; Remedies. Except as otherwise specified herein, no failure on the part of any Secured Creditor to exercise and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 19. Severability. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 20. Governing Law. This Agreement and the rights of the parties hereunder shall be governed in all respects by the laws of the State of New York wherein the terms of this Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

SECTION 21. Jurisdiction. (a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Agreement or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or any other manner provided by law. Nothing in this Agreement or any other Transaction Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

SECTION 22. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

SECTION 23. Titles and Subtitles. The titles of the articles, sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

SECTION 24. Counterparts. This Agreement may be executed in any number of counterparts, including by facsimile copy, each of which shall be deemed an original, but all of which together shall constitute one instrument.

SECTION 25. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior representations, negotiations, writings, memoranda and agreements.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

"GRANTORS"

ACURA PHARMACEUTICALS, INC.,
a New York corporation

By: /s/ Peter A. Clemens
By: Peter A. Clemens
Its: Sr. VP & CFO

AXIOM PHARMACEUTICAL CORPORATION,
a Delaware corporation

By: /s/ Peter A. Clemens
By: Peter A. Clemens
Its: Sr. VP & CFO

ACURA PHARMACEUTICAL TECHNOLOGIES, INC.,
an Indiana corporation

By: /s/ Peter A. Clemens
By: Peter A. Clemens
Its: Sr. VP & CFO

GALEN PARTNERS III, L.P.
By: Claudius, L.L.C., General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10019

/s/ Srini Conjeevaram
By: Srini Conjeevaram
Its: General Partner

GALEN PARTNERS INTERNATIONAL, III, L.P.
By: Claudius, L.L.C., General Partner
610 Fifth Avenue, 5th Floor
New York, New York 10020

/s/ Srini Conjeevaram
By: Srini Conjeevaram
Its: General Partner

GALEN EMPLOYEE FUND III, L.P.
By: Wesson Enterprises, Inc.
610 Fifth Avenue, 5th Floor
New York, New York 10020

/s/ Bruce F. Wesson
By: Bruce F. Wesson
Its: General Partner

ESSEX WOODLANDS HEALTH
VENTURES V, L.P.
190 South LaSalle Street, Suite 2800
Chicago, IL 60603

/s/ Immanuel Thangaraj
By: Immanuel Thangaraj
Its: Managing Director

CARE CAPITAL INVESTMENTS II, LP
By: Care Capital II, LLC, as general partner
47 Hulfish St., Suite 310
Princeton, NJ 08542

By: /s/ David R. Ramsay
Name: David R. Ramsay
Title: Authorized Signatory

CARE CAPITAL OFFSHORE
INVESTMENTS II, LP
By: Care Capital, L.L.C., as general partner
47 Hulfish St., Suite 310
Princeton, NJ 08542

By: /s/ David R. Ramsay
Name: David R. Ramsay
Title: Authorized Signatory

MICHAEL WEISBROT
1136 Rock Creek Road
Gladwyne, Pennsylvania 19035

/s/ Michael Weisbrodt

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/s/ Susan Weisbrot

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/s/ Dennis Adams

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/s/ Peter Stieglitz

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222 Elbow Lane
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/s/ George E. Bordeau

COMPANY GENERAL SECURITY AGREEMENT

This Company General Security Agreement (the "Agreement") is dated as of November 9, 2005 by and among Acura Pharmaceuticals, Inc., a New York corporation with its principal place of business at 616 N. North Court, Palatine, Illinois, 60067 ("Debtor"), and Galen Partners III, L.P., a Delaware limited partnership with its principal place of business at 610 Fifth Avenue, Fifth Floor, New York, New York, 10020, acting in its capacity as agent for the Lenders, as defined below (the "Agent"), for the benefit of the Lenders.

PRELIMINARY STATEMENTS

Debtor has entered into a Loan Agreement of even date herewith (as the same may be amended, modified, supplemented or restated from time to time, the "Loan Agreement;" terms which are capitalized in this Agreement and not otherwise defined shall have the meanings ascribed to them in the Loan Agreement) with the Lenders party thereto (the "Lenders"). The Lenders have required, as a condition precedent to the effectiveness of the Loan Agreement, that the Debtor (a) grant to the Agent, for the ratable benefit of the Lenders, a security interest in and to the Collateral (as defined in Section 2.1 below) and (b) execute and deliver this Agreement in order to secure the payment and performance by the Debtor of the obligations owing by the Debtor to the Lenders under the Loan Agreement, the Notes, the other Transaction Documents and each of the agreements, documents and instruments delivered by the Debtor pursuant thereto or in connection therewith (collectively, the "Obligations").

AGREEMENT

In consideration of the premises and in order to induce the Lenders to enter into and perform the Loan Agreement, the Debtor hereby agrees as follows:

ARTICLE 1

CREATION OF SECURITY INTEREST

1.1 SECURITY INTEREST

The Debtor hereby pledges, assigns and grants to the Agent a continuing perfected lien and security interest having priority over any and all other security interests in all of the Debtor's right, title and interest in and to the Collateral (as defined in Section 2.1 below) in order to secure the payment and performance of all Obligations owing by the Debtor.

1.2 DEBTOR REMAINS LIABLE

Anything herein to the contrary notwithstanding, (a) the Debtor shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release the Debtor from any of its duties or obligations under the contracts and agreements included in the Collateral and (c) neither the Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, the Loan Agreement or any other Transaction Document, nor shall the Agent or any Lender be obligated to perform any of the obligations or duties of the Debtor thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

ARTICLE 2

COLLATERAL

2.1 COLLATERAL

For purposes of this Agreement, the term "Collateral" shall mean all of the assets of the Debtor including all of the kinds and types of property described in clauses (a) through (h) of this Section 2.1, whether now owned or hereafter at any time arising, acquired or created by the Debtor and wherever located, and includes all replacements, additions, accessions, substitutions, repairs, proceeds and products relating thereto or therefrom, and all documents, ledger sheets and files of the Debtor relating thereto and all Proceeds (as defined in Section 2.2 below) of Collateral:

(a) all of the Debtor's accounts, whether now existing or existing in the future, including without limitation (i) all accounts receivable (whether or not specifically listed on schedules furnished to the Agent), including, without limitation, all accounts created by or arising from all of the Debtor's sales of goods or rendition of services made under any of the Debtor's trade names, or through any of its divisions, (ii) all unpaid seller's rights (including rescission, replevin, reclamation and stoppage in transit) relating to the foregoing or arising therefrom, (iii) all rights to any goods represented by any of the foregoing, including returned or repossessed goods, (iv) all reserves and credit balances held by the Debtor with respect to any such accounts receivable or account debtors, (v) all health-care-insurance receivables, and (vi) all guarantees or collateral for any of the foregoing (all of the foregoing property and similar property being hereinafter referred to as "Accounts");

(b) all of the Debtor's inventory, including without limitation (i) all raw materials, work in process, parts, components, assemblies, supplies and materials used or consumed in the Debtor's businesses, wherever located and whether in the possession of the Debtor or any other Person; (ii) all goods, wares and merchandise, finished or unfinished, held for sale or lease or leased or furnished or to be furnished under contracts of service, wherever located and whether in the possession of the Debtor or any other person or entity; and (iii) all goods returned to or repossessed by the Debtor (all of the foregoing property being hereinafter referred to as "Inventory");

(c) all of the equipment owned or leased by the Debtor, including, without limitation, machinery, equipment, office equipment and supplies, computers and related equipment, furniture, furnishings, tools, tooling, jigs, dies, fixtures, manufacturing implements, fork lifts, trucks, trailers, motor vehicles, and other equipment (all of the foregoing property being hereinafter referred to as "Equipment");

(d) all of the Debtor's general intangibles (including, without limitation, payment intangibles), instruments, securities (including, without limitation, United States of America Treasury Bills), credits, claims, demands, documents, letters of credit and letter of credit proceeds, documents of title, certificates of title, certificates of deposit, warehouse receipts, bills of lading, leases which are permitted to be assigned or pledged, deposit accounts, money, tax refund claims, and contract rights which are permitted to be assigned or pledged (all of the foregoing property being hereinafter referred to as "Intangibles");

(e) all of the Debtor's intellectual property, including, without limitation, New Drug Applications, Investigatory New Drug Applications, Abbreviated New Drug Applications, Alternative New Drug Applications, registrations and quotas as issued by the DEA or the Attorney General of the United States pursuant to the CSA, certifications, permits and approvals of federal and state governmental agencies, patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, domain names, technical knowledge and processes, formal or informal licensing arrangements which are permitted to be assigned or pledged, blueprints, technical specifications, computer software, programs, databases, copyrights, copyright applications and all confidential and proprietary information, including, without limitation, know-how, trade secrets, manufacturing and production processes and techniques, inventions, research and development information, databases and data, including, without limitation, technical data, financial and marketing and business data, customer lists, supplier lists, pricing and cost information and business and marketing plans, and all embodiments thereof, and rights thereto, including, without limitation, all of the Debtor's rights to use the patents, trademarks, copyrights, service marks, or other property of the aforesaid nature of other Persons now or hereafter licensed to the Debtor, together with the goodwill of the business symbolized by or connected with the Debtor's trademarks, copyrights, service marks, licenses and the other rights included in this Section 2.1(e) (all of the foregoing property being hereinafter referred to as "Intellectual Property");

(f) all interest, dividends, distributions, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Collateral;

(g) all deposit accounts, letter-of-credit rights, instruments (including, without limitation, promissory notes), investment property and chattel paper; and

(h) all of the shares of stock or other securities of Acura Pharmaceutical Technologies, Inc. and Axiom Pharmaceutical Corporation, and the certificates, if any, representing such shares or other securities, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or securities and all subscription warrants, rights or options issued thereon or with respect thereto, and all investment property, all, to the extent applicable, as further set forth in the Stock Pledge Agreement.

2.2 PROCEEDS

For purposes of this Agreement, the term "Proceeds" shall include (a) whatever is now or hereafter received by the Debtor upon the sale, exchange, collection or other disposition of any item of Collateral, whether such proceeds constitute Inventory, Accounts, Intangibles, royalties, payment under insurance (whether or not the Agent is the loss payee thereof), or any indemnities, warranties or guaranties, payable by reason of loss or damage to or otherwise with respect to any or the foregoing Collateral, and (b) any such items which are now or hereafter acquired by the Debtor with any proceeds of Collateral hereunder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Debtor represents and warrants as follows:

3.1 ORGANIZATION AND EXISTENCE

The Debtor is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and is qualified to do business in such other jurisdictions as the nature or conduct of its operations or the ownership of its properties require such qualification. The Debtor does not own or lease any property or engage in any activity in any jurisdiction that might require qualification to do business as a foreign corporation in such jurisdiction and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect or subject the Debtor to a material liability.

3.2 AUTHORIZATION

(a) The Debtor has all requisite corporate power and authority (i) to execute and deliver, and to perform and observe its obligations under, the Transaction Documents to which it is a party, and (ii) to consummate the transactions contemplated hereby and thereby, including, without limitation, the grant of any security interest, mortgage, payment trust, guaranty or other security arrangement by the Debtor in, on or in respect of the Collateral.

(b) All corporate action on the part of the Debtor and its directors and stockholders necessary for the authorization, execution, delivery and performance by the Debtor of this Agreement and the transactions contemplated herein or in any other Transaction Document to which it is a party, has been taken.

3.3 PLACES OF BUSINESS

The Debtor has no places of business, or warehouses in which it leases space, other than those set forth on Section 3.3 of Schedule A, a copy of which is attached hereto and made a part hereof ("Schedule A").

3.4 LOCATION OF COLLATERAL

Except for the movement of Collateral from time to time from one place of business or warehouse listed on Section 3.3 of Schedule A to another place of business or warehouse listed on Section 3.3 of Schedule A, the Collateral is located at the Debtor's chief executive office or other places of business or warehouses listed on Section 3.3 of Schedule A, and not at any other location.

3.5 RESTRICTIONS ON COLLATERAL DISPOSITION

Except for any restrictions imposed under the Watson Security Agreement, the June Bridge Loan Security Agreement and the September Bridge Loan Security Agreement (each as hereinafter defined), none of the Collateral is subject to contractual obligations that may restrict or inhibit the Agent's rights or ability to sell or dispose of the Collateral or any part thereof after the occurrence of an Event of Default.

3.6 STATUS OF ACCOUNTS

Each Account is based on an actual and bona fide rendition of services or sale of goods or products to customers, made by the Debtor in the ordinary course of its business. The Accounts created are the Debtor's exclusive property and are not and shall not be subject to any lien, consignment arrangement, encumbrance, security interest or financing statement whatsoever, except (i) the lien in favor of the holders of the Senior Note under the Watson Term Loan and the documents executed in connection therewith, including, without limitation, the Watson Security Agreement dated as of March 29, 2000 (the "Watson Security Agreement"); (ii) the lien in favor of the holders of the Secured Promissory Notes issued in connection with a bridge loan (the "June Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated June 22, 2005 and the documents executed in connection therewith, including, without limitation, the Guarantors Security Agreement dated June 22, 2005 (the "June Bridge Loan Security Agreement"); and (iii) the lien in favor of the holders of the Secured Promissory Notes issued in connection with a bridge loan (the "September Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated September 16, 2005 and the documents executed in connection therewith, including, without limitation, the Guarantors Security Agreement dated September 16, 2005 (the "September Bridge Loan Security Agreement") . To the best knowledge of the Debtor, the Debtor's customers have accepted the goods, products and services and owe and are obligated to pay the full amounts stated in the invoices according to their terms, without any dispute, offset, defense or counterclaim.

3.7 COPYRIGHTS, TRADEMARKS AND PATENTS

(a) The Debtor owns outright all of the Intellectual Property Rights listed on Section 4.12 of the Schedule of Exceptions attached to the Loan Agreement free and clear of all liens and encumbrances except for the Permitted Liens and pays no royalty to anyone under or with respect to any of them.

(b) The Debtor has not licensed to anyone the use of any of such Intellectual Property Rights and has no knowledge of the infringing use by the Debtor or any Guarantor of any Intellectual Property Rights of third parties.

(c) Other than as disclosed to the Debtor's Board of Directors, the Debtor has no knowledge, nor has it received any notice (i) of any conflict with the asserted rights of others with respect to any Intellectual Property Rights used in, or useful to, the operation of the business conducted by the Debtor and the Guarantors or with respect to any license under which the Debtor or a Guarantor is licensor or licensee; or (ii) that the Intellectual Property Rights infringe upon the rights of any third party.

(d) The Debtor has made or performed all filings, recordings and other acts and has paid all required fees and taxes to maintain and protect its interest in each and every item of Intellectual Property in full force and effect throughout the world, and to protect and maintain its interest therein including, without limitation, recordations of any of its interests in patents and trademarks with the U.S. Patent and Trademark Office and in corresponding national and international patent offices, and recordation of any of its interests in any copyrights with the U.S. Copyright Office and in corresponding national and international copyright offices. The Debtor has used proper statutory notice in connection with its use of each patent, trademark and copyright.

3.8 INVENTORY

All Inventory of the Debtor consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete items and items of below-standard quality, all of which have been or will be written off or written down to net realizable value on the consolidated balance sheet of the Debtor and its Subsidiaries as of March 31, 2005. The quantities of each type of Inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable and warranted in the present circumstances of the Debtor.

3.9 OWNERSHIP

The Debtor is the legal and beneficial owner of its Collateral free and clear of any lien, claim, option or right of others, except for the security interest created under this Agreement, the Watson Security Agreement, the June Bridge Loan Security Agreement and the September Bridge Loan Security Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing the Debtor or any trade name of the Debtor is on file in any recording office, except such as may have been filed relating to the Watson Term Loan, the June Bridge Loan and the September Bridge Loan. The Agent has, for the benefit of the Lenders, a valid and perfected security interest in the Collateral which security interest has priority over any and all other security interests in such Collateral.

ARTICLE 4

COVENANTS

The Debtor agrees as follows:

4.1 DEFEND AGAINST CLAIMS

The Debtor will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein unless both the Agent and the Debtor determine that the claim or demand is not material and that, consequently, such defense would not be consistent with good business judgment. The Debtor will not permit any lien notices with respect to the Collateral or any portion thereof to exist or be on file in any public office except for those in favor of the Agent and those permitted under the terms of the Loan Agreement.

4.2 CHANGE IN COLLATERAL LOCATION

The Debtor will not (a) change its corporate name, (b) change the location of its chief executive office or establish any place of business other than those specified in Section 3.3 of Schedule A, or (c) move or permit movement of the Collateral from the locations specified therein except from one such location to another such location, unless in each case the Debtor shall have given the Agent at least thirty (30) days prior written notice thereof, and shall have, in advance, executed and caused to be filed or delivered to the Agent any financing statements or other documents required by the Agent to perfect the security interest of the Agent in the Collateral in accordance with Section 4.3 of this Agreement, all in form and substance satisfactory to the Agent.

4.3 ADDITIONAL FINANCING STATEMENTS

Promptly upon the reasonable request of the Agent, the Debtor will execute and deliver or use its best efforts to procure any document, give any notices, execute and file any financing statements, mortgages or other documents, all in form and substance satisfactory to the Agent, mark any chattel paper, deliver any chattel paper or instruments to the Agent and take any other actions that are necessary or, in the opinion of the Agent, desirable to perfect or continue the perfection and the first priority of the Agent's security interest in the Collateral, to protect the Collateral against the rights, claims, or interests of third persons, or to effect the purposes of this Agreement. The Debtor will pay the costs incurred in connection with any of the foregoing.

4.4 ADDITIONAL LIENS; TRANSFERS

Without the prior written consent of the Agent, the Debtor will not, in any way, hypothecate or create or permit to exist any lien, security interest, charge or encumbrance on or other interest in the Collateral, other than those permitted under the terms of the Loan Agreement and the liens in favor of the holders of the Senior Note pursuant to (i) the Watson Term Loan and documents relative thereto; (ii) the June Bridge Loan and the documents relative thereto; and (iii) the September Bridge Loan and the documents relative thereto, and the Debtor will not sell, transfer, assign, pledge, collaterally assign, exchange or otherwise dispose of the Collateral, other than the sale of Inventory in the ordinary course of business and the sale of obsolete or worn out Equipment. Notwithstanding the foregoing, if the proceeds of any such sale consist of notes, instruments, documents of title, letters of credit or chattel paper, such proceeds shall be promptly delivered to the Agent to be held as Collateral hereunder. If the Collateral, or any part thereof, is sold, transferred, assigned, exchanged, or otherwise disposed of in violation of these provisions, the security interest of the Agent shall continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and the Debtor will hold the proceeds thereof for the benefit of the Agent, and promptly transfer such proceeds to the Agent in kind.

4.5 CONTRACTUAL OBLIGATIONS

The Debtor will not enter into any contractual obligations which may restrict or inhibit the Agent's rights or ability to sell or otherwise dispose of the Collateral or any part thereof after the occurrence or during the continuance of an Event of Default.

4.6 AGENT'S RIGHT TO PROTECT COLLATERAL

Upon the occurrence or continuance of an Event of Default, the Agent shall have the right at any time to make any payments and do any other acts the Agent may deem necessary to protect the security interests of the Lenders in the Collateral, including, without limitation, the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which, in the reasonable judgment of the Agent, appears to be prior to or superior to the security interests granted hereunder, and appear in and defend any action or proceeding purporting to affect its security interests in, or the value of, the Collateral. The Debtor hereby agrees to reimburse the Agent for all payments made and expenses incurred under this Agreement including reasonable fees, expenses and disbursements of attorneys and paralegals acting for the Agent, including any of the foregoing payments under, or acts taken to protect its security interests in, the Collateral, which amounts shall be secured under this Agreement, and agrees it shall be bound by any payment made or act taken by the Agent hereunder absent the Agent's gross negligence or willful misconduct. The Agent shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

4.7 FURTHER OBLIGATIONS WITH RESPECT TO ACCOUNTS

In furtherance of the continuing assignment and security interest in the Accounts of the Debtor granted pursuant to this Agreement, upon the creation of Accounts, upon the Agent's request, the Debtor will execute and deliver to the Agent in such form and manner as the Agent may require, solely for its convenience in maintaining records of Collateral, such confirmatory schedules of Accounts, and other appropriate reports designating, identifying and describing the Accounts as the Agent may reasonably require. In addition, upon the Agent's request, the Debtor shall provide the Agent with copies of agreements with, or purchase orders from, the customers of the Debtor and copies of invoices to customers, proof of shipment or delivery and such other documentation and information relating to such Accounts and other Collateral as the Agent may reasonably require. Furthermore, upon the Agent's request, the Debtor shall deliver to the Agent any documents or certificates of title issued with respect to any property included in the Collateral, and any promissory notes, letters of credit or instruments related to or otherwise in connection with any property included in the Collateral, which in any such case came into the possession of the Debtor, or shall cause the issuer thereof to deliver any of the same directly to the Agent, in each case with any necessary endorsements in favor of the Agent. Failure to provide the Agent with any of the foregoing shall in no way affect, diminish, modify or otherwise limit the security interests granted herein. The Debtor hereby authorizes the Agent to regard the Debtor's printed name or rubber stamp signature on assignment schedules or invoices as the equivalent of a manual signature by the Debtor's authorized officers or agents.

4.8 INSURANCE

The Debtor agrees to maintain public liability insurance, third party property damage insurance and replacement value insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts and covering such risks as are at all times satisfactory to the Agent in its commercially reasonable judgment. All policies covering the Collateral are to name the Agent as an additional insured and the loss payee in case of loss, and are to contain such other provisions as the Agent may reasonably require to fully protect the Agent's interest in the Collateral and to any payments to be made under such policies. Without limiting the generality of the foregoing, all such policies shall contain standard lender's loss payable clauses in favor of the Agent and shall provide that the same may not be cancelled, terminated or revised without giving the Agent at least 30 days prior written notice of such cancellation, termination or revision. Proceeds of such insurance policy or policies will be applied to the Obligations unless written consent to the contrary is obtained from the Agent. The Debtor will furnish the Agent with certificates of insurance or such other evidence satisfactory to the Agent so as to evidence compliance with the provisions of this Section.

4.9 TAXES

The Debtor agrees to pay, when due, all taxes lawfully levied or assessed against the Debtor or any of the Collateral before any penalty or interest accrues thereon; provided, however, that, unless such taxes have become a federal tax or ERISA lien on any of the assets of the Debtor, no such tax need be paid if the same is being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted and if an adequate reserve or other appropriate provision shall have been made therefor as required in order to be in conformity with GAAP.

4.10 COMPLIANCE WITH LAWS

The Debtor agrees to comply in all material respects with all Legal Requirements applicable to the Collateral or any part thereof, or to the operation of its business or its assets generally, unless the Debtor contests in good faith, by appropriate legal, administrative or other proceedings promptly instituted and diligently conducted, any such Legal Requirements in a reasonable manner and in good faith. The Debtor agrees to maintain in full force and effect, its respective licenses and permits granted by any governmental authority as may be necessary or advisable for the Debtor to conduct its business in all material respects.

4.11 MAINTENANCE OF PROPERTY

The Debtor agrees to keep all property useful and necessary to its business in good working order and condition (ordinary wear and tear excepted) and not to commit or suffer any waste with respect to any of its properties.

4.12 ENVIRONMENTAL AND OTHER MATTERS

The Debtor will conduct its business so as to comply in all respects with all environmental, land use, occupational, safety or health Legal Requirements in all jurisdictions in which it is or may at any time be doing business, except to the extent that the Debtor is contesting, in good faith by appropriate legal, administrative or other proceedings, promptly instituted and diligently conducted, any such Legal Requirement; provided, further, that the Debtor shall comply with the order of any court or other governmental authority relating to such Legal Requirements unless the Debtor shall currently be prosecuting an appeal, proceedings for review or administrative proceedings and shall have secured a stay of enforcement or execution or other arrangement postponing enforcement or execution pending such appeal, proceedings for review or administrative proceedings.

4.13 INTELLECTUAL PROPERTY

With respect to each item of its Intellectual Property, the Debtor agrees to take, at its expense, all necessary steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authority, to (a) maintain the validity and enforceability of such Intellectual Property and maintain such Intellectual Property in full force and effect, and (b) pursue the registration and maintenance of each patent, trademark, or copyright registration or application, now or hereafter included in such Intellectual Property of the Debtor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other governmental authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. The Debtor shall not, without the prior written consent of the Agent, discontinue use of or otherwise abandon any Intellectual Property, or abandon any right to file an application for any patent, trademark or copyright, unless the Debtor shall have previously determined that such use or the pursuit or maintenance of such Intellectual Property is no longer desirable in the conduct of the Debtor’s business and that the loss thereof would not be reasonably likely to have a Material Adverse Effect, in which case, the Debtor will give prompt notice of any such abandonment to the Agent.

4.14 FURTHER ASSURANCES

The Debtor shall take all such further actions and execute all such further documents and instruments (including, but not limited to, collateral assignments of Intellectual Property and Intangibles or any portion thereof) as the Agent may at any time reasonably determine in its sole discretion to be necessary or desirable to further carry out and consummate the transactions contemplated by the Loan Agreement and the documentation relating thereto, including this Agreement, and to perfect or protect the liens (and the priority status thereof) of the Agent in the Collateral.

ARTICLE 5

REMEDIES

5.1 OBTAINING COLLATERAL UPON DEFAULT

If any Event of Default shall have occurred and be continuing, then and in every such case, subject to the terms of the Loan Agreement regarding the exercise of remedies and any mandatory requirements of applicable law then in effect, the Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the Uniform Commercial Code in all relevant jurisdictions and may:

(a) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from the Debtor or any other Person who then has possession of any part thereof, with or without notice or process of law, and for that purpose may enter upon the Debtor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of the Debtor;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Accounts) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Agent;

(c) withdraw all monies, securities and instruments held pursuant to any pledge arrangement for application to the Obligations;

(d) sell, assign or otherwise liquidate, or direct the Debtor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation;

(e) take possession of the Collateral or any part thereof, by directing the Debtor in writing to deliver the same to the Agent at any place or places designated by the Agent, in which event the Debtor shall at its own expense:

(1) forthwith cause the same to be moved to the place or places so designated by the Agent and there delivered to the Agent,

(2) store and keep any Collateral so delivered to the Agent at such place or places pending further action by the Agent as provided in Section 5.2, and

(3) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Collateral in good condition;

it being understood that the Debtor's obligation to so deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Agent shall be entitled to a decree requiring specific performance by the Debtor of said obligation.

5.2 DISPOSITION OF COLLATERAL

Any Collateral repossessed by the Agent under or pursuant to Section 5.1 and any other Collateral whether or not so repossessed by the Agent may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Agent or after any overhaul or repair which the Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than ten (10) days' written notice to the Debtor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the ten (10) days after the giving of such notice, to the right of the Debtor or any nominee of the Debtor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than ten (10) days' written notice to the Debtor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the option of the Agent, be subject to reserve), after publication at least once in The New York Times not less than ten (10) days prior to the date of sale. If The New York Times is not then being published, publication may be made in lieu thereof in any newspaper then being circulated in the City of New York, New York, as the Agent may elect. All requirements of reasonable notice under this Section 5.2 shall be met if such notice is mailed, postage prepaid at least ten (10) days before the time of such sale or disposition, to the Debtor at its address set forth herein or such other address as the Debtor may have, in writing, provided to the Agent. The Agent may, if it deems it reasonable, postpone or adjourn any sale of any Collateral from time to time by an announcement at the time and place of the sale to be so postponed or adjourned without being required to give a new notice of sale. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by Agent for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due on any of the Obligations and any fees payable under this Agreement; and third, to the principal of the Obligations. If any deficiency shall arise, the Debtor shall remain liable to Agent and Lenders therefor.

5.3 POWER OF ATTORNEY

The Debtor hereby irrevocably authorizes and appoints the Agent, or any Person or agent the Agent may designate, as the Debtor's attorney-in-fact, at the Debtor's cost and expense, subject to the terms of the Loan Agreement regarding the exercise of remedies, to exercise all of the following powers upon and at any time after the occurrence and during the continuance of an Event of Default, which powers, being coupled with an interest, shall be irrevocable until all of the Obligations owing by the Debtor shall have been paid and satisfied in full:

(a) accelerate or extend the time of payment, compromise, issue credits, bring suit or administer and otherwise collect Accounts or proceeds of any Collateral;

(b) receive, open and dispose of all mail addressed to the Debtor and notify postal authorities to change the address for delivery thereof to such address as the Agent may designate;

(c) give customers indebted on Accounts notice of the Agent's interest therein, or to instruct such customers to make payment directly to the Agent for the Debtor's account;

(d) convey any item of Collateral to any purchaser thereof;

(e) give any notices or record any liens under Section 4.3 hereof; and

(f) make any payments or take any acts under Section 4.6 hereof.

The Agent's authority under this 5.3 shall include, without limitation, the authority to execute and give receipt for any certificate of ownership or any document, transfer title to any item of Collateral, sign the Debtor's name on all financing statements or any other documents deemed necessary or appropriate to preserve, protect or perfect the security interest in the Collateral and to file the same, prepare, file and sign the Debtor's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with any Account and prepare, file and sign the Debtor's name on a proof of claim in bankruptcy or similar document against any customer of the Debtor, and to take any other actions arising from or incident to the rights, powers and remedies granted to the Agent in this Agreement. This power of attorney is coupled with an interest and is irrevocable by the Debtor.

5.4 WAIVER OF CLAIMS

Except as otherwise provided in this Agreement, THE DEBTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE AGENT'S OR ANY LENDER'S TAKING POSSESSION OF OR DISPOSING OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH THE DEBTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and the Debtor hereby further waives, to the extent permitted by law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Agent's or Lender's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Agent's or Lender's rights hereunder, except as expressly provided herein; and

(c) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and the Debtor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of the Debtor therein and thereto, and shall be a perpetual bar both at law and in equity against the Debtor and against any and all persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under the Debtor.

5.5 REMEDIES CUMULATIVE

Each and every right, power and remedy hereby specifically given to the Agent shall be in addition to every other right, power and remedy specifically given under this Agreement, under the Loan Agreement or under other documentation relating thereto or now or hereafter existing at law or in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any default or Event of Default or any acquiescence therein.

ARTICLE 6

MISCELLANEOUS PROVISIONS

6.1 NOTICES

All notices, approvals, consents or other communications required or desired to be given hereunder shall be delivered in person, by facsimile transmission followed promptly by first class mail, by a nationally recognized courier service marked for next business day delivery or by overnight mail, and delivered if to the Agent, then to the attention of Bruce F. Wesson, c/o Galen Partners III, L.P., 610 Fifth Avenue, Fifth Floor, New York, New York, 10020, fax no. (212) 218-4990, with a copy to George N. Abrahams, Esq., c/o Blank Rome, LLP, Chrysler Building, 405 Lexington Avenue, New York, New York 10174, fax no. (917) 332-3763, and if to the Debtor, then to the attention of Mr. Andrew D. Reddick, 616 N. North Court, Suite 120, Palatine, Illinois 60067, with a copy to John P. Reilly, Esq., St. John & Wayne, L.L.C., 2 Penn Plaza East, Newark, New Jersey, 07105, fax no. (973) 491-3555.

6.2 HEADINGS

The headings in this Agreement are for purposes of reference only and shall not affect the meaning or construction of any provision of this Agreement.

6.3 SEVERABILITY

The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect, in that jurisdiction only, such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

6.4 AMENDMENTS, WAIVERS AND CONSENTS

Any amendment or waiver of any provision of this Agreement and any consent to any departure by the Debtor from any provision of this Agreement shall be effective only if made or given in writing signed by the Agent.

6.5 INTERPRETATION OF AGREEMENT

All terms not defined herein or in the Loan Agreement shall have the meaning set forth in the applicable Uniform Commercial Code. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant in determining the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

6.6 CONTINUING SECURITY INTEREST

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect, (b) be binding upon the Debtor, and its successors and assigns and (b) inure to the benefit of the Agent and its successors and assigns.

6.7 REINSTATEMENT

To the extent permitted by law, this Agreement shall continue to be effective or be reinstated if at any time any amount received by the Agent in respect of the Obligations owing by the Debtor is rescinded or must otherwise be restored or returned by the Agent upon the occurrence or during the pendency of any Event of Default, all as though such payments had not been made.

6.8 SURVIVAL OF PROVISIONS

All representations, warranties and covenants of the Debtor contained herein shall survive the execution and delivery of this Agreement, and shall terminate only upon the full and final indefeasible payment and performance by the Debtor of the Obligations secured hereby.

6.9 SETOFF

The Agent shall have all rights of setoff available at law or in equity.

6.10 POWER OF ATTORNEY

In addition to the powers granted to the Agent under Section 5.3, the Debtor hereby irrevocably authorizes and appoints the Agent, or any Person or agent the Agent may designate, as the Debtor’s attorney-in-fact, at the Debtor’s cost and expense, to exercise all of the following powers, which being coupled with an interest, shall be irrevocable until all of the Obligations shall have been indefeasibly paid and satisfied in full:

(a) after the occurrence of an Event of Default, to receive, take, endorse, sign, assign and deliver, all in the name of the Agent or the Debtor, any and all checks, notes, drafts, and other documents or instruments relating to the Collateral; and

(b) to request, at any time from customers indebted on Accounts, verification of information concerning the Accounts and the amounts owing thereon.

6.11 INDEMNIFICATION; AUTHORITY OF AGENT

Neither the Agent or any Lender nor any director, officer, employee, attorney or agent of the Agent or any Lender shall be liable to the Debtor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall the Agent or any Lender be responsible for the validity, effectiveness or sufficiency of this Agreement or of any document or security furnished pursuant hereto. The Agent, the Lenders and their respective directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document reasonably believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. The Debtor agrees to indemnify and hold harmless the Agent, the Lenders and any other person from and against any and all costs, expenses (including reasonable fees, expenses and disbursements of attorneys and paralegals (including, without duplication, reasonable charges of inside counsel)), claims or liability incurred by the Agent , any Lender or such person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of the Agent, the Lender or such person.

6.12 RELEASE; TERMINATION OF AGREEMENT

Subject to the provisions of Section 6.7 of this Agreement, this Agreement shall terminate upon full and final indefeasible payment and performance of all the Obligations owing by the Debtor. At such time, the Agent shall, at the request of the Debtor, reassign and redeliver to the Debtor all of the Collateral hereunder which has not been sold, disposed of, retained or applied by the Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Collateral, and shall be at the expense of the Debtor.

6.13 COUNTERPARTS

This Agreement may be executed in one or more counterparts, including by facsimile copy, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

6.14 GOVERNING LAW

This Agreement and the rights of the parties hereunder shall be governed by, and construed in accordance with, the laws of the State of New York wherein the terms of this Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

6.15 SUBMISSION TO JURISDICTION

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Agreement or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

6.16 SERVICE OF PROCESS

THE DEBTOR HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO THE DEBTOR AT ITS ADDRESS SET FORTH IN SECTION 6.1 HEREOF.

6.17 LIMITATION OF LIABILITY

THE AGENT AND THE LENDERS SHALL NOT HAVE ANY LIABILITY TO THE DEBTOR (WHETHER SOUNDING IN TORT, CONTRACT, OR OTHERWISE) FOR LOSSES SUFFERED BY THE DEBTOR IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THE TRANSACTIONS OR RELATIONSHIPS CONTEMPLATED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS IT IS DETERMINED BY A FINAL AND NONAPPEALABLE JUDGMENT OR COURT ORDER BINDING ON THE AGENT OR LENDER, AS APPLICABLE, THAT THE LOSSES WERE THE RESULT OF ACTS OR OMISSIONS CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

6.18 DELAYS; PARTIAL EXERCISE OF REMEDIES

No delay or omission of the Agent to exercise any right or remedy hereunder, whether before or after the happening of any Event of Default, shall impair any such right or shall operate as a waiver thereof or as a waiver of any such Event of Default. No single or partial exercise by the Agent of any right or remedy shall preclude any other or further exercise thereof, or preclude any other right or remedy.

6.19 JURY TRIAL

THE DEBTOR AND THE AGENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Debtor has caused this Company General Security Agreement to be duly executed and delivered as of the date first written above.

ACURA PHARMACEUTICALS, INC.

Date:

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and Chief Executive Office

By its acceptance hereof, as of the day and year first above written, the Agent agrees to be bound by the provisions hereof applicable to it.

GALEN PARTNERS III, L.P.
By: Claudius, L.L.C, General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10019

Date:

By: /s/ Srini Conjeevaram

Name: Srini Conjeevaram, its General Partner
Title: President and Chief Executive Officer

SCHEDULE A

Section 3.3 Places of Business

616 N. North Court, Suite 120, Palatine, Illinois 60067

CONTINUING UNCONDITIONAL SECURED GUARANTY

This Continuing Unconditional Secured Guaranty ("Guaranty") is made on November 9, 2005 by Axiom Pharmaceutical Corporation, a Delaware corporation ("Guarantor") in favor of Galen Partners III, L.P., a Delaware limited partnership, acting in its capacity as agent for the Lenders, as defined below ("Agent"), for the benefit of the Lenders.

PRELIMINARY STATEMENTS

Acura Pharmaceuticals, Inc., a New York corporation (the "Borrower"), entered into a Loan Agreement of even date herewith (the "Loan Agreement;" terms used in this Guaranty and not otherwise defined shall have the meanings given to them in the Loan Agreement) with the Lenders party (each a "Lender" and collectively, the "Lenders"). Pursuant to the Loan Agreement, the Lenders have made financial accommodations to the Borrower in accordance with the terms of the Loan Agreement. The Guarantor will continue to receive certain benefits from such accommodations and is therefore willing to guaranty the prompt payment and performance of the obligations of the Borrower, on the terms set forth in this Guaranty. The extension of credit by the Lenders to the Borrower is necessary and desirable to the conduct and operation of the business of the Borrower and will inure to the financial benefit of the Guarantor.

AGREEMENT

For value received and in consideration of any loan, advance, or financial accommodation of any kind whatsoever heretofore, now or hereafter made, given or granted to the Borrower by the Lenders (including, without limitation, the loans evidenced by the Notes as made by the Lenders to the Borrower pursuant to, the Loan Agreement) and other good and valuable consideration (the sufficiency and receipt of which are hereby acknowledged), the Grantor hereby agrees as follows:

Article 1

Guaranty

1.1 GUARANTY

The Guarantor unconditionally guarantees to the Agent for the benefit of the Lenders (a) the full and prompt payment and performance when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of all liabilities of the Borrower to the Lenders and (b) the prompt, full and faithful discharge by the Borrower of each and every term, condition, agreement, representation, warranty or covenant now or hereafter made by the Borrower to the Lenders or the Agent, in each case, under these clauses (a) and (b), pursuant to the Loan Agreement, the Notes, the other Transaction Documents or any document or instrument delivered by the Borrower to the Lenders in connection therewith or pursuant thereto (which, together with the liabilities described in clause (a) of this Section 1.1, are collectively referred to in this Guaranty as the "Borrower's Liabilities"). The Guarantor further agrees to pay all reasonable out-of-pocket costs and expenses, including, without limitation, all court costs and reasonable attorneys' and paralegals' fees paid or incurred by the Lenders and the Agent (on behalf of the Lenders), in endeavoring to collect all or any part of the Borrower's Liabilities from, or in prosecuting any action against the Guarantor or any other guarantor of all or any part of the Borrower's Liabilities.

1.2 NO FRAUDULENT CONVEYANCE

Notwithstanding any provision of this Guaranty to the contrary, it is intended that this Guaranty, and any liens and security interests granted by the Guarantor to secure this Guaranty, will not constitute a Fraudulent Conveyance (as defined below). Consequently, the Guarantor agrees that if this Guaranty, or any liens or security interests securing this Guaranty, would, but for the application of this sentence, constitute a Fraudulent Conveyance, this Guaranty and each such lien and security interest shall be valid and enforceable only to the maximum extent that would not cause this Guaranty or such lien or security interest to constitute a Fraudulent Conveyance, and this Guaranty shall automatically be deemed to have been amended accordingly at all relevant times. For purposes hereof, "Fraudulent Conveyance" means a transfer of property or the incurrence of liability which would be avoidable under Section 548 or 544(b) of the Bankruptcy Code (as defined herein) or a fraudulent conveyance or fraudulent transfer under the provisions of any applicable fraudulent conveyance or fraudulent transfer law or similar law of any state, nation or other governmental unit, as in effect from time to time.

1.3 GUARANTY UNCONDITIONAL

The Guarantor hereby agrees that, except as hereinafter provided, and to the extent permitted by applicable law, its obligations under this Guaranty shall be unconditional, irrespective of (a) the validity or enforceability of the Borrower's Liabilities or any part thereof, or of any Note or other document evidencing all or any part of the Borrower's Liabilities, (b) the absence of any attempt to collect the Borrower's Liabilities from the Borrower or any other guarantor or other action to enforce the same, (c) the waiver or consent by the Agent, any Lender or Lenders with respect to any provision of any instrument evidencing the Borrower's Liabilities, or any part thereof, or any other agreement heretofore, now or hereafter executed by the Borrower and delivered to the Agent, the Lender or Lenders, (d) the failure by the Agent or any Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Borrower's Liabilities, (e) the institution of any proceeding under Chapter 11 of Title 11 of the United States Code (11 U.S.C. §101 et seq.), as amended (the "Bankruptcy Code"), or any similar proceeding, by or against the Borrower, or the Agent's or any Lender's election in any such proceeding of the application of Section 1111(b)(2) of the Bankruptcy Code, (f) any borrowing or grant of a security interest by the Borrower as debtor-in-possession, under Section 364 of the Bankruptcy Code, (g) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the Lenders' claim(s) for repayment of the Borrower's Liabilities, or (h) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

1.4 WAIVERS

(a) The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of receivership or bankruptcy of the Borrower, protest or notice with respect to the Borrower's Liabilities and all demands whatsoever, and covenants that this Guaranty will not be discharged, except by complete performance of the obligations and liabilities contained herein. Upon the occurrence and during the continuance of an Event of Default under the Loan Agreement, Lenders may, at their sole election, proceed directly and at once, without notice, against the Guarantor to collect and recover the full amount or any portion of the Borrower's Liabilities, without first proceeding against any other Person, or against any security or collateral for the Borrower's Liabilities.

(b) The Guarantor hereby waives any and all claims (including, without limitation, any claim for reimbursement, contribution or subrogation) of the Guarantor against the Borrower, any endorser or any other guarantor of all or any part of the Borrower's Liabilities, or against any of the Borrower's properties, arising by reason of any payment by the Guarantor to the Lenders pursuant to the provisions hereof.

1.5 NO SUBROGATION

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Borrower's Liabilities under or in respect of this Guaranty, the Loan Agreement, the Notes, the other Transaction Documents or any document or instrument delivered by the Borrower to the Lenders in connection therewith or pursuant thereto, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or the Lenders against the Borrower or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty, such amount shall be received and held in trust for the benefit of the Lenders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Borrower's Liabilities and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Notes and the Loan Agreement, or to be held as collateral for any Borrower's Liabilities or other amounts payable under this Guaranty thereafter arising. After the Loan Agreement has been terminated and the Notes canceled and the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty has occurred, except in the case of a Reinstatement Event (as defined below), the Agent and the Lenders will, at the Guarantor's request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Borrower's Liabilities resulting from such payment made by the Guarantor pursuant to this Guaranty.

1.6 LENDERS' RIGHTS WITH RESPECT TO BORROWER'S LIABILITIES

The Lenders are hereby authorized, without notice or demand and without affecting the liability of the Guarantor hereunder, at any time and from time to time to (a) increase the amount of, renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to the Borrower's Liabilities or otherwise modify, amend or change the terms of any debenture, note or other agreement, document or instrument now or hereafter executed by the Borrower and delivered to the Lenders; (b) accept partial payments on the Borrower's Liabilities; (c) take and hold security or collateral for the payment of the Borrower's Liabilities guaranteed hereby, or for the payment of this Guaranty, or for the payment of any other guaranties of the Borrower's Liabilities or other liabilities of the Borrower, and exchange, enforce, waive and release any such security or collateral; (iv) apply such security or collateral and direct the order or manner of sale thereof as in their sole discretion they may determine; and (v) settle, release, compromise, collect or otherwise liquidate the Borrower's Liabilities and any security or collateral therefor in any manner, without affecting or impairing the obligations of the Guarantor hereunder. The Lenders shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from the Borrower or any other source, and such determination shall be binding on the Guarantor. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of the Borrower's Liabilities as the Lenders shall determine in their sole discretion without affecting the validity or enforceability of this Guaranty (unless otherwise required pursuant to the Loan Agreement).

1.7 INFORMATION

The Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrower, and any and all endorsers and/or other guarantors of any instrument or document evidencing all or any part of the Borrower's Liabilities and of all other circumstances bearing upon the risk of nonpayment of the Borrower's Liabilities or any part thereof that diligent inquiry would reveal, and the Guarantor hereby agrees that neither the Agent nor the Lenders shall have any duty to advise the Guarantor of information known to any of them regarding such condition or any such circumstances or to undertake any investigation not a part of their respective regular business routines. If the Agent or any Lender, in their respective sole discretions, undertake at any time or from time to time to provide any such information to the Guarantor, the Agent or such Lender, as the case may be, shall not be under any obligation to update any such information or to provide any such information to the Guarantor on any subsequent occasion.

1.8 REINSTATEMENT

The Guarantor consents and agrees that neither the Agent nor the Lenders shall be under any obligation to marshal any assets in favor of the Guarantor or against or in payment of any or all of the Borrower's Liabilities. The Guarantor further agrees that, to the extent that the Borrower makes a payment or payments to the Lenders or the Lenders receive any proceeds of collateral, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, its estate, trustee, receiver or any other party, including, without limitation, the Guarantor, under any bankruptcy law or state or federal statutory or common law, then to the extent of such payment or repayment, the Borrower's Liabilities or the part thereof which has been paid, reduced or satisfied by such amount, and the Guarantor's obligations hereunder with respect to such portion of the Borrower's Liabilities, shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. Notwithstanding anything else to the contrary contained herein, the Guarantor consents and agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Borrower's Liabilities is rescinded or must otherwise be returned by any Lender or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or the Guarantor or otherwise, all as though such payment had not been made (each such continuation or reinstatement, a "Reinstatement Event").

1.9 ASSIGNMENTS BY LENDERS

Each Lender may, to the extent and in the manner set forth in the Loan Agreement, sell or assign the Borrower's Liabilities or any part thereof, or grant participations therein, and in any such event each and every permitted assignee or holder of, or participant in, all or any of the Borrower's Liabilities shall have the right to enforce this Guaranty, by suit or otherwise for the benefit of such assignee, holder, or participant, as fully as if herein by name specifically given such right.

Article 2

REPRESENTATIONS AND WARRANTIES

The Guarantor hereby represents and warrants that: (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; (b) it is duly authorized and empowered to execute and deliver this Guaranty; (c) all corporate action on the part of the Guarantor requisite for the due execution and delivery of this Guaranty and the due granting and creation of the security interests referred to herein has been duly and effectively taken; (d) the Guarantor's chief executive office is located at c/o Acura Pharmaceuticals, Inc., 616 N. North Court, Palatine, Illinois 60067; and (e) the execution, delivery and performance of this Guaranty will not result in any violation of, conflict with, or result in a breach of, any of the terms of, or constitute a default under, any agreements, contracts, court orders or consent decrees, the Certificate of Incorporation or the By-laws, as amended, of the Guarantor.

Article 3

Miscellaneous

3.1 SUCCESSORS AND ASSIGNS; ASSIGNMENT BY GUARANTOR

This Guaranty shall be binding upon the Guarantor and upon the successors (including without limitation, any receiver, trustee or debtor in possession of or for the Guarantor) of the Guarantor and shall inure to the benefit of the Lenders and their respective successors and permitted assigns. Notwithstanding anything contained herein to the contrary, this Guaranty may not be assigned by the Guarantor without the prior written consent of the Lenders.

3.2 TERM OF GUARANTY

This Guaranty shall continue in full force and effect, and the Lenders shall be entitled to make loans and advances and extend financial accommodations to the Borrower on the faith hereof, until the Loan Agreement has been terminated and the Notes canceled and the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty has occurred. The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Borrower's Liabilities, whether existing now or in the future.

3.3 SEVERABILITY

Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

3.4 GOVERNING LAW

THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WHEREIN THE TERMS OF THIS GUARANTY WERE NEGOTIATED, EXCLUDING TO THE GREATEST EXTENT PERMITTED BY LAW ANY RULE OF LAW THAT WOULD CAUSE THE APPLICATION OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

3.5 CONSENT TO JURISDICTION

(a) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Guaranty or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Guaranty or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Guaranty or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

3.6 WAIVER OF JURY TRIAL

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned as of the date first written above.

AXIOM PHARMACEUTICAL CORPORATION

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and CEO

CONTINUING UNCONDITIONAL SECURED GUARANTY

This Continuing Unconditional Secured Guaranty ("Guaranty") is made on November 9, 2005 by Acura Pharmaceutical Technologies, Inc., an Indiana corporation ("Guarantor") in favor of Galen Partners III, L.P., a Delaware limited partnership, acting in its capacity as agent for the Lenders, as defined below ("Agent"), for the benefit of the Lenders.

PRELIMINARY STATEMENTS

Acura Pharmaceuticals, Inc., a New York corporation (the "Borrower"), entered into a Loan Agreement of even date herewith (the "Loan Agreement;" terms used in this Guaranty and not otherwise defined shall have the meanings given to them in the Loan Agreement) with the Lenders party (each a "Lender" and collectively, the "Lenders"). Pursuant to the Loan Agreement, the Lenders have made financial accommodations to the Borrower in accordance with the terms of the Loan Agreement. The Guarantor will continue to receive certain benefits from such accommodations and is therefore willing to guaranty the prompt payment and performance of the obligations of the Borrower, on the terms set forth in this Guaranty. The extension of credit by the Lenders to the Borrower is necessary and desirable to the conduct and operation of the business of the Borrower and will inure to the financial benefit of the Guarantor.

AGREEMENT

For value received and in consideration of any loan, advance, or financial accommodation of any kind whatsoever heretofore, now or hereafter made, given or granted to the Borrower by the Lenders (including, without limitation, the loans evidenced by the Notes as made by the Lenders to the Borrower pursuant to, the Loan Agreement) and other good and valuable consideration (the sufficiency and receipt of which are hereby acknowledged), the Grantor hereby agrees as follows:

Article 1

Guaranty

1.1 GUARANTY

The Guarantor unconditionally guarantees to the Agent for the benefit of the Lenders (a) the full and prompt payment and performance when due, whether at maturity or earlier, by reason of acceleration or otherwise, and at all times thereafter, of all liabilities of the Borrower to the Lenders and (b) the prompt, full and faithful discharge by the Borrower of each and every term, condition, agreement, representation, warranty or covenant now or hereafter made by the Borrower to the Lenders or the Agent, in each case, under these clauses (a) and (b), pursuant to the Loan Agreement, the Notes, the other Transaction Documents or any document or instrument delivered by the Borrower to the Lenders in connection therewith or pursuant thereto (which, together with the liabilities described in clause (a) of this Section 1.1, are collectively referred to in this Guaranty as the "Borrower's Liabilities"). The Guarantor further agrees to pay all reasonable out-of-pocket costs and expenses, including, without limitation, all court costs and reasonable attorneys' and paralegals' fees paid or incurred by the Lenders and the Agent (on behalf of the Lenders), in endeavoring to collect all or any part of the Borrower's Liabilities from, or in prosecuting any action against the Guarantor or any other guarantor of all or any part of the Borrower's Liabilities.

1.2 NO FRAUDULENT CONVEYANCE

Notwithstanding any provision of this Guaranty to the contrary, it is intended that this Guaranty, and any liens and security interests granted by the Guarantor to secure this Guaranty, will not constitute a Fraudulent Conveyance (as defined below). Consequently, the Guarantor agrees that if this Guaranty, or any liens or security interests securing this Guaranty, would, but for the application of this sentence, constitute a Fraudulent Conveyance, this Guaranty and each such lien and security interest shall be valid and enforceable only to the maximum extent that would not cause this Guaranty or such lien or security interest to constitute a Fraudulent Conveyance, and this Guaranty shall automatically be deemed to have been amended accordingly at all relevant times. For purposes hereof, "Fraudulent Conveyance" means a transfer of property or the incurrence of liability which would be avoidable under Section 548 or 544(b) of the Bankruptcy Code (as defined herein) or a fraudulent conveyance or fraudulent transfer under the provisions of any applicable fraudulent conveyance or fraudulent transfer law or similar law of any state, nation or other governmental unit, as in effect from time to time.

1.3 GUARANTY UNCONDITIONAL

The Guarantor hereby agrees that, except as hereinafter provided, and to the extent permitted by applicable law, its obligations under this Guaranty shall be unconditional, irrespective of (a) the validity or enforceability of the Borrower's Liabilities or any part thereof, or of any Note or other document evidencing all or any part of the Borrower's Liabilities, (b) the absence of any attempt to collect the Borrower's Liabilities from the Borrower or any other guarantor or other action to enforce the same, (c) the waiver or consent by the Agent, any Lender or Lenders with respect to any provision of any instrument evidencing the Borrower's Liabilities, or any part thereof, or any other agreement heretofore, now or hereafter executed by the Borrower and delivered to the Agent, the Lender or Lenders, (d) the failure by the Agent or any Lender to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Borrower's Liabilities, (e) the institution of any proceeding under Chapter 11 of Title 11 of the United States Code (11 U.S.C. §101 et seq.), as amended (the "Bankruptcy Code"), or any similar proceeding, by or against the Borrower, or the Agent's or any Lender's election in any such proceeding of the application of Section 1111(b)(2) of the Bankruptcy Code, (f) any borrowing or grant of a security interest by the Borrower as debtor-in-possession, under Section 364 of the Bankruptcy Code, (g) the disallowance, under Section 502 of the Bankruptcy Code, of all or any portion of the Lenders' claim(s) for repayment of the Borrower's Liabilities, or (h) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor.

1.4 WAIVERS

(a) The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of receivership or bankruptcy of the Borrower, protest or notice with respect to the Borrower's Liabilities and all demands whatsoever, and covenants that this Guaranty will not be discharged, except by complete performance of the obligations and liabilities contained herein. Upon the occurrence and during the continuance of an Event of Default under the Loan Agreement, Lenders may, at their sole election, proceed directly and at once, without notice, against the Guarantor to collect and recover the full amount or any portion of the Borrower's Liabilities, without first proceeding against any other Person, or against any security or collateral for the Borrower's Liabilities.

(b) The Guarantor hereby waives any and all claims (including, without limitation, any claim for reimbursement, contribution or subrogation) of the Guarantor against the Borrower, any endorser or any other guarantor of all or any part of the Borrower's Liabilities, or against any of the Borrower's properties, arising by reason of any payment by the Guarantor to the Lenders pursuant to the provisions hereof.

1.5 NO SUBROGATION

The Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Borrower or any other insider guarantor that arise from the existence, payment, performance or enforcement of the Borrower's Liabilities under or in respect of this Guaranty, the Loan Agreement, the Notes, the other Transaction Documents or any document or instrument delivered by the Borrower to the Lenders in connection therewith or pursuant thereto, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of the Agent or the Lenders against the Borrower or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Borrower or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty, such amount shall be received and held in trust for the benefit of the Lenders, shall be segregated from other property and funds of the Guarantor and shall forthwith be paid or delivered to the Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Borrower's Liabilities and all other amounts payable under this Guaranty, whether matured or unmatured, in accordance with the terms of the Notes and the Loan Agreement, or to be held as collateral for any Borrower's Liabilities or other amounts payable under this Guaranty thereafter arising. After the Loan Agreement has been terminated and the Notes canceled and the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty has occurred, except in the case of a Reinstatement Event (as defined below), the Agent and the Lenders will, at the Guarantor's request and expense, execute and deliver to the Guarantor appropriate documents, without recourse and without representation or warranty, necessary to evidence the transfer by subrogation to the Guarantor of an interest in the Borrower's Liabilities resulting from such payment made by the Guarantor pursuant to this Guaranty.

1.6 LENDERS' RIGHTS WITH RESPECT TO BORROWER'S LIABILITIES

The Lenders are hereby authorized, without notice or demand and without affecting the liability of the Guarantor hereunder, at any time and from time to time to (a) increase the amount of, renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to the Borrower's Liabilities or otherwise modify, amend or change the terms of any debenture, note or other agreement, document or instrument now or hereafter executed by the Borrower and delivered to the Lenders; (b) accept partial payments on the Borrower's Liabilities; (c) take and hold security or collateral for the payment of the Borrower's Liabilities guaranteed hereby, or for the payment of this Guaranty, or for the payment of any other guaranties of the Borrower's Liabilities or other liabilities of the Borrower, and exchange, enforce, waive and release any such security or collateral; (iv) apply such security or collateral and direct the order or manner of sale thereof as in their sole discretion they may determine; and (v) settle, release, compromise, collect or otherwise liquidate the Borrower's Liabilities and any security or collateral therefor in any manner, without affecting or impairing the obligations of the Guarantor hereunder. The Lenders shall have the exclusive right to determine the time and manner of application of any payments or credits, whether received from the Borrower or any other source, and such determination shall be binding on the Guarantor. All such payments and credits may be applied, reversed and reapplied, in whole or in part, to any of the Borrower's Liabilities as the Lenders shall determine in their sole discretion without affecting the validity or enforceability of this Guaranty (unless otherwise required pursuant to the Loan Agreement).

1.7 INFORMATION

The Guarantor hereby assumes responsibility for keeping itself informed of the financial condition of the Borrower, and any and all endorsers and/or other guarantors of any instrument or document evidencing all or any part of the Borrower's Liabilities and of all other circumstances bearing upon the risk of nonpayment of the Borrower's Liabilities or any part thereof that diligent inquiry would reveal, and the Guarantor hereby agrees that neither the Agent nor the Lenders shall have any duty to advise the Guarantor of information known to any of them regarding such condition or any such circumstances or to undertake any investigation not a part of their respective regular business routines. If the Agent or any Lender, in their respective sole discretions, undertake at any time or from time to time to provide any such information to the Guarantor, the Agent or such Lender, as the case may be, shall not be under any obligation to update any such information or to provide any such information to the Guarantor on any subsequent occasion.

1.8 REINSTATEMENT

The Guarantor consents and agrees that neither the Agent nor the Lenders shall be under any obligation to marshal any assets in favor of the Guarantor or against or in payment of any or all of the Borrower's Liabilities. The Guarantor further agrees that, to the extent that the Borrower makes a payment or payments to the Lenders or the Lenders receive any proceeds of collateral, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to the Borrower, its estate, trustee, receiver or any other party, including, without limitation, the Guarantor, under any bankruptcy law or state or federal statutory or common law, then to the extent of such payment or repayment, the Borrower's Liabilities or the part thereof which has been paid, reduced or satisfied by such amount, and the Guarantor's obligations hereunder with respect to such portion of the Borrower's Liabilities, shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. Notwithstanding anything else to the contrary contained herein, the Guarantor consents and agrees that this Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Borrower's Liabilities is rescinded or must otherwise be returned by any Lender or any other Person upon the insolvency, bankruptcy or reorganization of the Borrower or the Guarantor or otherwise, all as though such payment had not been made (each such continuation or reinstatement, a "Reinstatement Event").

1.9 ASSIGNMENTS BY LENDERS

Each Lender may, to the extent and in the manner set forth in the Loan Agreement, sell or assign the Borrower's Liabilities or any part thereof, or grant participations therein, and in any such event each and every permitted assignee or holder of, or participant in, all or any of the Borrower's Liabilities shall have the right to enforce this Guaranty, by suit or otherwise for the benefit of such assignee, holder, or participant, as fully as if herein by name specifically given such right.

Article 2

REPRESENTATIONS AND WARRANTIES

The Guarantor hereby represents and warrants that: (a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Indiana; (b) it is duly authorized and empowered to execute and deliver this Guaranty; (c) all corporate action on the part of the Guarantor requisite for the due execution and delivery of this Guaranty and the due granting and creation of the security interests referred to herein has been duly and effectively taken; (d) the Guarantor's chief executive office is located at c/o Acura Pharmaceuticals, Inc., 616 N. North Court, Suite 120, Palatine, Illinois 60067; and (e) the execution, delivery and performance of this Guaranty will not result in any violation of, conflict with, or result in a breach of, any of the terms of, or constitute a default under, any agreements, contracts, court orders or consent decrees, the Certificate of Incorporation or the By-laws, as amended, of the Guarantor.

Article 3

Miscellaneous

3.1 SUCCESSORS AND ASSIGNS; ASSIGNMENT BY GUARANTOR

This Guaranty shall be binding upon the Guarantor and upon the successors (including without limitation, any receiver, trustee or debtor in possession of or for the Guarantor) of the Guarantor and shall inure to the benefit of the Lenders and their respective successors and permitted assigns. Notwithstanding anything contained herein to the contrary, this Guaranty may not be assigned by the Guarantor without the prior written consent of the Lenders.

3.2 TERM OF GUARANTY

This Guaranty shall continue in full force and effect, and the Lenders shall be entitled to make loans and advances and extend financial accommodations to the Borrower on the faith hereof, until the Loan Agreement has been terminated and the Notes canceled and the indefeasible payment in full in cash of the Borrower's Liabilities and all other amounts payable under this Guaranty has occurred. The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guaranty and acknowledges that this Guaranty is continuing in nature and applies to all Borrower's Liabilities, whether existing now or in the future.

3.3 SEVERABILITY

Wherever possible each provision of this Guaranty shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Guaranty shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Guaranty.

3.4 GOVERNING LAW

THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WHEREIN THE TERMS OF THIS GUARANTY WERE NEGOTIATED, EXCLUDING TO THE GREATEST EXTENT PERMITTED BY LAW ANY RULE OF LAW THAT WOULD CAUSE THE APPLICATION OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.

3.5 CONSENT TO JURISDICTION

(a) The Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Guaranty or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. The Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Guaranty or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) The Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Guaranty or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. The Guarantor hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

3.6 WAIVER OF JURY TRIAL

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned as of the date first written above.

ACURA PHARMACEUTICAL TECHNOLOGIES, INC.

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and CEO

GUARANTORS GENERAL SECURITY AGREEMENT

This Guarantors General Security Agreement (the "Agreement") is dated November 9, 2005 by and among Acura Pharmaceutical Technologies, Inc., an Indiana corporation with its principal place of business at 16235 State Road 17, Culver, Indiana, 46511 ("APT"), Axiom Pharmaceutical Corporation, a Delaware corporation with its principal place of business at c/o Acura Pharmaceuticals, Inc., 616 N. North Court, Suite 120, Palatine, Illinois, 60067 ("Axiom" and, together with Houba, the "Guarantors"), and Galen Partners III, L.P., a Delaware limited partnership with its principal place of business at 610 Fifth Avenue, Fifth Floor, New York, New York, 10020, acting in its capacity as agent for the Lenders, as defined below (the "Agent"), for the benefit of the Lenders.

PRELIMINARY STATEMENTS

A. Acura Pharmaceuticals, Inc. (the "Company") has entered into a Loan Agreement of even date herewith (as the same may be amended, modified, supplemented or restated from time to time, the "Loan Agreement;" terms which are capitalized in this Agreement and not otherwise defined shall have the meanings ascribed to them in the Loan Agreement) with the Lenders party thereto (the "Lenders").

B. Each of the Guarantors has executed and delivered to Agent, for the benefit of the Lenders, a Continuing Unconditional Secured Guaranty of even date herewith (each a "Guaranty") of the Company's obligations under the Loan Agreement (collectively, the "Obligations").

C. The Lenders have required, as a condition precedent to the effectiveness of the Loan Agreement, that each Guarantor (a) grant to the Agent, for the ratable benefit of the Lenders, a security interest in and to the Collateral (as defined in Section 2.1 below) and (b) execute and deliver this Agreement in order to secure the payment and performance by such Guarantor of the Guaranty.

AGREEMENT

In consideration of the premises and in order to induce the Lenders to enter into and perform the Loan Agreement, each Guarantor hereby agrees as follows:

ARTICLE 1

CREATION OF SECURITY INTEREST

1.1 SECURITY INTEREST

Each Guarantor hereby pledges, assigns and grants to the Agent a continuing perfected lien and security interest having priority over any and all other security interests in all of such Guarantor's right, title and interest in and to the Collateral (as defined in Section 2.1 below) in order to secure the payment and performance of all Obligations owing by such Guarantor.

1.2 GUARANTORS REMAIN LIABLE

Anything herein to the contrary notwithstanding, (a) the Guarantors shall remain liable under the contracts and agreements included in the Collateral to the extent set forth therein to perform all of their duties and obligations thereunder to the same extent as if this Agreement had not been executed, (b) the exercise by the Agent of any of the rights hereunder shall not release the Guarantors from any of their duties or obligations under the contracts and agreements included in the Collateral and (c) neither the Agent nor any Lender shall have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Agreement, the Loan Agreement or any other Transaction Document, nor shall the Agent or any Lender be obligated to perform any of the obligations or duties of the Guarantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

ARTICLE 2

COLLATERAL

2.1 COLLATERAL

For purposes of this Agreement, the term "Collateral" shall mean, with respect to each Guarantor, all of the assets of such Guarantor including all of the kinds and types of property described in clauses (a) through (g) of this Section 2.1, whether now owned or hereafter at any time arising, acquired or created by such Guarantor and wherever located, and includes all replacements, additions, accessions, substitutions, repairs, proceeds and products relating thereto or therefrom, and all documents, ledger sheets and files of such Guarantor relating thereto and all Proceeds (as defined in Section 2.2 below) of Collateral:

(a) all of such Guarantor's accounts, whether now existing or existing in the future, including without limitation (i) all accounts receivable (whether or not specifically listed on schedules furnished to the Agent), including, without limitation, all accounts created by or arising from all of such Guarantor's sales of goods or rendition of services made under any of such Guarantor's trade names, or through any of its divisions, (ii) all unpaid seller's rights (including rescission, replevin, reclamation and stoppage in transit) relating to the foregoing or arising therefrom, (iii) all rights to any goods represented by any of the foregoing, including returned or repossessed goods, (iv) all reserves and credit balances held by such Guarantor with respect to any such accounts receivable or account debtors, (v) all health-care-insurance receivables, and (vi) all guarantees or collateral for any of the foregoing (all of the foregoing property and similar property being hereinafter referred to as "Accounts");

(b) all of such Guarantor's inventory, including without limitation (i) all raw materials, work in process, parts, components, assemblies, supplies and materials used or consumed in such Guarantor's businesses, wherever located and whether in the possession of such Guarantor or any other Person; (ii) all goods, wares and merchandise, finished or unfinished, held for sale or lease or leased or furnished or to be furnished under contracts of service, wherever located and whether in the possession of such Guarantor or any other person or entity; and (iii) all goods returned to or repossessed by such Guarantor (all of the foregoing property being hereinafter referred to as "Inventory");

(c) all of the equipment owned or leased by such Guarantor, including, without limitation, machinery, equipment, office equipment and supplies, computers and related equipment, furniture, furnishings, tools, tooling, jigs, dies, fixtures, manufacturing implements, fork lifts, trucks, trailers, motor vehicles, and other equipment (all of the foregoing property being hereinafter referred to as "Equipment");

(d) all of such Guarantor's general intangibles (including, without limitation, payment intangibles), instruments, securities (including without limitation United States of America Treasury Bills), credits, claims, demands, documents, letters of credit and letter of credit proceeds, documents of title, certificates of title, certificates of deposit, warehouse receipts, bills of lading, leases which are permitted to be assigned or pledged, deposit accounts, money, tax refund claims, and contract rights which are permitted to be assigned or pledged (all of the foregoing property being hereinafter referred to as "Intangibles");

(e) all of each Guarantor's intellectual property, including, without limitation, New Drug Applications, Investigatory New Drug Applications, Abbreviated New Drug Applications, Alternative New Drug Applications, registrations and quotas as issued by the DEA or the Attorney General of the United States pursuant to the CSA, certifications, permits and approvals of federal and state governmental agencies, patents, patent applications, trademarks, trademark applications, service marks, service mark applications, trade names, domain names, technical knowledge and processes, formal or informal licensing arrangements which are permitted to be assigned or pledged, blueprints, technical specifications, computer software, programs, databases, copyrights, copyright applications and all confidential and proprietary information, including, without limitation, know-how, trade secrets, manufacturing and production processes and techniques, inventions, research and development information, databases and data, including, without limitation, technical data, financial and marketing and business data, customer lists, supplier lists, pricing and cost information and business and marketing plans, and all embodiments thereof, and rights thereto, including, without limitation, all of such Guarantor's rights to use the patents, trademarks, copyrights, service marks, or other property of the aforesaid nature of other Persons now or hereafter licensed to such Guarantor, together with the goodwill of the business symbolized by or connected with such Guarantor's trademarks, copyrights, service marks, licenses and the other rights included in this Section 2.1(e) (all of the foregoing property being hereinafter referred to as "Intellectual Property");

(f) all deposit accounts, letter-of-credit rights, instruments (including, without limitation, promissory notes), investment property and chattel paper; and

(g) all interest, dividends, distributions, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the then existing Collateral.

2.2 PROCEEDS

For purposes of this Agreement, the term "Proceeds" shall include (a) whatever is now or hereafter received by such Guarantor upon the sale, exchange, collection or other disposition of any item of Collateral, whether such proceeds constitute Inventory, Accounts, Intangibles, royalties, payment under insurance (whether or not the Agent is the loss payee thereof), or any indemnities, warranties or guaranties, payable by reason of loss or damage to or otherwise with respect to any or the foregoing Collateral, and (b) any such items which are now or hereafter acquired by such Guarantor with any proceeds of Collateral hereunder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

Each Guarantor severally represents and warrants as follows:

3.1 ORGANIZATION AND EXISTENCE

Such Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and is qualified to do business in such other jurisdictions as the nature or conduct of its operations or the ownership of its properties require such qualification. Such Guarantor does not own or lease any property or engage in any activity in any jurisdiction that might require qualification to do business as a foreign corporation in such jurisdiction and where the failure to so qualify could reasonably be expected to have a Material Adverse Effect or subject such Guarantor to a material liability.

3.2 AUTHORIZATION

(a) Such Guarantor has all requisite corporate power and authority (i) to execute and deliver, and to perform and observe its obligations under, the Transaction Documents to which it is a party, and (ii) to consummate the transactions contemplated hereby and thereby, including, without limitation, the grant of any security interest, mortgage, payment trust, guaranty or other security arrangement by such Guarantor in, on or in respect of the Collateral.

(b) All corporate action on the part of such Guarantor and its directors and stockholders necessary for the authorization, execution, delivery and performance by such Guarantor of this Agreement, the Guaranty by such Guarantor in favor of Agent, and the transactions contemplated therein or in any other Transaction Document to which it is a party, has been taken.

3.3 PLACES OF BUSINESS

Such Guarantor has no places of business, or warehouses in which it leases space, other than those set forth on Section 3.3 of Schedule A, a copy of which is attached hereto and made a part hereof ("Schedule A").

3.4 LOCATION OF COLLATERAL

Except for the movement of Collateral from time to time from one place of business or warehouse listed on Section 3.3 of Schedule A to another place of business or warehouse listed on Section 3.3 of Schedule A, the Collateral is located at such Guarantor's chief executive offices or other places of business or warehouses listed on Section 3.3 of Schedule A, and not at any other location.

3.5 RESTRICTIONS ON COLLATERAL DISPOSITION

Except for any restrictions imposed under the Guarantors General Security Agreement dated as of March 29, 2000 given by the Guarantors in connection with the Senior Note (the "Watson Guarantors Security Agreement"), the Guarantors General Security Agreement dated as of June 22, 2005 given by the Guarantors in connection with a certain Loan Agreement, dated of even date therewith ("June Bridge Loan Guarantors Security Agreement") and the Guarantors General Security Agreement dated as of September 16, 2005 given by the Guarantors in connection with a certain Loan Agreement, dated of even date therewith ("September Bridge Loan Guarantors Security Agreement"), none of the Collateral is subject to contractual obligations that may restrict or inhibit the Agent's rights or ability to sell or dispose of the Collateral or any part thereof after the occurrence of an Event of Default.

3.6 STATUS OF ACCOUNTS

Each Account is based on an actual and bona fide rendition of services or sale of goods or products to customers, made by such Guarantor in the ordinary course of its business. The Accounts created are such Guarantor's exclusive property and are not and shall not be subject to any lien, consignment arrangement, encumbrance, security interest or financing statement whatsoever, except (i) the lien in favor of the holders of the Senior Note under the Watson Term Loan and the documents executed in connection therewith, including, without limitation, the Watson Guarantors Security Agreement, (ii) the lien in favor of the holders of the Secured Promissory Notes issued in connection with a bridge loan (the "June Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated as of June 22, 2005 and the documents executed in connection therewith, including, without limitation, the June Bridge Loan Guarantors Security Agreement; and (iii) the lien in favor of the holders of the Secured Promissory Notes issued in connection with a bridge loan (the "September Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated as of September 16, 2005 and the documents executed in connection therewith, including, without limitation, the September Bridge Loan Guarantors Security Agreement. To the best knowledge of such Guarantor, such Guarantor's customers have accepted the goods, products and services and owe and are obligated to pay the full amounts stated in the invoices according to their terms, without any dispute, offset, defense or counterclaim.

3.7 COPYRIGHTS, TRADEMARKS AND PATENTS

(a) Such Guarantor owns outright all of the Intellectual Property Rights listed on Section 4.12 of the Schedule of Exceptions attached to the Loan Agreement free and clear of all liens and encumbrances except for the Permitted Liens and pays no royalty to anyone under or with respect to any of them.

(b) Such Guarantor has not licensed to anyone the use of any of such Intellectual Property Rights and has no knowledge of the infringing use by the Company or any Guarantor of any Intellectual Property Rights of third parties.

(c) Other than as disclosed to the Company's or the Guarantors' Board of Directors, Such Guarantor has no knowledge, nor has it received any notice (i) of any conflict with the asserted rights of others with respect to any Intellectual Property Rights used in, or useful to, the operation of the business conducted by the Company and the Guarantors or with respect to any license under which the Company or a Guarantor is licensor or licensee; or (ii) that the Intellectual Property Rights infringe upon the rights of any third party.

(d) Such Guarantor has made or performed all filings, recordings and other acts and has paid all required fees and taxes to maintain and protect its interest in each and every item of Intellectual Property in full force and effect throughout the world, and to protect and maintain its interest therein including, without limitation, recordations of any of its interests in patents and trademarks with the U.S. Patent and Trademark Office and in corresponding national and international patent offices, and recordation of any of its interests in any copyrights with the U.S. Copyright Office and in corresponding national and international copyright offices. Such Guarantor has used proper statutory notice in connection with its use of each patent, trademark and copyright.

3.8 INVENTORY

All Inventory of such Guarantor consists of a quality and quantity usable and salable in the ordinary course of business, except for obsolete items and items of below-standard quality, all of which have been or will be written off or written down to net realizable value on the consolidated balance sheet of the Guarantors and its Subsidiaries as of March 31, 2005. The quantities of each type of Inventory (whether raw materials, work-in-process, or finished goods) are not excessive, but are reasonable and warranted in the present circumstances of such Guarantor.

3.9 OWNERSHIP

Such Guarantor is the legal and beneficial owner of its Collateral free and clear of any lien, claim, option or right of others, except for the security interest created under this Agreement, the Watson Guarantors Security Agreement, the June Bridge Loan Guarantors Security Agreement and the September Bridge Loan Guarantors Security Agreement. No effective financing statement or other instrument similar in effect covering all or any part of such Collateral or listing such Guarantor or any trade name of such Guarantor is on file in any recording office, except such as may have been filed relating to the Watson Term Loan, the June Bridge Loan and the September Bridge Loan. The Agent has, for the benefit of the Lenders, a valid and perfected security interest in the Collateral which security interest has priority over any and all other security interests in such Collateral.

ARTICLE 4

COVENANTS

Each Guarantor agrees (which agreements shall be several as to each Guarantor except as otherwise provided) as follows:

4.1 DEFEND AGAINST CLAIMS

Such Guarantor will defend the Collateral against all claims and demands of all Persons at any time claiming the same or any interest therein unless both the Agent and such Guarantor determine that the claim or demand is not material and that, consequently, such defense would not be consistent with good business judgment. Such Guarantor will not permit any lien notices with respect to the Collateral or any portion thereof to exist or be on file in any public office except for those in favor of the Agent and those permitted under the terms of the Loan Agreement.

4.2 CHANGE IN COLLATERAL LOCATION

Such Guarantor will not (a) change its corporate name, (b) change the location of its chief executive office or establish any place of business other than those specified in Section 3.3 of Schedule A, or (c) move or permit movement of the Collateral from the locations specified therein except from one such location to another such location, unless in each case such Guarantor shall have given the Agent at least thirty (30) days prior written notice thereof, and shall have, in advance, executed and caused to be filed or delivered to the Agent any financing statements or other documents required by the Agent to perfect the security interest of the Agent in the Collateral in accordance with Section 4.3 of this Agreement, all in form and substance satisfactory to the Agent.

4.3 ADDITIONAL FINANCING STATEMENTS

Promptly upon the reasonable request of the Agent, such Guarantor will execute and deliver or use its best efforts to procure any document, give any notices, execute and file any financing statements, mortgages or other documents, all in form and substance satisfactory to the Agent, mark any chattel paper, deliver any chattel paper or instruments to the Agent and take any other actions that are necessary or, in the opinion of the Agent, desirable to perfect or continue the perfection and the first priority of the Agent's security interest in the Collateral, to protect the Collateral against the rights, claims, or interests of third persons, or to effect the purposes of this Agreement. Such Guarantor will pay the costs incurred in connection with any of the foregoing.

4.4 ADDITIONAL LIENS; TRANSFERS

Without the prior written consent of the Agent, such Guarantor will not, in any way, hypothecate or create or permit to exist any lien, security interest, charge or encumbrance on or other interest in the Collateral, other than those permitted under the terms of the Loan Agreement and the liens in favor of the holders of the Senior Note pursuant to (i) the Watson Term Loan and documents relative thereto; (ii) the June Bridge Loan and the documents relative thereto; and (iii) the September Bridge Loan and the documents relative thereto, and such Guarantor will not sell, transfer, assign, pledge, collaterally assign, exchange or otherwise dispose of the Collateral, other than the sale of Inventory in the ordinary course of business and the sale of obsolete or worn out Equipment. Notwithstanding the foregoing, if the proceeds of any such sale consist of notes, instruments, documents of title, letters of credit or chattel paper, such proceeds shall be promptly delivered to the Agent to be held as Collateral hereunder. If the Collateral, or any part thereof, is sold, transferred, assigned, exchanged, or otherwise disposed of in violation of these provisions, the security interest of the Agent shall continue in such Collateral or part thereof notwithstanding such sale, transfer, assignment, exchange or other disposition, and such Guarantor will hold the proceeds thereof for the benefit of the Agent, and promptly transfer such proceeds to the Agent in kind.

4.5 CONTRACTUAL OBLIGATIONS

Such Guarantor will not enter into any contractual obligations which may restrict or inhibit the Agent's rights or ability to sell or otherwise dispose of the Collateral or any part thereof after the occurrence or during the continuance of an Event of Default.

4.6 AGENT'S RIGHT TO PROTECT COLLATERAL

Upon the occurrence or continuance of an Event of Default, the Agent shall have the right at any time to make any payments and do any other acts the Agent may deem necessary to protect the security interests of the Lenders in the Collateral, including, without limitation, the rights to pay, purchase, contest or compromise any encumbrance, charge or lien which, in the reasonable judgment of the Agent, appears to be prior to or superior to the security interests granted hereunder, and appear in and defend any action or proceeding purporting to affect its security interests in, or the value of, the Collateral. The Guarantors hereby jointly and severally agree to reimburse the Agent for all payments made and expenses incurred under this Agreement including reasonable fees, expenses and disbursements of attorneys and paralegals acting for the Agent, including any of the foregoing payments under, or acts taken to protect its security interests in, the Collateral, which amounts shall be secured under this Agreement, and agree they shall be bound by any payment made or act taken by the Agent hereunder absent the Agent's gross negligence or willful misconduct. The Agent shall have no obligation to make any of the foregoing payments or perform any of the foregoing acts.

4.7 FURTHER OBLIGATIONS WITH RESPECT TO ACCOUNTS

In furtherance of the continuing assignment and security interest in the Accounts of such Guarantor granted pursuant to this Agreement, upon the creation of Accounts, upon the Agent's request, such Guarantor will execute and deliver to the Agent in such form and manner as the Agent may require, solely for its convenience in maintaining records of Collateral, such confirmatory schedules of Accounts, and other appropriate reports designating, identifying and describing the Accounts as the Agent may reasonably require. In addition, upon the Agent's request, such Guarantor shall provide the Agent with copies of agreements with, or purchase orders from, the customers of such Guarantor and copies of invoices to customers, proof of shipment or delivery and such other documentation and information relating to such Accounts and other Collateral as the Agent may reasonably require. Furthermore, upon the Agent's request, such Guarantor shall deliver to the Agent any documents or certificates of title issued with respect to any property included in the Collateral, and any promissory notes, letters of credit or instruments related to or otherwise in connection with any property included in the Collateral, which in any such case came into the possession of such Guarantor, or shall cause the issuer thereof to deliver any of the same directly to the Agent, in each case with any necessary endorsements in favor of the Agent. Failure to provide the Agent with any of the foregoing shall in no way affect, diminish, modify or otherwise limit the security interests granted herein. Each Guarantor hereby authorizes the Agent to regard such Guarantor's printed name or rubber stamp signature on assignment schedules or invoices as the equivalent of a manual signature by such Guarantor's authorized officers or agents.

4.8 INSURANCE

Such Guarantor agrees to maintain public liability insurance, third party property damage insurance and replacement value insurance on the Collateral under such policies of insurance, with such insurance companies, in such amounts and covering such risks as are at all times satisfactory to the Agent in its commercially reasonable judgment. All policies covering the Collateral are to name the Agent as an additional insured and the loss payee in case of loss, and are to contain such other provisions as the Agent may reasonably require to fully protect the Agent's interest in the Collateral and to any payments to be made under such policies. Without limiting the generality of the foregoing, all such policies shall contain standard lender's loss payable clauses in favor of the Agent and shall provide that the same may not be cancelled, terminated or revised without giving the Agent at least 30 days prior written notice of such cancellation, termination or revision. Proceeds of such insurance policy or policies will be applied to the Obligations unless written consent to the contrary is obtained from the Agent. Such Guarantor will furnish the Agent with certificates of insurance or such other evidence satisfactory to the Agent so as to evidence compliance with the provisions of this Section.

4.9 TAXES

Such Guarantor agrees to pay, when due, all taxes lawfully levied or assessed against such Guarantor or any of the Collateral before any penalty or interest accrues thereon; provided, however, that, unless such taxes have become a federal tax or ERISA lien on any of the assets of such Guarantor, no such tax need be paid if the same is being contested, in good faith, by appropriate proceedings promptly instituted and diligently conducted and if an adequate reserve or other appropriate provision shall have been made therefor as required in order to be in conformity with GAAP.

4.10 COMPLIANCE WITH LAWS

Such Guarantor agrees to comply in all material respects with all Legal Requirements applicable to the Collateral or any part thereof, or to the operation of its business or its assets generally, unless such Guarantor contests in good faith, by appropriate legal, administrative or other proceedings promptly instituted and diligently conducted, any such Legal Requirements in a reasonable manner and in good faith. Such Guarantor agrees to maintain in full force and effect, its respective licenses and permits granted by any governmental authority as may be necessary or advisable for such Guarantor to conduct its business in all material respects.

4.11 MAINTENANCE OF PROPERTY

Such Guarantor agrees to keep all property useful and necessary to its business in good working order and condition (ordinary wear and tear excepted) and not to commit or suffer any waste with respect to any of its properties.

4.12 ENVIRONMENTAL AND OTHER MATTERS

Such Guarantor will conduct its business so as to comply in all respects with all environmental, land use, occupational, safety or health Legal Requirements in all jurisdictions in which it is or may at any time be doing business, except to the extent that such Guarantor is contesting, in good faith by appropriate legal, administrative or other proceedings, promptly instituted and diligently conducted, any such Legal Requirement; provided, further, that such Guarantor shall comply with the order of any court or other governmental authority relating to such Legal Requirements unless such Guarantor shall currently be prosecuting an appeal, proceedings for review or administrative proceedings and shall have secured a stay of enforcement or execution or other arrangement postponing enforcement or execution pending such appeal, proceedings for review or administrative proceedings.

4.13 INTELLECTUAL PROPERTY

With respect to each item of its Intellectual Property, each of the Guarantors agrees to take, at its expense, all necessary steps, including, without limitation, in the U.S. Patent and Trademark Office, the U.S. Copyright Office and any other governmental authority, to (a) maintain the validity and enforceability of such Intellectual Property and maintain such Intellectual Property in full force and effect, and (b) pursue the registration and maintenance of each patent, trademark, or copyright registration or application, now or hereafter included in such Intellectual Property of the Guarantors, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other governmental authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings. Neither Guarantor shall, without the prior written consent of the Agent, discontinue use of or otherwise abandon any Intellectual Property, or abandon any right to file an application for any patent, trademark or copyright, unless such Guarantor shall have previously determined that such use or the pursuit or maintenance of such Intellectual Property is no longer desirable in the conduct of such Guarantor’s business and that the loss thereof would not be reasonably likely to have a Material Adverse Effect, in which case, such Guarantor will give prompt notice of any such abandonment to the Agent.

4.14 FURTHER ASSURANCES

Such Guarantor shall take all such further actions and execute all such further documents and instruments (including, but not limited to, collateral assignments of Intellectual Property and Intangibles or any portion thereof) as the Agent may at any time reasonably determine in its sole discretion to be necessary or desirable to further carry out and consummate the transactions contemplated by the Loan Agreement and the documentation relating thereto, including this Agreement, and to perfect or protect the liens (and the priority status thereof) of the Agent in the Collateral.

ARTICLE 5

REMEDIES

5.1 OBTAINING COLLATERAL UPON DEFAULT

If any Event of Default shall have occurred and be continuing, then and in every such case, subject to the terms of the Loan Agreement and any mandatory requirements of applicable law then in effect, the Agent, in addition to any rights now or hereafter existing under applicable law, shall have all rights as a secured creditor under the Uniform Commercial Code in all relevant jurisdictions and may:

(a) personally, or by agents or attorneys, immediately retake possession of the Collateral or any part thereof, from any Guarantor or any other Person who then has possession of any part thereof, with or without notice or process of law, and for that purpose may enter upon such Guarantor's premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of such Guarantor;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation (including, without limitation, the Accounts) constituting the Collateral to make any payment required by the terms of such instrument or agreement directly to the Agent;

(c) withdraw all monies, securities and instruments held pursuant to any pledge arrangement for application to the Obligations;

(d) sell, assign or otherwise liquidate, or direct any Guarantor to sell, assign or otherwise liquidate, any or all of the Collateral or any part thereof, and take possession of the proceeds of any such sale or liquidation;

(e) take possession of the Collateral or any part thereof, by directing any Guarantor in writing to deliver the same to the Agent at any place or places designated by the Agent, in which event such Guarantor shall at its own expense:

(1) forthwith cause the same to be moved to the place or places so designated by the Agent and there delivered to the Agent,

(2) store and keep any Collateral so delivered to the Agent at such place or places pending further action by the Agent as provided in Section 5.2, and

(3) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain the Collateral in good condition;

it being understood that any Guarantor's obligation to so deliver the Collateral is of the essence of this Agreement and that, accordingly, upon application to a court of equity having jurisdiction, the Agent shall be entitled to a decree requiring specific performance by such Guarantor of said obligation.

5.2 DISPOSITION OF COLLATERAL

Any Collateral repossessed by the Agent under or pursuant to Section 5.1 and any other Collateral whether or not so repossessed by the Agent may be sold, assigned, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as the Agent may, in compliance with any mandatory requirements of applicable law, determine to be commercially reasonable. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by the Agent or after any overhaul or repair which the Agent shall determine to be commercially reasonable. Any such disposition which shall be a private sale or other private proceedings permitted by such requirements shall be made upon not less than ten (10) days' written notice to such Guarantor specifying the time at which such disposition is to be made and the intended sale price or other consideration therefor, and shall be subject, for the ten (10) days after the giving of such notice, to the right of such Guarantor or any nominee of such Guarantor to acquire the Collateral involved at a price or for such other consideration at least equal to the intended sale price or other consideration so specified. Any such disposition which shall be a public sale permitted by such requirements shall be made upon not less than ten (10) days' written notice to such Guarantor specifying the time and place of such sale and, in the absence of applicable requirements of law, shall be by public auction (which may, at the option of the Agent, be subject to reserve), after publication at least once in The New York Times not less than ten (10) days prior to the date of sale. If The New York Times is not then being published, publication may be made in lieu thereof in any newspaper then being circulated in the City of New York, New York, as the Agent may elect. All requirements of reasonable notice under this Section 5.2 shall be met if such notice is mailed, postage prepaid at least ten (10) days before the time of such sale or disposition, to the Guarantor at its address set forth herein or such other address as the Guarantor may have, in writing, provided to the Agent. The Agent may, if it deems it reasonable, postpone or adjourn any sale of any Collateral from time to time by an announcement at the time and place of the sale to be so postponed or adjourned without being required to give a new notice of sale. The proceeds realized from the sale of any Collateral shall be applied as follows: first, to the reasonable costs, expenses and attorneys' fees and expenses incurred by Agent for collection and for acquisition, completion, protection, removal, storage, sale and delivery of the Collateral; second, to interest due on any of the Obligations and any fees payable under this Agreement; and third, to the principal of the Obligations. If any deficiency shall arise, Guarantors shall remain liable to Agent and Lenders therefor.

5.3 POWER OF ATTORNEY

Each Guarantor hereby irrevocably authorizes and appoints the Agent, or any Person or agent the Agent may designate, as such Guarantor's attorney-in-fact, at such Guarantor's cost and expense, subject to the terms of the Loan Agreement, to exercise all of the following powers upon and at any time after the occurrence and during the continuance of an Event of Default, which powers, being coupled with an interest, shall be irrevocable until all of the Obligations owing by such Guarantor shall have been paid and satisfied in full:

(a) accelerate or extend the time of payment, compromise, issue credits, bring suit or administer and otherwise collect Accounts or proceeds of any Collateral;

(b) receive, open and dispose of all mail addressed to such Guarantor and notify postal authorities to change the address for delivery thereof to such address as the Agent may designate;

(c) give customers indebted on Accounts notice of the Agent's interest therein, or to instruct such customers to make payment directly to the Agent for such Guarantor's account;

(d) convey any item of Collateral to any purchaser thereof;

(e) give any notices or record any liens under Section 4.3 hereof; and

(f) make any payments or take any acts under Section 4.6 hereof.

The Agent's authority under this 5.3 shall include, without limitation, the authority to execute and give receipt for any certificate of ownership or any document, transfer title to any item of Collateral, sign such Guarantor's name on all financing statements or any other documents deemed necessary or appropriate to preserve, protect or perfect the security interest in the Collateral and to file the same, prepare, file and sign such Guarantor's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with any Account and prepare, file and sign such Guarantor's name on a proof of claim in bankruptcy or similar document against any customer of such Guarantor, and to take any other actions arising from or incident to the rights, powers and remedies granted to the Agent in this Agreement. This power of attorney is coupled with an interest and is irrevocable by such Guarantor.

5.4 WAIVER OF CLAIMS

Except as otherwise provided in this Agreement, EACH GUARANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE AND JUDICIAL HEARING IN CONNECTION WITH THE AGENT'S OR ANY LENDER'S TAKING POSSESSION OF OR DISPOSING OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH ANY GUARANTOR WOULD OTHERWISE HAVE UNDER THE CONSTITUTION OR ANY STATUTE OF THE UNITED STATES OR OF ANY STATE, and each Guarantor hereby further waives, to the extent permitted by law:

(a) all damages occasioned by such taking of possession except any damages which are the direct result of the Agent's or Lender's gross negligence or willful misconduct;

(b) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of the Agent's or Lender's rights hereunder, except as expressly provided herein; and

(c) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any applicable law in order to prevent or delay the enforcement of this Agreement or the absolute sale of the Collateral or any portion thereof, and such Guarantor, for itself and all who may claim under it, insofar as it or they now or hereafter lawfully may, hereby waives the benefit of all such laws.

Any sale of, or the grant of options to purchase, or any other realization upon any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of such Guarantor therein and thereto, and shall be a perpetual bar both at law and in equity against such Guarantor and against any and all persons claiming or attempting to claim the Collateral so sold, optioned or realized upon, or any part thereof, from, through and under such Guarantor.

5.5 REMEDIES CUMULATIVE

Each and every right, power and remedy hereby specifically given to the Agent shall be in addition to every other right, power and remedy specifically given under this Agreement, under the Loan Agreement or under other documentation relating thereto or now or hereafter existing at law or in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by the Agent. All such rights, powers and remedies shall be cumulative and the exercise or the beginning of exercise of one shall not be deemed a waiver of the right to exercise of any other or others. No delay or omission of the Agent in the exercise of any such right, power or remedy and no renewal or extension of any of the Obligations shall impair any such right, power or remedy or shall be construed to be a waiver of any default or Event of Default or any acquiescence therein.

ARTICLE 6

MISCELLANEOUS PROVISIONS

6.1 NOTICES

All notices, approvals, consents or other communications required or desired to be given hereunder shall be delivered in person, by facsimile transmission followed promptly by first class mail, by a nationally recognized courier service marked for next business day delivery or by overnight mail, and delivered if to the Agent, then to the attention of Bruce F. Wesson, c/o Galen Partners III, L.P., 610 Fifth Avenue, Fifth Floor, New York, New York, 10020, fax no. (212) 218-4990, with a copy to George N. Abrahams, Esq., c/o Blank Rome, LLP, Chrysler Building, 405 Lexington Avenue, New York, New York 10174, fax no. (917) 332-3763, and if to the Guarantors, then to c/o Acura Pharmaceuticals, Inc., attention of Mr. Andrew D. Reddick, 616 N. North Court, Suite 120, Palatine, Illinois 60067, with a copy to John P. Reilly, Esq., St. John & Wayne, L.L.C., 2 Penn Plaza East, Newark, New Jersey, 07105, fax no. (973) 491-3555.

6.2 HEADINGS

The headings in this Agreement are for purposes of reference only and shall not affect the meaning or construction of any provision of this Agreement.

6.3 SEVERABILITY

The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect, in that jurisdiction only, such clause or provision, or part thereof, and shall not in any manner affect such clause or provision in any other jurisdiction or any other clause or provision of this Agreement in any jurisdiction.

6.4 AMENDMENTS, WAIVERS AND CONSENTS

Any amendment or waiver of any provision of this Agreement and any consent to any departure by any Guarantor from any provision of this Agreement shall be effective only if made or given in writing signed by the Agent.

6.5 INTERPRETATION OF AGREEMENT

All terms not defined herein or in the Loan Agreement shall have the meaning set forth in the applicable Uniform Commercial Code. Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant in determining the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

6.6 CONTINUING SECURITY INTEREST

This Agreement shall create a continuing security interest in the Collateral and shall (a) remain in full force and effect, (b) be binding upon each Guarantor, and its successors and assigns and (b) inure to the benefit of the Agent and its successors and assigns.

6.7 REINSTATEMENT

To the extent permitted by law, this Agreement shall continue to be effective or be reinstated if at any time any amount received by the Agent in respect of the Obligations owing by the Guarantors is rescinded or must otherwise be restored or returned by the Agent upon the occurrence or during the pendency of any Event of Default, all as though such payments had not been made.

6.8 SURVIVAL OF PROVISIONS

All representations, warranties and covenants of the Guarantors contained herein shall survive the execution and delivery of this Agreement, and shall terminate only upon the full and final indefeasible payment and performance by the Guarantors of the Obligations secured hereby.

6.9 SETOFF

The Agent shall have all rights of setoff available at law or in equity.

6.10 POWER OF ATTORNEY

In addition to the powers granted to the Agent under Section 5.3, each Guarantor hereby irrevocably authorizes and appoints the Agent, or any Person or agent the Agent may designate, as such Guarantor's attorney-in-fact, at such Guarantor's cost and expense, to exercise all of the following powers, which being coupled with an interest, shall be irrevocable until all of the Obligations shall have been indefeasibly paid and satisfied in full:

(a) after the occurrence of an Event of Default, to receive, take, endorse, sign, assign and deliver, all in the name of the Agent or such Guarantor, any and all checks, notes, drafts, and other documents or instruments relating to the Collateral; and

(b) to request, at any time from customers indebted on Accounts, verification of information concerning the Accounts and the amounts owing thereon.

6.11 INDEMNIFICATION; AUTHORITY OF AGENT

Neither the Agent or any Lender nor any director, officer, employee, attorney or agent of the Agent or any Lender shall be liable to any Guarantor for any action taken or omitted to be taken by it or them hereunder, except for its or their own gross negligence or willful misconduct, nor shall the Agent or any Lender be responsible for the validity, effectiveness or sufficiency of this Agreement or of any document or security furnished pursuant hereto. The Agent, the Lenders and their respective directors, officers, employees, attorneys and agents shall be entitled to rely on any communication, instrument or document reasonably believed by it or them to be genuine and correct and to have been signed or sent by the proper person or persons. Each Guarantor agrees to indemnify and hold harmless the Agent, the Lenders and any other person from and against any and all costs, expenses (including reasonable fees, expenses and disbursements of attorneys and paralegals (including, without duplication, reasonable charges of inside counsel)), claims or liability incurred by the Agent, any Lender or such person hereunder, unless such claim or liability shall be due to willful misconduct or gross negligence on the part of the Agent, the Lender or such person.

6.12 RELEASE; TERMINATION OF AGREEMENT

Subject to the provisions of Section 6.7 of this Agreement, this Agreement shall terminate upon the termination of the Guaranties and the full and final indefeasible payment and performance of all the Obligations owing by each Guarantor. At such time, the Agent shall, at the request of any Guarantor, reassign and redeliver to such Guarantor all of the Collateral hereunder which has not been sold, disposed of, retained or applied by the Agent in accordance with the terms hereof. Such reassignment and redelivery shall be without warranty by or recourse to the Agent, except as to the absence of any prior assignments by the Agent of its interest in the Collateral, and shall be at the expense of such Guarantor.

6.13 COUNTERPARTS

This Agreement may be executed in one or more counterparts, including by facsimile copy, each of which shall be deemed an original but all of which shall together constitute one and the same agreement.

6.14 GOVERNING LAW

This Agreement and the rights of the parties hereunder shall be governed by, and construed in accordance with, the laws of the State of New York wherein the terms of this Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

6.15 SUBMISSION TO JURISDICTION

(a) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Agreement or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any other jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

6.16 SERVICE OF PROCESS

EACH GUARANTOR HEREBY IRREVOCABLY AGREES THAT SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH GUARANTOR AT ITS ADDRESS SET FORTH IN SECTION 6.1 HEREOF.

6.17 LIMITATION OF LIABILITY

THE AGENT AND THE LENDERS SHALL NOT HAVE ANY LIABILITY TO ANY GUARANTOR (WHETHER SOUNDING IN TORT, CONTRACT, OR OTHERWISE) FOR LOSSES SUFFERED BY ANY GUARANTOR IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THE TRANSACTIONS OR RELATIONSHIPS CONTEMPLATED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS IT IS DETERMINED BY A FINAL AND NONAPPEALABLE JUDGMENT OR COURT ORDER BINDING ON THE AGENT OR LENDER, AS APPLICABLE, THAT THE LOSSES WERE THE RESULT OF ACTS OR OMISSIONS CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

6.18 DELAYS; PARTIAL EXERCISE OF REMEDIES

No delay or omission of the Agent to exercise any right or remedy hereunder, whether before or after the happening of any Event of Default, shall impair any such right or shall operate as a waiver thereof or as a waiver of any such Event of Default. No single or partial exercise by the Agent of any right or remedy shall preclude any other or further exercise thereof, or preclude any other right or remedy.

6.19 JURY TRIAL

EACH OF THE GUARANTORS AND THE AGENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each Guarantor has caused this Guarantors General Security Agreement to be duly executed and delivered as of the date first written above.

ACURA PHARMACEUTICAL TECHNOLOGIES, INC.

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and Chief Executive Officer

AXIOM PHARMACEUTICAL CORPORATION

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and Chief Executive Officer

By its acceptance hereof, as of the day and year first above written, the Agent agrees to be bound by the provisions hereof applicable to it.

GALEN PARTNERS III, L.P.
By: Claudius, L.L.C, General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10019

By: /s/ Srini Conjeevaram

Name: Srini Conjeevaram, its General Partner
Title: President and Chief Executive Officer

SCHEDULE A

Section 3.3

· APT

16235 State Road 17, Culver, Indiana 46511.

· Axiom

616 N. North Court, Suite 120, Palatine, Illinois 60067.

STOCK PLEDGE AGREEMENT

This Stock Pledge Agreement (this "Agreement") is dated as of November 9, 2005 by and between Acura Pharmaceuticals, Inc., a New York corporation (the "Pledgor"), and Galen Partners III, L.P., a Delaware limited partnership, acting in its capacity as agent for the Lenders, as hereinafter defined (the "Agent"), for the benefit of the Lenders.

PRELIMINARY STATEMENTS

The Pledgor has entered into a Loan Agreement of even date herewith (as the same may be amended, modified, supplemented or restated from time to time, the "Loan Agreement;" terms which are capitalized in this Agreement and not otherwise defined shall have the meanings ascribed to them in the Loan Agreement) with the Lenders party thereto (the "Lenders"). It is a condition precedent to the effectiveness of the Loan Agreement that the Pledgor shall have executed this Agreement and made the pledges referred to herein in favor of the Agent, for the ratable benefit of the Lenders, as contemplated hereby.

AGREEMENT

In consideration of the premises and to induce the Lenders to enter into the Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby agrees with the Agent as follows:

ARTICLE 1

PLEDGE OF PLEDGED STOCK

1.1 DEFINITIONS; INTERPRETATION OF AGREEMENT

Unless the context otherwise requires, all terms not defined herein or in the Loan Agreement shall have the meaning set forth in the New York Uniform Commercial Code (the "Code"). Acceptance of or acquiescence in a course of performance rendered under this Agreement shall not be relevant in determining the meaning of this Agreement even though the accepting or acquiescing party had knowledge of the nature of the performance and opportunity for objection.

1.2 PLEDGE OF THE PLEDGED STOCK; POWER OF ATTORNEY

(a) As security for the prompt payment and performance when due of the obligations now or hereafter owing by the Pledgor to the Lenders under the Loan Agreement, the Notes, the other Transaction Documents and under the agreements, documents and instruments delivered by the Pledgor pursuant thereto or in connection therewith (collectively, the "Obligations"), the Pledgor hereby pledges to the Agent, for the ratable benefit of the Lenders, and grants to the Agent, for the ratable benefit of the Lenders, a lien on and security interest having priority over any and all other security interests, in the following (collectively the "Pledged Collateral"): (i) all of the issued and outstanding shares of common stock of Acura Pharmaceutical Technologies, Inc. ("APT"), and Axiom Pharmaceutical Corporation ("Axiom" and, together with APT, the "Subsidiaries"), which shares are more particularly described on Schedule A attached hereto (the "Pledged Stock"), (ii) all additional shares of common stock at any time issued to the Pledgor by APT or Axiom, (iii) the certificates evidencing all Pledged Collateral, (iv) subject to Section 1.6 hereof, all dividends, cash, securities, investment property, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Stock and such shares and securities, and (v) all proceeds of any and all Pledged Collateral (including, without limitation, proceeds constituting any property of the types described above). The Pledgor shall deliver to the Agent original stock certificates for all of the Pledged Stock, each accompanied by an undated stock power executed in blank by the Pledgor.

(b) The Agent shall have no obligation with respect to the Pledged Collateral or any other property held or received by it hereunder except to use reasonable care in the custody thereof. The Agent may hold the Pledged Collateral in the form in which it is received by it.

(c) The Pledgor, to the fullest extent permitted by law, hereby constitutes and irrevocably appoints the Agent (and any officer or agent of the Agent, with full power of substitution and revocation) as the Pledgor's true and lawful attorney-in-fact, in the Pledgor's stead and in the name of the Pledgor or in the name of the Agent, to transfer, upon the occurrence and during the continuance of an Event of Default or at any time the Agent, based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable credit judgment, believes, and has so notified the Pledgor in writing, that, in connection with the Loan Agreement and the agreements, documents and instruments delivered by the Pledgor pursuant thereto or in connection therewith, fraud has occurred with respect to the Pledgor or any other Person controlling, controlled by, or under common control with the Pledgor which has a material adverse effect on the operations or condition (financial or otherwise) of the Pledgor and its subsidiaries, taken as a whole (a "Fraud"), the Pledged Collateral on the books of APT and Axiom, as applicable, in whole or in part, to the name of the Agent or such other Person or Persons as the Agent may designate and, upon the occurrence and during the continuance of an Event of Default or at any time the Agent, based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable credit judgment, believes, and has so notified the Pledgor in writing, that Fraud has occurred, to take all such other and further actions as the Pledgor could have taken with respect to the Pledged Collateral which the Agent in its reasonable judgment determines to be necessary or appropriate to accomplish the purposes of this Agreement.

(d) The powers of attorney granted pursuant to this Agreement and all authority hereby conferred are granted and conferred solely to protect the Agent's interests in the Pledged Collateral and shall not impose any duty upon the attorney-in-fact to exercise such powers. Such powers of attorney shall be irrevocable prior to the payment in full of the Obligations and shall not be terminated prior thereto or affected by any act of the Pledgor or other Persons or by operation of law. The foregoing power of attorney, being coupled with an interest, is irrevocable so long as any Obligation remains outstanding.

(e) Except to the extent that the Agent releases its pledge of any of the Pledged Collateral, each Person who shall be a transferee of the beneficial ownership of any of the Pledged Collateral shall be deemed to have irrevocably appointed the Agent, with full power of substitution and revocation, as such Person's true and lawful attorney-in-fact in such Person's name and otherwise to do any and all acts herein permitted and to exercise any and all powers herein conferred; provided, however, that no Person shall exercise any such power of attorney unless an Event of Default shall have occurred and be continuing, and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from and after such time as such Person has notified the Pledgor in writing that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, such Person believes that Fraud has occurred.

1.3 RIGHTS OF PLEDGOR; VOTING

(a) During the term of this Agreement, and so long as the Pledgor has not received a Voting Notice (as defined below) from the Agent following (i) the occurrence and during the continuance of an Event of Default, and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or (ii) from and after such time as the Agent determines that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, the Pledgor shall have the right to vote any of the Pledged Collateral in all corporate matters except those which would contravene this Agreement, the Loan Agreement or any of the agreements, documents and instruments delivered by the Pledgor and each Subsidiary pursuant thereto unless the Agent consents in writing thereto.

(b) Upon the occurrence and during the continuance of an Event of Default, and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from or from and after such time as the Agent has notified the Pledgor in writing that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, Agent believes that Fraud has occurred, the Pledgor shall give the Agent at least fifteen (15) days' prior notice of (i) any meeting of stockholders of any of the Subsidiaries or any meeting of directors of any of the Subsidiaries convened for any purpose and (ii) any written consent which the Pledgor proposes to execute as the stockholder of any of the Subsidiaries or which any of the representatives of the Pledgor proposes to execute as a director of any of the Subsidiaries. During the continuance of an Event of Default, and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from and after such time as the Agent determines that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, the Pledgor hereby authorizes the Agent to send its agents and representatives to any such meeting of stockholders or directors of any of the Subsidiaries that the Agent wishes to attend, and agrees to take such steps as may be necessary to confirm and effectuate such authority, including, without limitation, causing such Subsidiary to give reasonable prior written notice to the Agent of the time and place of any such meeting and the principal actions to be taken thereat.

(c) Notwithstanding the occurrence of an Event of Default, and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or the determination by the Agent that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, the Pledgor may continue to exercise the voting rights of the Pledgor as herein described (and subject to the limitations herein) except to the extent that the Agent elects to exercise voting power (as determined by it in its sole discretion) by providing written notice to the Pledgor at any time during the continuance of an Event of Default or from and after such time as the Agent has determined that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred (a "Voting Notice"), whereupon the Agent shall have the exclusive right during the continuance of an Event of Default or from and after the Agent's determination of Fraud to exercise such rights to the extent specified in such Voting Notice, and the Pledgor shall take all such steps as may be necessary to effectuate such rights until the Agent notifies the Pledgor in writing of the release of such rights. Once any such Event of Default has been cured or waived and such cure or waiver is confirmed by the Agent to the Pledgor in writing, any relevant Voting Notice shall be deemed to be rescinded.

1.4 NO RESTRICTIONS ON TRANSFER

The Pledgor warrants and represents that except as otherwise provided in (i) the Watson Stock Pledge Agreement dated March 29, 2000 executed by the Pledgor to secure the Senior Note (as amended, the "Watson Stock Pledge Agreement"); (ii) the Stock Pledge Agreement dated as of June 22, 2005 executed by the Pledgor to secure a certain bridge loan (the "June Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated as of June 22, 2005 (the "June Bridge Loan Stock Pledge Agreement"); and (iii) the Stock Pledge Agreement dated as of September 16, 2005 executed by the Pledgor to secure a certain bridge loan (the "September Bridge Loan") extended pursuant to the terms of that certain Loan Agreement, dated as of September 16, 2005 (the "September Bridge Loan Stock Pledge Agreement") , there are no restrictions on the transfer of the Pledged Stock (except for such restrictions imposed by operation of law), that there are no options, warrants or rights pertaining thereto, and that the Pledgor has the right to transfer the Pledged Stock free of any encumbrances and without the consent of the creditors of the Pledgor or the consent of any of the Subsidiaries or any other Person or any governmental agency whatsoever.

1.5 NO TRANSFER OF LIENS; ADDITIONAL SECURITIES

The Pledgor agrees that it will not sell, transfer or convey any interest in, or suffer or permit any lien or encumbrance to be created upon or with respect to, any of the Pledged Collateral during the term of this Agreement, except to or in favor of the Agent, or as agreed to in writing in advance by the Agent in accordance with the terms of the Loan Agreement. The Pledgor shall not cause, suffer or permit any Subsidiary to issue any common or preferred stock, or any other equity security or any other instruments convertible into equity securities, to any Person, unless the Agent otherwise consents in writing (which consent may be withheld in the Agent's reasonable credit judgment).

1.6 ADJUSTMENTS OF CAPITAL STOCK; PAYMENT AND APPLICATION OF DIVIDENDS

Subject to the Loan Agreement, in the event that during the term of this Agreement any stock dividend, reclassification, readjustment or other change is declared or made in the capital structure of any Subsidiary or if any other or additional shares of stock of any Subsidiary are issued to the Pledgor, all new, substituted and additional shares or other securities issued by reason of any such change or acquisition shall immediately be delivered by the Pledgor to the Agent and shall be deemed to be part of the Pledged Collateral under the terms of this Agreement in the same manner as the shares of capital stock originally pledged hereunder. Subject to the Loan Agreement, upon the occurrence and during the continuance of an Event of Default and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from and after such time as the Agent determines that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, all cash dividends received by or payable to the Pledgor in respect of the Pledged Collateral, including any additional shares of stock or investment property received by the Pledgor as a result of the Pledgor's record ownership of the Pledged Stock, shall immediately be delivered by the Pledgor to the Agent, to be held by the Agent as Pledged Collateral hereunder or to be applied by the Agent against the Obligations. Upon the occurrence and during the continuance of an Event of Default and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from and after such time as the Agent determines that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, the Pledgor will not demand and will not be entitled to receive, any cash dividends or other income, interest or property in or with respect to the Pledged Collateral, and if the Pledgor receives any of the same, the Pledgor shall immediately deliver it to the Agent to be held by it and applied as provided in the preceding sentence.

1.7 WARRANTS AND OPTIONS

In the event that during the term of this Agreement subscription warrants or other rights or options shall be issued to the Pledgor in connection with the Pledged Collateral, all such stock warrants, rights and options shall forthwith be assigned to the Agent by the Pledgor, and such stock warrants, rights and options shall be, and, if exercised by the Pledgor, all new stock issued pursuant thereto shall be, pledged by the Pledgor to the Agent to be held as, and shall be deemed to be part of, the Pledged Collateral under the terms of this Agreement in the same manner as the shares of capital stock originally pledged hereunder.

1.8 RETURN OF PLEDGED COLLATERAL UPON TERMINATION

Upon the termination of the Loan Agreement and the indefeasible payment in full in cash of the Obligations and all other amounts payable under this Agreement, the Agent shall cause to be transferred or returned to the Pledgor all of the stock pledged by the Pledgor herein and any money, property and rights received by the Agent pursuant hereto, to the extent the Agent has not taken, sold or otherwise realized upon the same as permitted hereunder, together with all other documents reasonably required by the Pledgor to evidence termination of the pledge contemplated hereby.

ARTICLE 2

EVENTS OF DEFAULT; REMEDIES

2.1 RIGHTS OF AGENT UPON DEFAULT

Upon the occurrence and during the continuance of any Event of Default and subject to the terms of the Loan Agreement regarding the exercise of remedies upon an Event of Default, or from and after such time as the Agent determines that based on all the facts and circumstances then existing, and in the exercise of its commercially reasonable judgment, the Agent believes that Fraud has occurred, the Agent shall have and at any time may exercise with respect to the Pledged Collateral, the proceeds thereof, and any other property or money held by the Agent hereunder, all rights and remedies available to it under law, including, without limitation, those given, allowed or permitted to a secured party by or under the Code, and all rights and remedies provided for herein and in the Loan Agreement.

2.2 DISPOSITION OF PLEDGED STOCK

(a) Without limiting the foregoing, in the event that the Agent elects to sell the Pledged Stock (such term including, for purposes of this Section 2.2, the Pledged Stock and all other shares of stock or securities at any time forming part of the Pledged Collateral), the Agent shall have the power and right in connection with any such sale, exercisable at its option and in its absolute discretion, to sell, assign, and deliver the whole or any part of the Pledged Stock or any additions thereto at a private or public sale for cash, on credit or for future delivery and at such price as the Agent deems to be satisfactory. Any such disposition which shall be made by private sale or other private proceeding shall be made upon not less than ten (10) days' prior written notice to Pledgor specifying the date and time at which such disposition is to be made. Notice of any public sale shall be sufficient if it describes the Pledged Collateral to be sold in general terms, and is published at least once in The New York Times not less than ten (10) days prior to the date of sale. If The New York Times is not then being published, publication may be made in lieu thereof in any newspaper then being circulated in the City of New York, New York, as the Agent may elect. If any notice of a proposed sale or other disposition of Pledged Collateral shall be required by law, such notice shall be deemed reasonable and proper if mailed, postage prepaid, to the Pledgor at its address set forth in Section 5.5 hereof or such other address as the Pledgor may have, in writing, provided to the Agent. The Agent may, if it deems it reasonable, postpone or adjourn any sale of any collateral from time to time by an announcement at the time and place of the sale to be so postponed or adjourned without being required to give a new notice of sale.

(b) Because federal and state securities laws may restrict the methods of disposition of the Pledged Stock which are readily available to the Agent, and specifically because a public sale thereof may be impossible or impracticable by reason of certain restrictions under the Securities Act or under applicable "blue sky" or other state securities laws as now or hereafter in effect, the Pledgor agrees that the Agent may from time to time attempt to sell the Pledged Stock by means of a private placement restricting the offering or sale to a limited number of prospective purchasers who meet suitability standards the Agent deems appropriate and who agree that they are purchasing for their own accounts for investment and not with a view to distribution, and the Agent's acceptance of the highest offer obtained therefrom shall be deemed to be a commercially reasonable disposition of the Pledged Stock. To the extent permitted by law, the Agent or its assigns may purchase all or any part of the Pledged Stock and any purchaser thereof shall thereafter hold the same absolutely free from any right or claim of any kind. To the fullest extent permitted by law, the Agent shall not be obligated to make any such sale pursuant to notice and may, without notice or publication, adjourn any public or private sale by announcement at the time and place fixed for the sale, and such sale may be held at any time or place to which the same may be adjourned. If any of the Pledged Stock is sold by the Agent upon credit or for future delivery, the Agent shall not be liable for the failure of the purchaser to pay for same and, in such event, the Agent may resell such Pledged Stock and the Pledgor shall continue to be liable to the Agent for the full amount of the Obligations to the extent the Agent does not receive full and final payment in cash therefor.

(c) Except as otherwise provided in the Loan Agreement or by applicable law, the Agent shall have the sole right to determine the order in which Obligations shall be deemed discharged by the application of the proceeds of Pledged Stock or any other property or money held hereunder or any amount realized thereon.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

The Pledgor represents and warrants to the Agent that:

3.1 CAPITALIZATION; GOOD TITLE

(a) All shares of Pledged Stock are fully paid, duly and properly issued, nonassessable and owned by the Pledgor free and clear of any lien or encumbrance of any kind whatsoever, excepting those herein granted to the Agent hereunder and in connection with the June Bridge Loan Agreement, and the September Bridge Loan Agreement and those granted to the holders of the Senior Note. The Pledged Stock constitutes all of the outstanding securities of any class or kind of all of the Subsidiaries.

(b) Except in the case of the liens granted to the holders of the Senior Note and the June Bridge Loan lenders and the September Bridge Loan Lenders , no effective financing statement or other instrument similar in effect covering all or any part of the Pledged Collateral is on file in any recording office.

3.2 VALID SECURITY INTEREST

The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first-priority security interest, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest having been duly made or taken.

3.3 CONSENTS

Except for the consent of the holders of the Senior Note, the holders of the Series A Preferred and the June Bridge Loan lenders and the September Bridge Loan Lenders, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (a) the pledge by the Pledgor of the Pledged Collateral pursuant to this Agreement, the grant by the Pledgor of the assignment or security interest granted hereby or the execution, delivery or performance of this Agreement by the Pledgor, (b) the perfection of or exercise by the Agent of its rights and remedies provided for in this Agreement, or (c) the exercise by the Agent of the voting or other rights provided for in this Agreement or the remedies in respect of the Pledged Collateral pursuant to this Agreement (except as may be required in connection with a judicial foreclosure, if applicable, or the disposition of the Pledged Stock by laws affecting the offering and sale of securities generally).

3.4 AUTHORIZATION; ENFORCEABILITY

The Pledgor has full right, power and authority to enter into this Agreement and to grant the security interest in the Pledged Collateral made hereby, and this Agreement constitutes the legal, valid and binding obligation of the Pledgor enforceable against the Pledgor in accordance with its terms, except as the enforceability thereof may be (a) limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforceability of creditors' rights generally, and (b) subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.5 NO CONFLICT

The execution, delivery and performance by the Pledgor of this Agreement will not result in any violation, conflict with, or result in a breach of any of the terms of, or constitute a default under, any agreements, contracts, court orders or consent decrees, the Certificate of Incorporation or the By-laws, as amended, of the Pledgor.

ARTICLE 4

Indemnity and Expenses

4.1 INDEMNITY

The Pledgor agrees to and hereby indemnifies the Agent and each of the Lenders from and against any and all Losses arising out of, or in connection with, or resulting from this Agreement (including, without limitation, enforcement of this Agreement) unless resulting from or arising out of the gross negligence or willful misconduct of the Agent or such Lender.

4.2 EXPENSES

The Pledgor agrees promptly upon the Agent's or such Lender's demand to pay or reimburse the Agent or such Lender for all reasonable expenses (including, without limitation, reasonable fees and disbursements of counsel) incurred by the Agent or such Lender in connection with (a) any modification or amendment to or waiver of any provision of this Agreement requested by the Pledgor, (b) the custody or preservation of the Pledged Collateral, (c) any actual or attempted sale or exchange of, or any enforcement, collection, compromise or settlement respecting, the Pledged Collateral or any other property or money held hereunder or any other action taken by the Agent or such Lender hereunder reasonably necessary to enforce its rights, whether directly or as attorney-in-fact pursuant to the power of attorney herein conferred, or (d) the failure by the Pledgor to perform or observe any of the provisions hereof. All such expenses shall be deemed a part of the Obligations for all purposes of this Agreement and the Agent may apply the Pledged Collateral or any other property or money held hereunder to payment of or reimbursement for such expenses after notice and demand to the Pledgor.

ARTICLE 5

MISCELLANEOUS

5.1 AGENT MAY PERFORM

If the Pledgor fails to perform any representation, warranty, covenant or agreement required to be performed by it contained herein, the Agent may, but shall not be obligated to, perform, or cause performance of, such representation, warranty, covenant or agreement, and the out-of-pocket expenses of the Agent incurred in connection therewith shall be payable by the Pledgor.

5.2 WAIVERS AND AMENDMENT

The rights and remedies given hereby are in addition to all others however arising, but it is not intended that any right or remedy be exercised in any jurisdiction in which such exercise would be prohibited by law. No action, failure to act or knowledge of the Agent shall be deemed to constitute a waiver of any power, right or remedy hereunder, nor shall any single or partial exercise thereof preclude any further exercise thereof or the exercise of any other power, right or remedy. Any right or power of the Agent hereunder in respect of the Pledged Collateral and any other property or money held hereunder may at the option of the Agent be exercised as to all or any part of the same and the term the "Pledged Collateral" wherever used herein, unless the context clearly requires otherwise, shall be deemed to mean (and shall be read as) "the Pledged Collateral and any other property or money held hereunder or any part thereof." This Agreement shall not be amended nor shall any right hereunder be deemed waived except by a written agreement expressly setting forth the amendment or waiver and signed by the Agent.

5.3 CONTINUING SECURITY INTEREST; ASSIGNMENTS OF SECURED DEBT

This Agreement shall create a continuing security interest having priority over any and all security interests in the Pledged Collateral and shall (a) remain in full force and effect, (b) be binding upon the Pledgor, and the Pledgor's successors and assigns, and upon each of the Subsidiaries, and their successors and assigns, and (c) inure, together with the rights and remedies of the Agent and the Lenders hereunder, to the benefit of the Agent, its successors and permitted assigns. Without limiting the generality of the foregoing clause (c), the Agent may assign or otherwise transfer all or any portion of its rights and obligations under this Agreement to any other Person, to the extent and in the manner provided in the Loan Agreement and such other Person shall thereupon become vested with all the benefits in respect hereof granted to the Agent herein; the Agent shall, however, retain all of its rights and powers with respect to any part of the Pledged Collateral not transferred. Any agent or nominee of the Agent shall have the benefit of this Agreement as if named herein and may exercise all the rights and powers given to the Agent hereunder.

5.4 GOVERNING LAW; CONSENT TO JURISDICTION

(a) This Agreement and the rights of the parties hereunder shall be governed in all respects by the laws of the State of New York wherein the terms of this Agreement were negotiated, excluding to the greatest extent permitted by law any rule of law that would cause the application of the laws of any jurisdiction other than the State of New York.

(b) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or United States Federal court sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising our of or relating to this Agreement or any of the other Transaction Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the fullest extent permitted by law, in such United States Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Transaction Documents in the courts of any other jurisdiction.

(c) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or in relation to this Agreement or any other Transaction Document to which it is a party in any such New York State or United States Federal court sitting in New York City. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

5.5 NOTICES

All notices hereunder shall be in writing (except only as otherwise provided in Section 5.2) and shall be conclusively deemed to have been received and shall be effective (a) on the day on which delivered if delivered personally (including delivery by courier or overnight mail providing evidence of delivery), or transmitted by telex or telegram or telecopier with transmission confirmed, or (b) five (5) days after the date on which the same is deposited in the United States mail (certified or registered if required under Section 5.4), with postage prepaid and properly addressed, and any notice mailed shall be addressed:

(a) in the case of the Pledgor, to:

Acura Pharmaceuticals, Inc.
616 N. North Court, Suite 120
Palatine, Illinois 60067
Telecopier No.: (847) 705-5399

with copies to:

St. John & Wayne
2 Penn Plaza East
Newark, New Jersey 07105
Attention: John P. Reilly, Esq.
Telephone No.: (973) 491-3600
Telecopier No.: (973) 491-3555

(b) in the case of the Agent, to:

Galen Partners III, L.P.
610 Fifth Avenue, Fifth Floor
New York, NY 10020
Telecopier No.: (212) 218-4999
Attention: Bruce F. Wesson
with a copies to:

Blank Rome, LLP
Chrysler Building
405 Lexington Avenue
New York, New York 10174
Attention: George N. Abrahams, Esq.
Telephone No.: (212) 885-5207
Telecopier No.: (917) 332-3763

or at such other address as the party giving such notice shall have been advised of in writing for such purpose by the party to whom or to which the same is directed.

5.6 SEVERABILITY; ENTIRE AGREEMENT

(a) If any provision of this Agreement shall be invalid, illegal, or unenforceable in any jurisdiction, the validity, legality or enforceability of any such provision in any other jurisdiction shall not be affected or impaired, and to the extent any provision is held invalid, illegal or unenforceable, then such provision shall be deemed severable from, and shall in no way affect the validity or enforceability of the remaining provisions of this Agreement.

(b) This Agreement, together with the other Transaction Documents, constitutes the entire agreement of the Pledgor and replaces any other or prior agreements or undertakings, with respect to the subject matter hereof, and there are no other agreements or undertakings, oral or written, respecting such subject matter which are intended to have any force or effect after the execution hereof.

5.7 SUCCESSORS AND ASSIGNS; HEADINGS

This Agreement shall be binding upon and shall inure to the benefit of the Pledgor and the Agent and their respective successors and permitted assigns. Section headings used herein are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

5.8 COUNTERPARTS

This Agreement may be executed in any number of counterparts, including by facsimile copy, each executed counterpart constituting an original but all counterparts together constituting only one instrument.

5.9 FURTHER ASSURANCES

Pledgor shall execute, in a proper and timely manner, at or after the date hereof, such additional documents and instruments as may be reasonably requested by the Agent in connection with the consummation or confirmation of the transactions contemplated by this Agreement.

5.10 NO ASSIGNMENT

This Agreement may not be assigned by the Pledgor without the prior express written consent of the Agent.

5.11 WAIVERS OF JURY TRIAL

THE PLEDGOR AND, BY ITS ACCEPTANCE HEREOF, THE AGENT HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY TRANSACTION DOCUMENT OR THE ACTIONS OF ANY PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF.

5.12 WAIVERS OF CONSEQUENTIAL DAMAGES

NEITHER THE PLEDGOR, THE AGENT OR ANY LENDER, NOR ANY EMPLOYEE, AGENT OR ATTORNEY OF ANY OF THEM, SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL DAMAGES ARISING FROM ANY BREACH OF CONTRACT, TORT OR OTHER WRONG RELATING TO THIS AGREEMENT OR THE ESTABLISHMENT, ADMINISTRATION OR COLLECTION OF THE OBLIGATIONS, EXCEPT FOR BAD FAITH.

5.13 LIMITATION OF LIABILITY

THE AGENT AND THE LENDERS SHALL NOT HAVE ANY LIABILITY TO THE PLEDGOR (WHETHER SOUNDING IN TORT, CONTRACT, OR OTHERWISE) FOR LOSSES SUFFERED BY THE PLEDGOR IN CONNECTION WITH, ARISING OUT OF, OR IN ANY WAY RELATED TO THE TRANSACTIONS OR RELATIONSHIPS CONTEMPLATED BY THIS AGREEMENT, OR ANY ACT, OMISSION OR EVENT OCCURRING IN CONNECTION THEREWITH, UNLESS IT IS DETERMINED BY A FINAL AND NONAPPEALABLE JUDGMENT OR COURT ORDER BINDING ON THE AGENT OR LENDER, AS APPLICABLE, THAT THE LOSSES WERE THE RESULT OF ACTS OR OMISSIONS CONSTITUTING GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the Pledgor has caused this Stock Pledge Agreement to be executed by its duly authorized officer as of the date first written above.

ACURA PHARMACEUTICALS, INC.

By: /s/ Andrew D. Reddick

Name: Andrew D. Reddick
Title: President and Chief Executive Officer

Accepted and Agreed to:

GALEN PARTNERS III, L.P.
on behalf of itself and as Agent
By: Claudius, L.L.C, General Partner
610 Fifth Avenue, 5th Fl.
New York, New York 10019

By: /s/ Srini Conjeevaram

Name: Srini Conjeevaram, its General Partner

SCHEDULE A

Designation and Number of
shares of capital stock owned by Pledgor

Issuer	Certificate No.	Designation	Number of Shares
Acura Pharmaceutical Technologies, Inc.	1	Common Stock, $.01 par value	100
Axiom Pharmaceutical Corporation	1	Common Stock, $.01 par value	100

CONTACT: Acura Pharmaceuticals, Inc.
Peter A. Clemens, SVP Investor Relations & CFO **847-705-7709**

FOR IMMEDIATE RELEASE

ACURA PHARMACEUTICALS, INC. REPORTS FINANCIAL RESULTS FOR Q3-05, BRIDGE FUNDING, CONVERSION OF PREFERRED SHARES, UPDATE ON OxyADF™ DEVELOPMENT and CASH RESERVES

Palatine, IL, November 10, 2005: Acura Pharmaceuticals, Inc. (OTC.BB - ACUR) today announced a net loss of $1.6 million or $0.07 per share for the quarter ended September 30, 2005 compared to a net loss of $51.5 million or $2.35 per share for the same period in 2004. Included in the quarter ended September 30, 2004 is a non-cash charge of $47.8 million for amortization and write-off of debt discount and private debt offering costs.

For the nine months ended September 30, 2005, the Company's net loss was $5.0 million or $0.22 per share compared to a net loss of $67.9 million or $3.12 per share for the same period in 2004. During the nine months ended September 30, 2004, the Company recorded gains of $12.4 million from debt restructuring and $2.4 million from the divestment of certain non-revenue generating assets. Expenses for the nine month period ended September 30, 2004 included, among other things, a non-cash charge for amortization and write-off of debt discount and private debt offering costs of $72.5 million.

Bridge Funding

On November 9, 2005, the Company completed the closing of a bridge loan transaction providing gross proceeds to the Company of $800,000. The bridge loan was made in accordance with a Loan Agreement, dated November 9, 2005 (the "November 2005 Bridge Loan Agreement") by and among the Company, Galen Partners III, LP, Galen Partners International III, LP, Galen Employee Fund III, LP, Care Capital Investments II, LP, Care Capital Offshore Investments II, LP, and Essex Woodlands Health Venture V, LP, and such additional lenders as may become a party thereto pursuant to the terms of the November 2005 Bridge Loan Agreement (collectively, the "November 2005 Bridge Lenders"). The November 2005 Bridge Loan Agreement provides for additional bridge loan indebtedness in the principal amount of up to $250,000. No assurance can be given, however, that any additional bridge loans will be made to the Company by the November 2005 Bridge Lenders. The Company will use the proceeds from the bridge loan to continue developing its Aversion® Technology and to fund operating expenses. The bridge loan is secured by a lien on all of the Company's assets, senior in right of payment and lien priority to all other indebtedness of the Company, bears interest at the rate of ten percent (10%) per annum and matures on June 1, 2006.

Conversion of Preferred Shares

Effective November 10, 2005, all of the Company's issued and outstanding shares of preferred stock were automatically and mandatorily converted into the Company's common stock in accordance with the terms of the Company's Restated Certification of Incorporation (the "Preferred Stock Conversion").

On November 10, 2005, the Company received the consent to the Preferred Stock Conversion from GCE Holdings, LLC. GCE Holdings, LLC is the assignee of all Preferred Stock formerly held by each of Galen Partners International III, LP, Galen Partners III, LP, Galen Employee Fund III, LP, Care Capital Investments II, LP, Care Capital Offshore Investments II, LP, and Essex Woodlands Health Ventures V, LP. GCE Holdings, LLC held in excess of 51% of the Company's issued and outstanding Series A Preferred Stock. Therefore, in accordance with the terms of the Company's Restated Certificate of Incorporation, all shares of all classes of the Company's preferred stock were automatically and mandatorily converted into an aggregate of approximately 305.4 million shares of the Company's common stock. Had this conversion taken place on January 1, 2005, the Company's reported loss per share for the three months and nine months ended September 30, 2005 would have been $0.0 and $0.02 respectively.

Common Stock Issued and Outstanding

After giving effect to the Preferred Stock Conversion, effective November 10, 2005 the Company has an aggregate of approximately 329.0 million shares of Common Stock issued and outstanding. Effective November 10, 2005, the Company has no remaining preferred stock issued and outstanding.

Status of Development of OxyADF™ Tablets

The Company's lead product candidate, OxyADF™ tablets (formerly referred to by the Company as Product Candidate #2) is being developed pursuant to an active investigational new drug application ("IND") on file with the United States Food and Drug Administration ("FDA"). The FDA has confirmed that OxyADF™ is an appropriate product candidate for submission as a 505(b)(2) new drug application ("NDA"). To date the Company, in concert with its clinical contract research organizations ('CRO"), has completed patient enrollment in one phase I clinical trial and one phase II clinical trial relating to the development of OxyADF™. The data from these clinical studies are being analyzed and the Company, subject to the results of the analyses, intends to use such data in its 505(b)(2) NDA submission for OxyADF™. In written correspondence to the Company, the FDA has confirmed that completion of certain additional clinical studies will be required prior to submission of a 505(b)(2) NDA for OxyADF™.

In furtherance of the Company's development of OxyADF™, the Company, in concert with an independent clinical CRO, has completed a pivotal bioequivalence study for OxyADF™ using tablets from batches manufactured by the Company at its Culver, Indiana facility at a scale of sufficient size to fulfill the FDA's requirements for a 505(b)(2) NDA submission. The final report from the CRO confirms that OxyADF™ is bioequivalent to the applicable reference listed drug. The Company intends to use such data in its 505(b)(2) NDA submission for OxyADF™.

In addition, the Company, in concert with an independent laboratory CRO, completed a pivotal study to assess certain properties of OxyADF™ using tablets from batches manufactured by the Company at its Culver, Indiana facility at a scale of sufficient size to fulfill the FDA's requirements for a 505(b)(2) NDA submission. The final report from this pivotal laboratory study confirms that extracting the active opioid ingredient from OxyADF™ tablets in a form which may be abused via intravenous injection is substantially more difficult than extracting the active opioid ingredient from several currently marketed opioid-based commercial products. The Company intends to utilize the data from this pivotal laboratory study in its 505(b)(2) NDA submission for OxyADF™.

Estimating the dates of completion of clinical development, and the costs to complete development, of the Company's product candidates, including OxyADF™, would be highly speculative, subjective and potentially misleading. Pharmaceutical products require significant time to research, develop and commercialize. The Company expects to reassess its future research and development plans based on the review of data received from current research and development activities. The cost and pace of future research and development activities are linked and subject to change. At this stage there can be no assurance that any of the Company's research and development efforts, including those for OxyADF™, will lead to a 505(b)(2) NDA submission or that if NDA submissions are made with the FDA, that any such submission will be approved by the FDA.

Commercial Strategy Update

To generate revenue the Company plans to enter into development and commercialization agreements with strategically focused pharmaceutical company partners (the "Partners") providing that such Partners license OxyADF™ tablets and other product candidates utilizing the Company's Aversion® Technology and further develop, register and commercialize multiple formulations and strengths of such product candidates. The Company expects to receive milestone payments and a share of profits and/or royalty payments derived from the Partners' sale of products incorporating the Aversion® Technology. Future revenue, if any, will be derived from milestone payments and a share of profits and/or royalty payments relating to such collaborative partners' sale of products incorporating the Aversion® Technology. To date, the Company does not have any executed collaborative agreements with Partners, nor can there be any assurance that the Company will successfully enter into such collaborative agreements in the future.

Cash Reserves Update

Pending the negotiation and closing of appropriate licensing agreements with pharmaceutical company partners, of which no assurance can be given, the Company must rely on its current cash reserves and third-party financing to fund the Company's operations. The Company estimates that its current cash reserves, including the net proceeds from the loans advanced under the November 2005 Bridge Loan Agreement, will fund continued development of OxyADF™ and related operating expenses through January, 2006. No assurance can be given that such cash resources will be sufficient to fund the continued development of OxyADF™ until such time as we generate revenue from the license to third parties of OxyADF™ or other products incorporating the Aversion® Technology. Moreover, no assurance can be given that we will be successful in raising additional financing to fund operations or, if funding is obtained, that such funding will be sufficient to fund operations until the Company's product candidates incorporating our Aversion® Technology, may be commercialized. In the absence of such financing or third-party collaborative agreements, the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws.

About Acura Pharmaceuticals, Inc.

Acura Pharmaceuticals, Inc., together with its subsidiaries, is a specialty pharmaceutical development company engaged in development of proprietary abuse deterrent, abuse resistant and tamper proof formulation technologies ("Aversion® Technology") intended to discourage abuse of orally administered opioid analgesic products.

Forward Looking Statements

This press release contains forward looking statements, within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Act of 1934, as amended that are based on management's beliefs and assumptions, current expectations, estimates and projections. Investors are cautioned that forward looking statements involve risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward looking statements. The most significant of such factors include, but are not limited to, general economic conditions, competitive conditions, technological conditions and governmental legislation. More specifically, important factors that may affect future results include, but are not limited to: our ability to secure additional financing to fund continued operations and product development; our ability to continue to attract and retain highly skilled personnel; our ability to secure and protect our patents, trademarks and proprietary rights; our ability to successfully develop and license our product candidates and the Aversion® Technology; our ability to compete successfully against current and future competitors; the availability of DEA controlled substances that constitute the active ingredients for our products in development; difficulties or delays in clinical trials for our products or in the manufacture of our products; and other risks and uncertainties detailed in Company filings with the Securities and Exchange Commission. The Company may never have any licensing agreements or products that generate significant revenue. Further, the forward looking statements speak only as of the date of such statements are made, and the Company undertakes no obligation to update any forward looking statements to reflect events or circumstances after the date of such statements. Any or all of the forward looking statements whether included in this release or in the Company's filings with the Securities and Exchange Commission, may turn out to be wrong. Readers should remember that no forward looking statement can be guaranteed and other factors besides those listed above could adversely affect the Company, its operating results or financial condition.

This and past press releases for Acura Pharmaceuticals, Inc. are available at Acura's web site at www.acurapharm.com.

ACURA PHARMACEUTICALS, INC.
FINANCIAL HIGHLIGHTS
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	(unaudited) 30-Sep 2005	(audited) December 31, 2004
ASSETS		
Current Assets	$ 717	$ 3,410
Property, Plant and Equipment, Net	1,389	1,555
Other Assets	7	2
	$ 2,113	$ 4,967
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current Liabilities	1,962	988
Long Term Debt	5,040	5,064
Stockholders' Deficit	(4,889)	(1,085)
	$ 2,113	$ 4,967

ACURA PHARMACEUTICALS, INC.
FINANCIAL HIGHLIGHTS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	(unaudited) Nine Months Ended 30-Sep		(unaudited) Three Months Ended 30-Sep	
	2005	2004	2005	2004
Net Revenues	$ -	$ 838	$ -	$ -
Operating Costs				
Cost of Manufacturing	-	1,437	-	-
Research and Development	2,527	3,179	845	1,937
Selling, Marketing, General and Administrative	2,120	4,236	628	1,873
Loss from Operations	(4,647)	(8,014)	(1,473)	(3,810)
Other Income (Expense)				
Interest Expense	(434)	(2,839)	(171)	(687)
Interest Income	30	40	6	18
Amortization and write-off of				
Debt Discount and Private Offering Costs	-	(72,491)	-	(47,836)
Gain on Asset Disposals	85	2,388	3	633
Gain on Debt Restructure	-	12,401	-	-
Other	1	603	-	202
Total Other Expense	(318)	(59,898)	(162)	(47,670)
NET LOSS	$ (4,965)	$ (67,912)	$ (1,635)	$ (51,480)
Basic and Diluted Loss Per Share	$ (0.22)	$ (3.12)	$ (0.07)	$ (2.35)
Weighted Average Number of Shares Outstanding	22,906	21,749	23,169	21,928