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As filed with the Securities and Exchange Commission on May 14, 2007

Registration No. 333-

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

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MonoSol Rx, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**2834**	**20-8623253**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

30 Technology Drive
Warren, New Jersey 07059
(732) 564-5000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

A. Mark Schobel
MonoSol Rx, Inc.
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Warren, New Jersey 07059
Telephone: (732) 564-5000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

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Approximate date of commencement of proposed sale of securities to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Calculation of Registration Fee

Title of each class of securities to be Registered	**Proposed maximum aggregate offering price(1)(2)**	**Amount of registration fee**
Common Stock, par value $.01 per share	$86,250,000	$2,647.87

(1) In accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act"), the number of shares being registered and the proposed maximum offering price per share are not included in this table.

(2) Estimated solely for purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS (Subject to Completion) **Dated May 14, 2007**

Shares

Common Stock

This is the initial public offering of shares of our common stock. We are offering shares of our common stock. Prior to this offering, there has been no public market for our common stock. We will apply for quotation of our common stock on The Nasdaq Global Market, Inc. under the symbol "MSRX." We expect that the public offering price will be between $ and $ per share.

Our business and an investment in our common stock involve significant risks. These risks are described under the caption "Risk Factors" beginning on page 7 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	*Total*
Public offering price	**$**	**$**
Underwriting discount	**$**	**$**
Proceeds, before expenses, to MonoSol Rx	**$**	**$**

The underwriters may also purchase up to an additional shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

The underwriters expect to deliver the shares against payment in New York, New York on , 2007.

Cowen and Company

CIBC World Markets

Susquehanna Financial Group, LLLP

, 2007

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

Information contained on our website is not part of this prospectus.

PROSPECTUS SUMMARY

This summary provides an overview of selected information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our common stock. You should carefully read the prospectus and the registration statement of which this prospectus is a part in their entirety before investing in our common stock, including the information discussed under "Risk Factors" beginning on page 7 and the financial statements and notes thereto that appear elsewhere in this prospectus. Unless otherwise indicated, all information in this prospectus assumes the underwriters do not exercise their option to purchase up to shares of our common stock to cover overallotments.

Overview of Our Business

We are a drug delivery company specializing in proprietary dissolving thin film pharmaceutical products. Our thin film, which is similar in size, shape and thickness to a postage stamp, dissolves rapidly and utilizes a novel process and proprietary encapsulation compositions to mask the taste of the drug contained within the film. We believe these qualities render our thin film easy to use and consequently will improve patient compliance, providing a significant benefit to patients and their prescribing physicians and healthcare institutions. Our thin film drug delivery technology is currently used in the over-the-counter, or OTC, marketplace and we are developing thin film containing prescription drugs. By incorporating approved drugs with soon-to-expire or expired patents into our thin film, we believe we can protect the billions of dollars of drug revenues important to our existing and future pharmaceutical partners. Furthermore, we are building the infrastructure required to produce our thin film rapidly and at scale.

We believe our thin film drug delivery technology has several material benefits over existing drug delivery forms and should enjoy strong physician, patient and consumer acceptance. Our thin film improves convenience and ease of use through discretion and portability and precludes the need for water or liquids. Our thin film may also improve dosing accuracy relative to liquid formulations thereby ensuring proper dosing for the pediatric, geriatric and mentally ill patients where proper administration is often difficult. In addition, our thin film provides ease of dosing for patients with conditions that make it difficult to swallow other solid dosage forms such as tablets or capsules.

Our proprietary thin film drug delivery technology is supported by a significant portfolio of intellectual property, which we believe differentiates us from our competitors. We believe this technology will enable pharmaceutical companies to better manage the life cycle of their products. By combining our thin film drug delivery technology with existing drugs, we believe our thin film can strategically differentiate existing or soon-to-be genericized drugs from potential generic competitors and can help protect branded prescription products against existing or new generic entries by providing additional patent protection or exclusivity in the marketplace. Additionally, we believe our thin film drug delivery technology can also be used to create new drug products with improved efficacy.

We believe we are the only company completely dedicated to thin film as a drug delivery dosage form and have created a vertically integrated infrastructure to ensure leadership capabilities in the critical activities of drug tastemasking, analytical development, global formulation development, manufacturing and packaging. We have invested significantly in our model of vertical integration to develop an operational infrastructure that we believe will position us to seamlessly commercialize products in concert with our partners' respective sales forces.

Our Product Development

We plan to develop and market our innovative thin film strip products in the prescription drug and OTC markets by pursuing four distinct revenue-generating strategies: (i) self-funded initiatives, or SFIs; (ii) partnered existing prescription products; (iii) partnered new prescription products; and (iv) partnered OTC pharmaceuticals and other products. We have identified and undertaken a number

of SFIs to develop thin film versions of existing products, which we ultimately intend to bring to market with a partner. We have also been engaged by pharmaceutical partners to develop thin film versions of existing prescription products. In the future, we expect to partner with pharmaceutical companies to deliver new prescription products with improved efficacy. We also expect to continue to develop and commercialize thin film products in the OTC and consumer marketplace.

Self-Funded Initiatives

We are developing thin film versions of a series of existing blockbuster prescription drugs. We believe that these products can be approved on the basis of limited clinical data and on a development to approval timeline of 24 to 30 months. We plan to advance development of these initiatives until we realize certain product-specific development milestones, at which point we expect to attract partners with whom we will commercialize these thin film products. We have a large pool of drugs to choose from for thin film development due to its large load capacity. We estimate there to be over 400 drug candidates suitable for development utilizing our thin film drug delivery technology and we intend to carefully evaluate those candidates to determine their suitability for internal development.

We are currently self-funding the development of the following pharmaceutical products:

Self-Funded Initiatives

Brand Name	Drug	Patent Expiration	Category	U.S. Sales (Billions)*	Partner	Status
Ambien®	Zolpidem Tartrate	Expired	Sleep	$ 2.3	To Be Determined	In Clinical Trials
Zofran®	Ondansetron HCl	Expired	Nausea/Vomiting	$ 1.3	To Be Determined	Pre-Clinical Work Complete
Aricept®	Donepezil HCl	11/2010	Alzheimer's Disease	$ 1.1	To Be Determined	Clinical Trials First Half 2008
Lexapro®	Escitalopram Oxalate	3/2012	Anti-Depressant	$ 2.0	To Be Determined	Clinical Trials Early 2008

* sales reported for fiscal year 2006

Our Partnered Products

We are currently engaged with pharmaceutical partners to develop thin film versions of their existing prescription products. The following is a chart summarizing our disclosed partnered prescription products:

Disclosed Partnered Prescription Products

Product	Category	Partner	Status
Ketorolac	Menstrual Pain	UMD Inc.	Pre-Clinical Work Complete
Multiple Products	Respiratory	Adams Respiratory Therapeutics, Inc.	Pre-Clinical Work Complete

Our OTC Pharmaceuticals and Other Products

We are developing and expect to market a number of OTC and other products with our partners. The following is a chart summarizing our partnered OTC and other products:

Partnered OTC Pharmaceuticals and Other Products

Product *Brand Name*	**Category**	**Partner**	**Status**
Dextromethorphan	Cough	Vita Health Products, Inc.	In Production
Diphenhydramine HCl	Cough	L. Perrigo Company	Prototypes Complete
Benzocaine *Chloraseptic*®	Sore Throat	Medtech Products Inc.	In Production
Benzydamine	Sore Throat	Acraf S.p.A.	Prototypes Complete
Undisclosed	Undisclosed	C.B. Fleet Company, Inc.	Prototypes Complete
Pectin and Menthol *Breathe Right*®	Anti-Snore	GlaxoSmithKline plc	In Production
Specialty Application *Taboka*®	Tobacco	Philip Morris USA Inc.	In Production
Chlorine Dioxide *TheraBreath*®	Halitosis	Dr. Harold Katz LLC	In Production

Our Business Strategy

Our strategy is to develop and partner to commercialize innovative thin film strip products in the prescription and OTC pharmaceutical markets. We have established and seek to maintain a leadership position in thin film drug delivery technology through continued development of our technology and our intellectual property portfolio. We believe that pharmaceutical companies will want to partner with us to extend the life cycle of their products, defend against patent expiration, protect against generic encroachment and differentiate their products in competitive categories. To achieve these goals, our strategy includes the following key elements:

- Self-fund the development of thin film versions of existing prescription products with a goal of partnering later;
- Develop thin film versions of existing prescription products with pharmaceutical partners;
- Partner with pharmaceutical companies to deliver new prescription products with improved efficacy;
- Position ourselves to be a partner of choice for thin film drug delivery technology through vertical integration;
- Continue to develop our intellectual property portfolio to position ourselves as the market leader in thin film drug delivery technology; and
- Continue to commercialize products in the OTC marketplace to leverage our existing infrastructure to generate near-term revenue and cash flow.

Our Risks

We are subject to a number of risks which could adversely affect our business, offset or eliminate any advantages of our approach or prevent us from successfully implementing our business strategy.

- Our future growth will depend in large part on our ability to successfully develop, obtain regulatory approval (where required) for, and commercialize our product candidates and those products developed in collaboration with other companies.

- The commercial success of our products will depend primarily on achieving market acceptance among consumers and the medical community.

- We may be unable to develop, obtain regulatory approval where required and commercialize our product candidates as anticipated if the third parties with which we contract for pre-clinical studies, clinical trials, commercialization and marketing do not perform in an acceptable manner, or if we suffer setbacks in these clinical trials.

- Our success is dependent in part on obtaining, maintaining and enforcing patent and other intellectual property rights. We currently have 27 patent applications pending in the United States of which eight are currently undergoing active examination. Six of those applications have received substantive actions from the United States Patent and Trademark Office and appropriate responses have been or will be filed. One of these applications, directed to our proprietary drying process, is on appeal in an attempt to obtain broad coverage. The remaining two applications undergoing active examination have received requirements to split up the claimed inventions into separate patent applications. Our competitors may create or use methods that reduce or eliminate certain competitive advantages we may have based on our intellectual property portfolio. We are subject to substantial risks relating to protection of proprietary information, infringement of rights of others and potential litigation.

- We currently manufacture all of our products at our sole commercial manufacturing facility. Accordingly, we face risks inherent in operating a single manufacturing facility since any disruption could significantly interrupt our manufacturing capability.

- As of December 31, 2006, we had an accumulated deficit of approximately $24.6 million and total members' equity of $25.3 million. We expect to incur additional losses and we may never be profitable.

These and other risks of which you should be aware before you decide to buy our common stock are discussed more fully in the section of this prospectus entitled "Risk Factors."

Our Corporate Information

We were incorporated in Delaware in March 2007. Our principal executive offices are located at 30 Technology Drive, Warren, New Jersey, and our telephone number is (732) 564-5000. We maintain a website at www.MonoSolRx.com. We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be a part of this prospectus.

Unless the context indicates otherwise, the terms "MonoSol Rx," "we," "our," "us" or "the Company" refer to MonoSol Rx, Inc., a Delaware corporation, and the business of our predecessor company, Monosol Rx LLC, a Delaware limited liability company which will be merged into MonoSol Rx, Inc. prior to the consummation of the offering. See "Corporate Formation Transaction."

The Offering

Common stock offered	Shares
Common stock to be outstanding after this offering	Shares
Use of proceeds	Proceeds from this offering will be used for product development including clinical trials, capital expenditures, working capital, and other general corporate purposes such as acquisitions of related technologies or products. For additional information, see "Use of Proceeds."
Risk factors	See "Risk Factors" beginning on page 7 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Proposed Nasdaq Global Market symbol	MSRX

The number of shares of our common stock outstanding after this offering is based on shares outstanding as of and excludes, as of that date shares of our common stock available for future grant under our 2007 Stock Incentive Plan.

Unless otherwise indicated, all information in this prospectus assumes:

- the merger of Monosol Rx LLC into MonoSol Rx, Inc., which will occur immediately prior to the completion of this offering;
- an initial public offering price of $ per share, the midpoint of the range set forth on the cover page of this prospectus;
- the underwriters do not exercise their option to purchase up to shares of our common stock to cover overallotments; and
- the conversion of performance units outstanding into shares of our common stock.

Summary Financial Data

The table below sets forth summary financial data as of the dates and for the periods indicated. The data for the years ended December 31, 2006, 2005 and 2004 is derived from the audited financial statements of our predecessor Monosol Rx LLC, included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected in any future periods. This information is only a summary, and you should read this data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with the financial statements, the related notes and other financial information included in this prospectus.

	Year Ended December 31,		
	2006	2005	2004
	(in thousands, except per share data)		
Statement of Operations Data:			
Revenues:			
Manufacture and supply revenue	$ 1,765	$ 1,458	$ 1,947
Co-development and research fees	950	665	100
Total revenues	2,715	2,123	2,047
Cost of goods sold:			
Manufacture and supply	1,623	1,282	1,388
Gross profit	1,092	841	659
Operating expenses:			
General and administrative	11,296	7,372	3,168
Research and development	1,993	1,258	1,010
Operating expenses	13,289	8,630	4,178
Operating loss	(12,197)	(7,789)	(3,519)
Other income, principally related-party	64	41	—
Interest income	226	46	—
Interest expense	(845)	(581)	(41)
Net loss	$ (12,752)	$ (8,283)	$ (3,560)
Net loss applicable to common stockholders			
Net loss per share:			
Basic			
Diluted			
Weighted average number of shares outstanding:			
Basic			
Diluted			

	As of December 31, 2006		
	Actual	Pro Forma(1)	Pro Forma As adjusted(2)
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 15,256	$ 15,256	$
Working capital	14,830	14,830	
Total assets	27,179	27,179	
Total debt	—	—	
Accumulated deficit	(24,595)		
Members'/stockholders' equity	25,263		

(1) On a pro forma basis to give effect to the merger of Monosol Rx LLC into MonoSol Rx, Inc.

(2) On a pro forma as adjusted basis to give effect to (1) the merger of Monosol Rx LLC into MonoSol Rx, Inc. and (2) the sale of all of the shares of common stock in this offering at an initial public offering price of $ per share, after deducting underwriting discounts and commissions and our estimated offering expenses. See "Unaudited Pro Forma Financial Statements."

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and all of the other information set forth in this prospectus and the registration statement before deciding to invest in shares of our common stock. If any of the events or developments described below occur, our business, financial condition or results of operations could be negatively affected. In that case, the trading price of our common stock could decline, and you could lose all or part of your investment in our common stock.

Risks Related to Our Business and Industry

We have a history of net losses and may not achieve or maintain profitability.

We were recently organized and have a limited history of operations and earnings. Since our inception in January 2004, we have experienced significant net losses. We had a net loss of approximately $3.6 million for the year ended December 31, 2004, $8.3 million for the year ended December 31, 2005 and $12.8 million for the year ended December 31, 2006. As of December 31, 2006, we had an accumulated deficit of approximately $24.6 million and total members' equity of $25.3 million. On a pro forma basis giving account to the merger of Monosol Rx LLC into MonoSol Rx, Inc. our net loss and our accumulated deficit for the year ended December 31, 2006 would have been $ million and $ million, respectively. Our losses have resulted principally from expenses incurred in developing and administering our business and infrastructure, and costs associated with research and development of our technologies. Our losses may increase in the future as we expand our manufacturing capabilities, incur additional costs related to our research and development activities, and seek additional regulatory approvals. These losses, among other things, have had and will continue to have an adverse effect on our working capital, total assets and owners' equity. We have historically experienced considerable quarter-to-quarter variation in our results of operations and may not generate sufficient revenues from product sales to achieve or maintain profitable operations in the future. If we are unable to reduce our annual losses and achieve profitability, the value of our common stock will decline.

We may not be able to successfully develop and commercialize our product candidates.

Our future growth will depend in large part on our ability to successfully develop, obtain regulatory approval for, and commercialize our product candidates and those products developed in collaboration with other companies. In many instances, we will have to conduct significant additional pre-clinical and/or clinical studies with respect to these product candidates, and may need to obtain regulatory approval before we can commercialize them. Unexpected results or delays in our clinical trials may result in increased development costs. In addition, if one or more of our clinical trials are delayed, our competitors may be able to bring products to market before we do, and the commercial viability of our product candidates could be significantly impaired.

Product development is a long, expensive and uncertain process and, in some cases, entails both pre-clinical testing, which consists of laboratory testing using biological, chemical and animal models, and human clinical testing.

We may suffer significant setbacks any time during the drug development process, even in advanced clinical trials, after obtaining promising results in earlier studies. At any point during clinical trials, undesirable side effects could be detected or the products may not exhibit the anticipated efficacy profile. These side effects and/or efficacy profiles could interrupt, delay or halt clinical trials of the product candidate being tested as well as related product candidates, and could result in the Food and Drug Administration, or FDA, or other regulatory authorities denying approval of such product candidates for any or all targeted indications.

We may be required to conduct clinical studies in pediatric patient populations as a requirement for approval or as a post-market condition of approval. Pediatric studies can be difficult to conduct and can be quite costly and may not yield the anticipated results.

Based on results at any stage of product development, we may decide to repeat or redesign pre-clinical studies or clinical trials, conduct entirely new studies or discontinue development of one or more of our product candidates. In addition, our product candidates may not demonstrate sufficient safety and efficacy in pending or any future pre-clinical testing or clinical trials to meet regulatory standards or obtain the requisite regulatory approvals, and even if such approvals are obtained for a product candidate, it may never become a viable commercial product.

If our products do not achieve market acceptance we will be unable to generate significant revenues from them.

The commercial success of our products will depend primarily on achieving market acceptance among consumers and the medical community. To accomplish this, we, together with our collaborators, will have to convince physicians, patients, third party payors and other healthcare professionals that our products consistently offer benefits that are comparable to or superior to existing products and have acceptable safety profiles and costs. If we are not successful in these efforts, market acceptance of our products could be limited, if at all. Additionally, we do not have long-term safety data for many of our products. If long-term patient studies suggest that the use of our products or similar products produced by others are associated with adverse side effects, our products may not achieve market acceptance. Even if we demonstrate the safety and effectiveness of our products, the medical community and consumers may prefer already accepted products based upon established delivery technologies or competing new technologies. Additional factors that may influence market acceptance of our products include:

- convenience and ease of use;
- availability of alternative and competing products or therapies;
- effectiveness of our or our collaborators' marketing, distribution and pricing strategies; and
- publicity concerning our products as well as our competitors' products.

If, due to any of these factors, our products do not achieve broad market acceptance, we will be unable to generate significant revenues from them, which would have a material adverse effect on our business, cash flows and results of operations.

If the third parties with which we contract for pre-clinical studies, clinical trials, commercialization, and marketing do not perform in an acceptable manner, or if we suffer setbacks in these clinical trials, we may be unable to develop, obtain regulatory approval where required and commercialize our product candidates as anticipated.

We will, from time to time, after a quality review and assessment of their capabilities, engage and rely on third parties, contract research organizations and outside consultants to assist us in managing and monitoring our pre-clinical studies, clinical trials, obtaining regulatory approval, commercialization efforts, and marketing strategies. If any of these parties terminates their agreements with us, the development of the product candidates covered by those agreements could be substantially delayed. In addition, these third parties may not successfully carry out their contractual obligations, meet expected deadlines or follow regulatory requirements, including clinical, laboratory and manufacturing guidelines. We may also develop conflicting priorities or other conflicts of interest with our strategic partners. Our reliance on these third parties may result in increased costs and delays in completing, or in failing to complete, the testing, obtaining regulatory approval when required, and commercialization of our products. If clinical testing of our product candidates is compromised for any of the above-mentioned

reasons, we will be unable to meet our anticipated development or commercialization timelines, which would have a material adverse effect on our business.

If the suppliers on which we rely fail to supply us with the raw materials and other components we use in manufacturing our products, we may be unable to satisfy product demand.

We depend on third parties for the supply of certain ingredients we use to produce our products. While many of these ingredients are available from multiple suppliers, some are available from only one supplier without the benefit of long-term supply agreements.

Our reliance on these suppliers exposes us to significant risks. These third parties may:

- be unable or unwilling to provide us with sufficient materials to meet our demands;
- fail to meet our standards of quality or other specifications;
- fail to meet current good manufacturing practices, or cGMP;
- increase significantly the prices they charge us for materials; or
- not carry out their contractual duties or meet anticipated deadlines, which could result in delays in obtaining or maintaining regulatory approvals or in satisfying customer orders.

If our suppliers are unwilling or unable to supply us with materials meeting our specifications, we may not be able to locate any alternative suppliers or enter into commercially reasonable agreements with suppliers in a timely manner or at all. Even if we are able to locate, qualify and enter into an agreement with new suppliers, it could take several months or longer to obtain regulatory clearance before a new supplier could begin supplying the relevant product to us. If we are delayed in establishing a secondary supply source for any raw material or component that we purchase from a single source, or cannot do so at an acceptable cost, we may suffer a shortage of commercial supply of that product or a higher cost of procuring the product, either of which would have a material adverse effect on our revenues, business and financial prospects.

A disruption at our sole manufacturing site would significantly interrupt our production capabilities, which could have drastic consequences to us, including threatening our financial viability.

We currently manufacture all of our products at our sole commercial manufacturing facility, which is located in Portage, Indiana. Accordingly, we face risks inherent in operating a single manufacturing facility since any disruption, such as a fire, natural disaster, terrorist attack or military action, could significantly interrupt our manufacturing capability. If an inspection by the FDA or other regulatory body identifies significant regulatory issues with respect to our compliance with cGMP, this also could have a material adverse impact on our ability to manufacture products for commercial distribution. Should this occur, we cannot provide any assurance concerning our ability to timely respond to such inspectional observations and the time it would take the FDA or other regulatory body to re-inspect our facility. This could adversely affect the time to approval and our ability to produce products for the commercial market. We currently do not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, we will have to establish alternative manufacturing sources. This would require substantial capital on our part, which we may not be able to obtain on commercially acceptable terms or at all. Additionally, we would likely experience months or years of production delays as we build or locate replacement facilities and seek and obtain necessary regulatory approvals. If this occurs, we will be unable to satisfy customer orders on a timely basis, if at all. In addition, a disruption at our sole manufacturing site may impair or delay our ability to meet product demands from our customers. Also, operating any new facilities may be more expensive than operating our current facility. Furthermore, our business interruption insurance may not adequately compensate us for losses that may occur and we would have to bear the additional cost of any disruption. For these

reasons, a significant disruptive event at our manufacturing facility could have drastic consequences on us, including threatening our financial viability.

If we are unable to expand our manufacturing capacity as planned, we may be unable to satisfy demand for our products.

We need to expand our manufacturing capacity to meet anticipated demand for our products. In October 2006, we entered into an agreement to lease a 73,000 square foot facility in Portage, Indiana, the Ameriplex facility. We took possession of this facility in April 2007. The Ameriplex facility will become our primary research, development and manufacturing facility once it is retrofitted and occupied. We anticipate relocating our production and packaging equipment to the Ameriplex facility while we continue to make products for our existing customer base using such equipment. This relocation, if prolonged, could cause interruptions in our ability to make products, and our business could be adversely affected as a result. We may not be able to obtain the requisite regulatory approvals for the Ameriplex facility on a timely basis, or at all, and while we believe that the Ameriplex facility will be completed in phases through 2007 and the first half of 2008, we may not be able to complete the expansion of this facility within our anticipated time frame or budget. Even if we complete the construction in a timely manner, we may not be able to obtain the requisite regulatory approvals for the facility on a timely basis, or at all. If we cannot obtain necessary approvals for these contemplated expansions, or complete the planned construction in a timely manner, our ability to meet demand for our products would be adversely affected.

We may not achieve our projected development goals in the time frames we announce and expect.

We set goals for and make public statements regarding expected timing for the accomplishment of objectives material to our success, such as the commencement and completion of clinical trials. The actual timing of these events can vary dramatically due to factors such as delays or failures in our clinical trials, the uncertainties inherent in the regulatory approval process and delays in achieving manufacturing or marketing arrangements sufficient to commercialize our products. There can be no assurance that our product development will be completed, that we will make regulatory submissions or receive regulatory approvals as planned, or that we will be able to adhere to our current schedule for the launch of any of our products. If we fail to achieve one or more of these milestones as planned, the market price of our shares could decline.

We may not be able to obtain additional capital that may be necessary for growth and market penetration or to continue our operations.

The core of our strategy involves the development of our thin film drug delivery technology to targeted prescription pharmaceuticals. This area of product development is a multi-year process that requires formulation, stability, validation and analytical testing, clinical studies and necessary regulatory approvals prior to realizing any product revenue. We may need to raise additional funds through public or private debt or equity financings in order to develop or acquire new products or new product candidates, expand our manufacturing capacity, establish and expand our sales and marketing capabilities, obtain FDA approval for our product candidates and continue our commercial growth. Any additional equity financings may be on terms that are dilutive to our stockholders. Any debt financings we enter into may involve incurring significant interest expense and include covenants that restrict our operations. If we raise additional funds through collaborations or licensing arrangements, it may be necessary to relinquish some rights to our technologies, product candidates or products, or grant licenses on terms that are not favorable to us. Our ability to raise additional funds will depend on financial, economic, and market conditions and other factors, many of which are beyond our control. We may not be able to obtain financing on terms acceptable to us or at all. If financing is insufficient or unavailable, we will have to modify our growth and marketing strategies and scale back operations by delaying, reducing the scope of, or eliminating one or more of our planned developments,

commercialization, or expansion activities. This may negatively affect the commercial expansion of our existing products and our ability to bring new over-the-counter, or OTC, and prescription pharmaceutical products to market, which could have a material adverse effect on our business, financial condition and results of operations.

Our future need for additional funds may be significantly greater than we expect, and will depend on many factors, including:

- costs associated with conducting pre-clinical testing and clinical testing;
- costs associated with commercializing products we may develop;
- costs, timing and outcome of regulatory reviews;
- costs of obtaining, maintaining and defending patents on proprietary technology;
- costs of increased general and administrative activities; and
- costs associated with retrofitting our Ameriplex facility.

If our partners terminate their relationships with us it could result in decreased revenues and material harm to our business.

Our contracts for the development of thin film drug candidates generally allow our customers to terminate development or elect to not commercialize a candidate that is developed for thin film. Our partners could terminate development or not commercialize due to technical difficulties, issues with commercial acceptance, costs, regulatory barriers and other concerns. Such outcomes could have a material adverse effect on our business, financial condition and results of operations.

Additionally, our relationship with some of our partners is on a purchase order basis and it is possible for these partners to discontinue placing product orders with us and thus terminate the relationship. This may impact our results of operations and future revenues.

We may encounter difficulties managing our growth, which could adversely affect our results of operations.

In connection with the growth of our business, we may experience rapid and significant growth in the number of our employees and the scope of our operations. Our future financial performance and our ability to commercialize our products and to compete effectively will depend, in part, on our ability to manage any future growth effectively. This growth and expansion is expected to place a significant demand on our financial, managerial and operational resources, and will require rapid analysis of new technologies, new markets, and new business relationships with a variety of industry players. Rapid growth, or mismanagement of such growth, could cause our operating costs to rise at a faster pace than is currently anticipated and could have a material adverse effect on our business, financial condition and results of operations.

Disputes may arise involving the contractual obligations of our partners to purchase our products or pay royalties on the sale of our products, and such disputes, if not resolved in our favor, could result in decreased revenues and material harm to our business.

Disputes may arise between us and our partners and may involve the issue of the obligation to continue to purchase our products and pay royalties on the sale of our products. Such a dispute could result in expensive arbitration or litigation, which may not be resolved in our favor, or the termination of our relationship with the partner.

If our competitors develop and market products faster than we do or if those products are less expensive or more effective than our products, our commercial opportunities will be reduced or eliminated.

The drug delivery, biotechnology, and pharmaceutical industries are characterized by intense competition and rapidly evolving technology. Our competitors have longer operating histories than we do, greater name recognition, and significantly greater resources and expertise in product development, regulatory matters, finance, marketing and sales. These organizations also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials and acquiring and licensing technologies. As a result, these competitors may be able to adapt more quickly to new or emerging technologies and changes in customer requirements. Competitors may use their extensive resources to develop products that are more effective, safer, more convenient or less costly than any that we are developing.

If we lose the services of our key management, scientific personnel or scientific collaborators, our business would suffer.

The success of our business is highly dependent on our management as well as our senior manufacturing and scientific personnel. In addition, we require additional skilled personnel in areas such as business and clinical development. We do not maintain key-person life insurance on any of our officers, employees or consultants. While we do have employment agreements and other retention inducements with certain key employees and consultants, those agreements do not prevent employees from leaving us to pursue other non-competing interests. The pool of individuals with relevant experience in the thin film drug delivery technology industry is very limited, and retaining and training personnel with the skills necessary to operate our business effectively is challenging, costly and time consuming. If we lose the services of any key personnel, our business, financial condition and results of operations could be materially and adversely affected.

If product liability lawsuits are brought against us as a result of, for example, product recalls, or serious, unexpected adverse events, we may incur substantial liabilities and could be required to limit the commercialization of our products.

We are exposed to the risk of product liability claims inherent in businesses that test, manufacture, market and sell pharmaceutical products. We may be subject to claims against us even if the injury is due to the actions of others.

If we are involved in any product liability litigation, such litigation would consume substantial amounts of our financial and managerial resources and may result in adverse publicity regardless of the ultimate outcome of the litigation, decreased demand for our product candidates, withdrawal of clinical trial participants, significant litigation costs and substantial monetary awards to, or costs of settlement with, patients, product recalls and loss of revenues, and the inability to commercialize our product candidates. Although we believe we have appropriate insurance coverage, we may not be able to maintain our clinical trial insurance or product liability insurance at an acceptable cost or at all. In any event, liability insurance is subject to deductibles and coverage limitations and may not provide adequate coverage against potential claims or losses. A successful product liability claim brought against us could cause us to incur substantial liabilities.

If we or others identify serious adverse events after any of our products are on the market, we may be required to withdraw our products from the market, which would hinder or preclude our ability to generate revenues.

If we or others identify serious, adverse events after any of our products are on the market:

- regulatory authorities may withdraw their approvals;
- we may be required to reformulate our products;

- we may have to recall the affected products from the market and may not be able to reintroduce them onto the market;
- our reputation in the marketplace may suffer; and
- we may become the target of lawsuits, including class action suits.

Any of these events could harm or prevent sales of the affected products or could substantially increase the costs and expenses of commercializing or marketing these products.

Our operations involve hazardous materials that may cause injury for which we could be liable for damages.

Our manufacturing and research and development activities sometimes involve the controlled use and disposal of potentially hazardous materials or controlled substances and chemicals. As such, we are subject to various environmental, health and safety laws and regulations, including those governing air emissions, water and wastewater discharges, noise emissions, the use, management and disposal of hazardous, radioactive and biological materials and wastes, and the cleanup of contaminated sites. The cost of compliance with these laws and regulations could be significant and accidental contamination or injury may occur. Although we believe that our safety and control procedures for handling, storing and disposing of such materials comply with the standards prescribed by applicable regulations, we cannot completely eliminate the risk of contamination or injury from use or mishandling of these materials. We also occasionally contract with third parties for the disposal of some of these materials. In addition, our collaborators and service providers may be working with these types of materials in connection with our collaborations. In the event of an accident or contamination, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these materials and could be held liable for significant damages, civil penalties or fines, which may not be covered by or may exceed our insurance coverage.

Additionally, we are subject on an ongoing basis to a variety of laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of continued compliance with current or new laws and regulations may be significant and could negatively affect our profitability, and current or future environmental regulation may impair our ongoing research, development or manufacturing efforts.

Risks Related to Our Intellectual Property

The validity, enforceability and commercial value of our intellectual property rights are highly uncertain.

Our success is dependent in part on obtaining, maintaining and enforcing patent and other intellectual property rights. We seek to obtain and maintain patents and other intellectual property rights to restrict the ability of others to market products that compete with our products. We currently have 27 patent applications pending in the U.S. of which eight are currently undergoing active examination. Six of these applications have received substantive actions from the United States Patent and Trademark Office and appropriate responses have been or will be filed. One of these applications, directed to our proprietary drying process, is on appeal in an attempt to obtain broad coverage. The remaining two of the applications undergoing active examination in the U.S. have received requirements to split up the claimed inventions into separate patent applications. Because of the many complex legal and technical issues involved, the patent position of pharmaceutical firms is highly uncertain. The process for obtaining a patent in the U.S. involves a number of varying factors, including the subjectivity inherent in the normal examination process. Such factors may make it difficult to obtain the issuance of a patent or a patent with scope that is competetively meaningful. Patent applications we file or license from others may not result in the issuance of a patent. The U.S. Supreme Court's recent decision in KSR International v. Teleflex Inc. may make it more difficult to be granted certain patents. Moreover, although issued patents in the U.S. enjoy the pressumption of

validity, this may be challenged and potentially overturned as the result of litigation. Patents, if issued, may be challenged and invalidated altogether, substantially narrowed as to scope or determined to be unenforceable. Consequently, it is not entirely certain how much protection, if any, patents will provide to us if we attempt to enforce them.

Patent rights are territorial. Thus, the patent protection we do have will only extend to those countries in which we have issued patents. Even so, the laws of certain countries do not protect our intellectual property rights to the same extent as do the laws of the United States and various European countries. Competitors may successfully challenge our patents, produce similar drugs or products that do not infringe our patents, or produce drugs in countries where we have not applied for patent protection or that do not respect our patents. Additionally, the nature of claims contained in unpublished patent filings around the world is unknown to us and it is not possible to know which countries patent holders may choose for the extension of their filings under the Patent Cooperation Treaty, or other mechanisms. Furthermore, it is not possible to know the scope of claims that will be allowed in published applications and it is also not possible to know which claims of granted patents, if any, will be deemed enforceable in a court of law.

Our patents, if issued, may not contain claims that are sufficiently broad to prevent others from practicing our technologies or developing competing products. Our competitors may create or use methods that reduce or eliminate any competitive advantage we may have based on our thin film development intellectual property portfolio. Additionally, technologies may exist that perform substantially the same as our technologies and avoid infringing our patent claims. Under such circumstances, our patents would be of little commercial value to us.

We may not be able, alone or with our collaborators and licensors, to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States. Thus, any patents that we own or license from third parties may not provide commercially meaningful protection from competition.

If we are unable to protect the confidentiality of our trade secrets or know how, such proprietary information may be used by others to compete against us.

We have concluded that certain competitively sensitive information is either not patentable or, for competitive reasons, it is not commercially advantageous to seek patent protection. In these circumstances, we seek to protect this know how and other proprietary information by maintaining it in confidence as a trade secret. Trade secret information is closely guarded and areas involving trade secrets have restricted access. To further maintain the confidentiality of our trade secrets, we generally enter into confidentiality agreements with our employees, consultants and collaborators upon the commencement of their relationships with us. These agreements require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. Our agreements with employees also provide that inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. However, we may not obtain these agreements in all circumstances, and individuals with whom we have these agreements may not comply with the terms of these agreements. The disclosure of our trade secrets would impair our competitive position. Adequate remedies may not exist in the event of unauthorized use or disclosure of our confidential information. Further, to the extent that our employees, consultants or contractors use trade secret technology or know how owned by others in their work for us, disputes may arise as to the ownership of related inventions.

Our commercial success depends significantly on our ability to operate without infringing the patents and other proprietary rights of third parties.

In the event that our technologies infringe or violate the patent or other proprietary rights of third parties, we may be prevented from pursuing product development, manufacturing or commercialization of our products that utilize such technologies. There may be patents held by others of which we are unaware that contain claims that our products or operations infringe. In addition, given the complexities and uncertainties of patent laws, there may be patents of which we know that we may ultimately be held to infringe, particularly if the claims of the patent are determined to be broader than we believe them to be. Adding to this uncertainty, in the United States, patent applications filed in recent years are confidential for 18 months, while older applications are not publicly available until the patent issues. As a result, avoiding patent infringement may be difficult.

If a third party claims that we infringe its patents, any of the following may occur:

- we may become liable for substantial damages for past infringement if a court decides that our technologies infringe upon a competitor's patent;
- a court may prohibit us from selling or licensing our product without a license from the patent holder, which may not be available on commercially acceptable terms or at all, or which may require us to pay substantial royalties or grant cross-licenses to our patents; or
- we may have to redesign our product so that it does not infringe upon others' patent rights, which may not be possible or could require substantial funds or time.

In addition, employees, consultants, contractors and others may use the trade secret information of others in their work for us or disclose our trade secret information to others. Either of these events could lead to disputes over the ownership of inventions derived from that information or expose us to potential damages or other penalties. If any of these events occurs, our business will suffer and the market price of our common stock will likely decline.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

There has been substantial litigation and other proceedings regarding patent and intellectual property rights in the pharmaceutical industry. We may be forced to defend claims of infringement brought by our competitors and others, and we may institute litigation against others who we believe are infringing our intellectual property rights. The outcome of intellectual property litigation is subject to substantial uncertainties and may, for example, turn on the interpretation of claim language by the court, which may not be to our advantage, or on the testimony of experts as to technical facts upon which experts may reasonably disagree. Our involvement in intellectual property litigation could result in significant expense to us. Some of our competitors have considerable resources available to them and a strong economic incentive to undertake substantial efforts to stop or delay us from commercializing products. We, on the other hand, are a relatively small company with comparatively few resources available to us to engage in costly and protracted litigation. Moreover, regardless of the outcome, intellectual property litigation against or by us could significantly disrupt our development and commercialization efforts, divert our management's attention and quickly consume our financial resources.

Furthermore, the validity and scope of our patents may also be challenged by third parties in re-examination proceedings at the U.S. Patent and Trademark Office, which may either strengthen a patent, or result in a reduced claim scope or a loss of all rights to a patent.

In addition, if third parties file patent applications or issue patents claiming technology that is also claimed by us in pending applications, we may be required to participate in interference proceedings with the U.S. Patent and Trademark Office or in other proceedings outside the United States, including oppositions, to determine priority of invention or patentability. Even if we are successful in these proceedings, we may incur substantial costs, and the time and attention of our management and scientific personnel will be diverted in pursuit of these proceedings.

As a result of patent infringement claims, or to avoid potential claims, we may choose or be required to seek a license from a third party and would most likely be required to pay license fees or royalties or both. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be non-exclusive, which could potentially limit our competitive advantage. Ultimately, we could be prevented from commercializing a product or be forced to cease some aspect of our business operations if, as a result of actual or threatened patent infringement claims, we are unable to enter into licenses on acceptable terms. This inability to enter into licenses could harm our business significantly. At present, we have not received any threats of infringement or written demands from third parties that we take a license under their patents.

Risks Related to Government Regulation

Our products are subject to regulation by many federal, state, and local agencies, and our customers may require that we obtain certain regulatory approvals before purchasing our products.

Many of our products are still under development, and we and/or our collaborating partners may not be able to commercialize these products until we comply with the requirements of federal, state and local regulatory authorities including the FDA, the Federal Trade Commission, or FTC, the Consumer Product Safety Commission, the U.S. Environmental Protection Agency, and various state and local agencies. In particular, the process of obtaining FDA approval for new drug products (including new dosage forms of previously approved drug products) can be costly and time-consuming, and the time required for obtaining such approval is uncertain. In addition, while the FDA has not made any definitive rulings on the regulatory status of film-based drug delivery systems, the FDA and state and local agencies could impose significant regulatory requirements on our products. Additionally, our customers may require that we obtain such approvals prior to licensing or purchasing our products. If the FDA or our customers require that we obtain regulatory approval of our products, we or our collaboration partners must demonstrate to the satisfaction of the applicable regulatory agency that such product candidate is safe and effective for its intended uses. In addition, we must show that the product can be consistently manufactured in compliance with cGMP. In general, these requirements mandate that manufacturers follow detailed design, testing, control, documentation and other quality assurance procedures throughout the entire manufacturing process. We can give no assurance that despite the time, expense, and resources invested by us in the approval process, we may not be able to demonstrate that our product candidates are safe and effective, in which event we would not receive the regulatory approvals required to market them, our current or future product candidates will be approved by the FDA or any other governmental body, or that FDA or other governmental reviews will not involve delays caused by requests for further testing or other information that could adversely affect the time to market for our products.

Moreover, we cannot predict the impact of new government regulations that may adversely affect the discovery, development and production of our product candidates and the manufacturing and marketing of our products. We may be required to incur significant costs to comply with future laws or regulations.

Our product candidates will remain subject to ongoing regulatory requirements if they receive regulatory approval for marketing, and if we fail to comply with these requirements, we could lose these approvals, and the sales of any approved commercial products could be suspended.

After receipt of initial regulatory approval, each of our products remains subject to extensive regulatory requirements, including requirements relating to manufacturing, labeling, packaging, adverse event reporting, storage, advertising, promotion, distribution and record-keeping. Furthermore, if we receive regulatory approval to market a particular product candidate, the product will also remain subject to the same extensive regulatory requirements. Even if regulatory approval of a product is granted, the approval may be subject to limitations on the uses for which the product may be marketed

or other conditions of approval, or contain requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product, which could reduce our revenues, increase our expenses or render the approved product candidate not commercially viable.

If we or our partners fail to comply with the regulatory requirements of the FDA or other applicable regulatory authorities, or if previously unknown problems with any approved commercial products, manufacturers or manufacturing process are discovered, we could be subject to administrative or judicially imposed sanctions or other setbacks, including:

- restrictions on the products, manufacturers or manufacturing processes;
- warning letters and untitled letters;
- civil penalties and criminal prosecutions and penalties;
- fines;
- injunctions;
- product seizures or detentions;
- import or export bans or restrictions;
- voluntary or mandatory product recalls and related publicity requirements;
- suspension or withdrawal of regulatory approvals;
- total or partial suspension of production; and
- refusal to approve pending applications for marketing approval of new products or of supplements to approved applications.

If we and our third-party suppliers do not maintain high standards of manufacturing in accordance with cGMP and other manufacturing regulations, our development and commercialization activities could suffer significant interruptions or delays.

We and any third-party suppliers on which we may in the future rely will be required to comply with cGMP. In complying with these regulations, we and our third-party suppliers may be required to expend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that our products meet applicable specifications and other regulatory requirements. Failure to comply with these or other regulatory requirements could result in an enforcement action against us, including the seizure of products and shutting down of production. Any of these third-party suppliers and we also may be subject to periodic inspections by the FDA and other regulatory agencies. If any of our third-party suppliers or we fail to comply with cGMP or other applicable manufacturing regulations, our ability to develop and commercialize our products could suffer significant interruptions.

We must comply with the laws, regulations and rules of many jurisdictions relating to the healthcare business, and if we are unable to fully comply with such laws, regulations and other rules, we could face substantial penalties.

We are or will be, directly or indirectly through our customers, subject to extensive regulation by the various jurisdictions in which we may conduct our business. The laws that directly or indirectly affect our ability to operate our business include the following:

- the anti-kickback laws that prohibit persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce either the referral of an individual, or the furnishing or arranging for a good or service, for which

payment may be made under federal healthcare programs such as Medicare and Medicaid in the United States;

- other healthcare laws, including Medicare laws in the United States, regulations, rules, manual provisions and policies that prescribe the requirements for coverage and payment for services performed by our customers, including the amount of such payment;

- laws and regulations, including the U.S. False Claims Act, which impose civil and criminal liability on individuals and entities who submit, or cause to be submitted, false or fraudulent claims for payment to the government;

- laws and regulations, including the U.S. False Statements Act, which prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services; and

- state law equivalents and comparable laws in countries outside of the United States, including laws regarding pharmaceutical company marketing compliance, reporting and disclosure obligations.

If our operations are found to be in violation of any of the laws, regulations, rules or policies described above or any other law or governmental regulation to which we or our customers are or will be subject, or if the interpretation of such laws, regulations, rules or policies change, we may be subject to civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs and curtailment or restructuring of our operations. Similarly, if our customers are found noncompliant with applicable laws, they may be subject to sanctions, which could negatively impact us. Any penalties, damages, fines, curtailment or restructuring of our operations would harm our ability to operate our business and our financial results. The risk of our being found in violation of these laws is increased by the fact that many such laws have not been fully interpreted by the regulatory authorities or the courts, and their provisions may be open to a variety of interpretations. Any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses, divert management resources from the operation of our business and damage our reputation.

Risks Related to this Offering and Our Common Stock

There is no established trading market for our common stock, and the price of our common stock may be highly volatile or may decline regardless of our operating performance.

Prior to this offering, there has been no public market for our common stock. We cannot predict the extent to which a trading market for our common stock will develop or be sustained after this offering. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters, based on factors that may not be indicative of future performance, and may not bear any relationship to the price at which our common stock will trade upon completion of this offering. You may be unable to sell your shares of common stock at or above the initial public offering price.

The initial public offering price was determined based on several factors which are summarized in the "Underwriting" section of this prospectus. This price may vary from the market price of our common stock after this offering. You may be unable to sell your shares of common stock at or above the initial offering price. The stock market, particularly in recent years, has experienced significant volatility particularly with respect to pharmaceutical and biotechnology stocks, collectively, biopharmaceutical stocks. The volatility of biopharmaceutical stocks often does not relate to the operating performance of the companies represented by the shares.

The trading price of our common stock could be highly volatile in response to various factors, many of which are beyond our control, including:

- changes in the regulatory climate in the biopharmaceutical industry;
- developments concerning our products or any of our product candidates;
- the timing and results from our clinical trial programs or those of our competitors;
- failure of any of our product candidates, if approved, to achieve commercial success;
- new products introduced or announced by us or our competitors;
- announcements of technological innovations by us or our competitors;
- third-party reimbursement policies;
- developments concerning current or future strategic alliances;
- expiration or termination of licenses, research contracts or other collaboration agreements;
- intellectual property, product liability or other litigation against us;
- market conditions in the biopharmaceutical sector;
- changes in the market valuations of similar companies;
- actual or anticipated variations in our operating results;
- deviations in our operating results from the estimates of securities analysts;
- additions or departures of key personnel; and
- sales of shares of our common stock, particularly sales by our officers, directors and significant stockholders.

In addition, equity markets in general, and the market for small pharmaceutical companies in particular, have experienced substantial price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies traded in those markets. Changes in economic conditions in the United States or globally could also impact our ability to grow profitably. These broad market and industry factors may materially affect the market price of our common stock, regardless of our business or operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could cause us to incur substantial costs and divert management's attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

The ownership interests of our officers, directors and largest stockholders could conflict with the interests of our other stockholders.

Following the completion of this offering, our directors, executive officers and holders of 5% or more of our outstanding common stock will beneficially own approximately % of our common stock. In particular, MRX Partners, LLC, MonoLine RX, L.P., MonoLine RX II, L.P. and Monosol RX Genpar, L.P., all of which are under common control, will own %, %, % and %, respectively, for a total of %. Additionally, Halifax Monosol Investors, L.P. will own % of our common stock. As a result, our directors, executive officers and holders of 5% or more of our outstanding common stock, acting together, or MRX Partners, LLC, MonoLine RX, L.P., MonoLine RX II, L.P. and Halifax MonoSol Investors, L.P., may be able to significantly influence all matters requiring approval by our stockholders, including the election of directors and approval of mergers or other significant corporate transactions. The interests of this group of stockholders may not always

coincide with our interests or the interests of other stockholders. This concentration of ownership could also have the effect of delaying, deferring or preventing a change in our control or impeding a merger or consolidation, takeover or other business combination that could be favorable to you.

We have broad discretion in the use of the proceeds from this offering and our use of the offering proceeds may not yield a favorable return on your investment.

We expect to use proceeds from this offering for the development of prescription drug targets on thin film and other self-funded initiatives, including product development, clinical trials and submissions for new drug applications, or NDAs, 505(b)(2) applications, or 505(b)(2), supplemental new drug applications, or sNDAs, and abbreviated new drug applications, or ANDAs, operating expenditures and infrastructure, capital expenditures, and other general corporate purposes. However, our management has broad discretion over how these proceeds are used and could spend the proceeds in ways with which you may not agree. We may not invest the proceeds of this offering effectively or in a manner that yields a favorable or any return, and consequently, this could result in financial losses that could have a material adverse effect on our business, cause the price of our common stock to decline or delay the development of our product candidates.

We have never paid dividends on our common stock, and we do not anticipate paying dividends in the foreseeable future.

We have paid no dividends to date, and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. As a result, we do not expect to pay any dividends in the foreseeable future. Any future payment of dividends, if any, will also depend on our financial condition, results of operations, capital requirements and other factors and will be at the discretion of our board of directors. Furthermore, we may in the future become subject to contractual restrictions on, or prohibitions against, the payment of dividends. Accordingly, the success of your investment in our common stock will likely depend entirely upon any future appreciation. There is no guarantee that our common stock will appreciate in value after the offering or even maintain the price at which you purchased your shares, and you may not realize a return on your investment in our common stock.

Investors in this offering will pay a much higher price than the book value of our common stock.

If you purchase common stock in this offering, you will pay more for your shares than the amounts paid by existing stockholders for their shares. The price per share you will pay will also substantially exceed the book value of our assets represented by your shares of common stock after subtracting related liabilities. You will incur immediate and substantial dilution of $ per share, representing the difference between our pro forma net tangible book value per share after giving effect to this offering and the initial public offering price of $ per share. Upon completion of this initial public offering, the new public investors will have contributed % of the total amount of capital used to fund us to date, and will own % of the common stock outstanding after this offering.

If an active, liquid trading market for our common stock does not develop, you may be unable to sell your shares quickly or at the market price.

Prior to this offering, you could not buy or sell our common stock publicly. An active trading market for our common stock may not develop or be sustained after this offering. You may not be able to sell your shares quickly or at the market price if trading in our stock is not active.

Certain provisions of Delaware law and our organizational documents could delay or discourage takeover attempts that stockholders may consider favorable.

Certain provisions of our certificate of incorporation and bylaws and applicable provisions of Delaware corporate law may make it more difficult for or prevent a third party from acquiring control of us or changing our board of directors and management. These provisions:

- allow the authorized number of directors to be changed only by resolution of our board of directors;
- allow our board of directors to designate the terms of and issue, without stockholder approval, series of preferred stock with voting or other rights or preferences that could operate to dilute the stock ownership of a potential hostile acquirer to prevent an acquisition that is not approved by our board of directors;
- limit stockholder action by written consent;
- limit who may call meetings of our stockholders; and
- require our stockholders to comply with advance notice procedures to nominate candidates for election to our board of directors or to place stockholders' proposals on the agenda for consideration at meetings of stockholders.

In addition, Section 203 of the Delaware General Corporation Law, or DGCL, generally prohibits us from engaging in any business combination with certain persons who own 15% or more of our outstanding voting stock without the approval of our board of directors. These provisions could make it difficult for a third party to acquire us, or for members of our board of directors to be replaced, even if doing so would be beneficial to our stockholders. Any delay or prevention of a change in control transaction or changes in our board of directors or management could deter potential acquirers or prevent the completion of a transaction in which our stockholders could receive a substantial premium over the then-current market price for their shares.

Future sales of our common stock may cause the market price of our common stock to fall.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell their shares, could reduce the market price of our common stock. After this offering, we will have outstanding shares of common stock. This includes the shares that we are selling in this offering, which may be resold in the public market immediately. The remaining approximately shares are currently restricted as a result of securities laws or lock-up agreements but will be able to be sold in the near future. Moreover, after the expiration of the lock-up period described in the section of this prospectus entitled "Shares Eligible for Future Sale — Lock-up Agreements" approximately shares of our common stock will be eligible for resale. We intend to register all shares of common stock that we may issue under our 2007 Stock Incentive Plan. See "Shares eligible for future sale" contained elsewhere in this prospectus.

We have never operated as a public company and fulfilling our obligations as a public company will be expensive and time consuming.

As a private company with limited resources, we have maintained a small finance and accounting staff. As a public company, the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the U.S. Securities and Exchange Commission, or SEC, as well as the rules of The Nasdaq Global Market, Inc. will require us to implement additional corporate governance practices and adhere to a variety of reporting requirements and complex accounting rules. Compliance with these public company

obligations will increase our legal and financial compliance costs and place significant additional demands on our finance and accounting staff and on our financial, accounting and information systems.

In particular, as a public company, our management will be required to conduct an annual evaluation of our internal control over financial reporting and include a report of management on our internal control in our annual reports on Form 10-K. In addition, we will be required to have our independent registered public accounting firm attest to and report on management's assessment of the effectiveness of our internal control over financial reporting. Under current rules, we will be subject to these requirements beginning with our annual report on Form 10-K for our fiscal year ending December 31, 2008. If we are unable to conclude that we have effective internal control over financial reporting or, if our independent registered public accounting firm is unable to provide us with an attestation and an unqualified report as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal control over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our operating results could be harmed. We continue to evaluate our internal control over financial reporting. Given the status of our efforts, coupled with the fact that guidance from regulatory authorities in the area of internal control continues to evolve, uncertainty exists regarding our ability to comply by applicable deadlines. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

SPECIAL NOTES REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. The forward-looking statements are contained principally in, but not limited to, the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." Forward-looking statements provide our current expectations or forecasts of future events. Forward-looking statements include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as "anticipate," "believe," "continue," "ongoing," "estimate," "expect," "intend," "may," "will," "should," "could," "plan," "potential," "predict," "project" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the factors described in the section entitled "Risk Factors" and elsewhere in this prospectus. Accordingly, you should not unduly rely on these forward-looking statements.

Factors that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements include, but are not limited to:

- our ability to achieve and maintain profitability;
- our ability to successfully develop, market, commercialize and achieve market acceptance for any of the product candidates that we are developing or may develop in the future;
- the performance of third parties, whose actions we cannot control, with which we contract for pre-clinical studies, clinical trials, commercialization and marketing;
- the expected timing, progress or success of our pre-clinical and clinical trials and development programs;
- the timing, costs and other limitations involved in obtaining regulatory approval for any of our product candidates;
- delays in obtaining, or a failure to obtain and maintain, regulatory approval for our product candidates;
- our reliance on suppliers to supply us with the raw materials and other components we use in manufacturing our products;
- a disruption at our sole manufacturing site that could significantly interrupt our production capacities;
- our plans to expand our manufacturing facility;
- our estimate of future performance, including achieving our projected development goals;
- our ability to obtain additional capital needed for growth and market penetration or to continue our operations;
- our ability to enter into agreements with new partners or to maintain any existing partner agreements with respect to our product candidates and products;
- our ability to effectively maintain existing relationships with our collaborators and establish new relationships;

- our ability to manage our growth;
- potential disputes involving contractual obligations of our partners to purchase our products or pay royalties on the sale of our products;
- the potential advantages of our products or product candidates over other existing or potential products;
- our competitors' ability to develop and market products faster than we do, or to develop and market products that are less expensive or more effective than our products;
- potential product liability lawsuits against us;
- the loss of any of our key management, scientific personnel or scientific collaborators;
- potential serious adverse events requiring us to withdraw our products from the market;
- potential liability arising from our operations, including injuries caused by hazardous materials;
- our customers potentially requiring that we obtain certain regulatory approvals before purchasing our products;
- the failure of us and our third party suppliers to maintain high standards of manufacturing in accordance with cGMP and other manufacturing regulations;
- our continued compliance with the laws, regulations and rules of many jurisdictions relating to the healthcare business;
- the validity, enforceability and commercial value of our intellectual property rights;
- our ability to protect our intellectual property and know how and operate our business without infringing the intellectual property rights or regulatory exclusivity of others; and
- potential costly litigation or other proceedings relating to our patent or other intellectual property rights.

Forward-looking statements speak only as of the date on which they are made and, except as required by law, we undertake no obligation to update or publicly revise any forward-looking statement to reflect circumstances or events after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. You should, however, review the factors and risks we describe in the reports we will file from time to time with the SEC after the date of this prospectus.

CORPORATE FORMATION TRANSACTION

Prior to this offering, we conducted our business through Monosol Rx LLC, a Delaware limited liability company. Immediately prior to this offering, Monosol Rx LLC will merge with and into MonoSol Rx, Inc., a newly formed Delaware corporation, the shares of which are being sold in this offering. After completion of this offering, the existing equity owners of Monosol Rx LLC, as well as the holders of the performance units of Monosol Rx LLC, will own shares of our common stock representing approximately % of the voting power of our outstanding capital stock. See "Principal Stockholders" for more information regarding the ownership of our common stock.

USE OF PROCEEDS

We will receive approximately $ million in net proceeds from the sale of our common stock in this offering, after deducting underwriting discounts and commissions and estimated offering expenses. If the underwriters exercise their overallotment option in full, we estimate that our net proceeds will be approximately $ million.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We currently expect to use the net proceeds of this offering as follows:

- approximately $ million for the development of thin film versions of existing drugs and other self-funded initiatives, including product development, clinical trials, and any necessary regulatory submissions;

- approximately $ million for capital expenditures, including retrofitting the newly leased Ameriplex facility to create a cGMP manufacturing facility for the development and manufacture of dissolving thin film. In addition, proceeds will be used to acquire equipment to create additional laboratory and manufacturing capacity as demand increases; and

- the remainder, approximately $ million, for working capital and other general corporate purposes, a portion of which may be used to acquire businesses, products or technologies that are complementary to our current or future business and product lines.

We believe that the net proceeds from this offering, together with our existing cash and cash equivalents, as supplemented by our research and co-development fees, will be sufficient to meet our projected operating requirements for approximately the next 24 months. The amounts and timing of our use of proceeds will vary depending on a number of factors, including the amount of cash used by our operations, and the rate of growth, if any, of our business. The allocation of the net proceeds of this offering described above represents our best current estimate of our projected operating requirements. Our management will have broad discretion in the application of the net proceeds and we reserve the right to change the use of these proceeds in response to certain contingencies such as the results of our commercialization activities, competitive developments, opportunities to acquire or license products to others, technologies or businesses and other factors.

DIVIDEND POLICY

We have not declared or paid any dividends to date. We currently intend to retain future earnings, if any, to fund the development and expansion of our business and do not anticipate paying dividends on our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend on a number of factors, including our financial condition, results of operations, capital requirements, restrictions contained in future financing instruments and other factors that our board of directors may deem relevant.

CAPITALIZATION

The following table sets forth our cash and cash equivalents, and capitalization as of December 31, 2006:

- on an actual basis;
- on a pro forma basis to give effect to the merger of Monosol Rx LLC into MonoSol Rx, Inc.; and
- on a pro forma as adjusted basis to give effect to (1) the merger of Monosol Rx LLC into MonoSol Rx, Inc. and (2) the sale of the shares of common stock in this offering at an initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses.

	As of December 31, 2006		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except per share data)		
Cash and cash equivalents	$ 15,256	$ 15,256	$
Members' equity/stockholders' equity:			
Members' equity — Preferred membership interests	28,898	—	
Members' equity — Common membership interests	11,088	—	
Common stock, par value $.01 per share, 100,000,000 shares authorized, no shares issued and outstanding, actual; shares issued and outstanding, pro forma; shares issued and outstanding, pro forma as adjusted	—		
Preferred stock, $.01 per share, 20,000,000 shares authorized, no shares issued and outstanding	—	—	
Additional paid-in capital	9,872		
Accumulated deficit	(24,595)		
Total members' equity/stockholders' equity	25,263		
Total capitalization	$ 25,263	$	$

The table above should be read in conjunction with the "Use of Proceeds," "Selected Financial Data," "Unaudited Pro Forma Financial Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our financial statements and related notes included elsewhere in this prospectus. This table is based on 101,413,600 membership interests in Monosol Rx LLC outstanding as of December 31, 2006 and shares of our common stock outstanding on a pro forma basis as of December 31, 2006 and excludes, as of that date shares of our common stock available for future grant under our 2007 Stock Incentive Plan. See "Unaudited Pro Forma Financial Statements."

DILUTION

If you invest in our common stock, your interest will be diluted immediately to the extent of the difference between the initial public offering price per share you pay in this offering and the as adjusted net tangible book value per share of our common stock immediately after this offering.

Our historical net tangible book value as of December 31, 2006 was approximately $ million, or approximately $ per share of our common stock on a pro forma basis. Net tangible book value per share is equal to our total tangible assets minus total liabilities, divided by the number of shares of common stock outstanding.

After giving effect to the sale of the shares of our common stock in this offering and after deducting underwriting discounts and commissions and our estimated offering expenses, our pro forma as adjusted net tangible book value would have been approximately $ million, or approximately $ per share of common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of approximately $ per share to existing stockholders and an immediate dilution of approximately $ per share to new investors. The following table illustrates this calculation on a per share basis:

Assumed initial public offering price per share		$
Pro forma net tangible book value per share of common stock as of December 31, 2006		
Pro forma as adjusted increase per share attributable to the offering		
Pro forma as adjusted net tangible book value per share of common stock after this offering		
Pro forma as adjusted dilution per share to new investors		$

If the underwriters exercise their overallotment option in full, the pro forma as adjusted net tangible book value as of December 31, 2006 will increase to approximately $ per share, representing an increase to existing stockholders of approximately $ per share, and there will be an immediate dilution of approximately $ per share to new investors.

The following table summarizes, as of December 31, 2006 on a pro forma as adjusted basis, the total number of shares of our common stock purchased from us and the total consideration and average price per share paid by existing stockholders and by new investors:

	Total shares		Total consideration		
	Number	%	Amount	%	Average price per share
Existing stockholders		%	$	%	$
New investors		%		%	
Total		%	$	%	$

If the underwriters exercise their overallotment option in full, the following will occur:

- the percentage of shares of our common stock held by existing stockholders will decrease to approximately % of the total number of shares of our common stock outstanding after this offering; and
- the number of shares of our common stock held by new public investors will increase to , or approximately of the total number of shares of our common stock outstanding after this offering.

The tables and calculations above are based on shares outstanding as of December 31, 2006 on a pro forma basis and exclude shares of our common stock available for future grant under our 2007 Stock Incentive Plan.

SELECTED FINANCIAL DATA

Prior to this offering, we conducted our business through Monosol Rx LLC. Immediately prior to this offering, Monosol Rx LLC will merge with and into MonoSol Rx, Inc., a newly formed Delaware corporation, the shares of which are being sold in this offering.

The following table sets forth certain historical financial data for Monosol Rx LLC as of the dates and for the periods indicated. We have derived the selected historical statement of operations data for the years ended December 31, 2006, 2005 and 2004, and the balance sheet data as of December 31, 2006 and 2005, from the audited financial statements of Monosol Rx LLC included elsewhere in this prospectus. Prior to the formation of Monosol Rx LLC, our activities were carried out as part of the research and development efforts of Monosol, LLC, a manufacturer of commercial soluble films (the Predecessor). We have derived the historical financial data as of December 31, 2004 and 2003 (Predecessor), and for the year ended December 31, 2003 (Predecessor), from audited financial statements of Monosol Rx LLC that are not included in this prospectus. Since neither us nor our Predecessor were operating prior to 2003, no financial data has been presented for fiscal years prior to December 31, 2003. The historical results set forth below do not necessarily indicate results expected for any future period. The selected consolidated historical financial data should be read in conjunction with the discussion under the heading "Managements's Discussion and Analysis of Financial Condition and Results of Operations," and the historical financial statements and related notes included elsewhere in this prospectus.

	Year Ended December 31,			
	2006	2005	2004	Predecessor 2003
	(in thousands, except per share data)			
Statement of Operations Data:				
Revenues:				
Manufacture and supply revenue	$ 1,765	$ 1,458	$ 1,947	$ 81
Co-development and research fees	950	665	100	—
Total revenues	2,715	2,123	2,047	81
Cost of goods sold:				
Manufacture and supply	1,623	1,282	1,388	52
Gross profit	1,092	841	659	29
Operating expenses:				
General and administrative	11,296	7,372	3,168	454
Research and development	1,993	1,258	1,010	794
Operating expenses	13,289	8,630	4,178	1,248
Operating loss	(12,197)	(7,789)	(3,519)	(1,219)
Other income, principally related-party	64	41	—	—
Interest income	226	46	—	—
Income expense	(845)	(581)	(41)	—
Net loss	$ (12,752)	$ (8,283)	$ (3,560)	$ (1,219)
Net loss applicable to common stockholders				
Net loss per share:				
Basic				
Diluted				
Weighted average number of shares outstanding:				
Basic				
Diluted				

	As of December 31,			
	2006	2005	2004	Predecessor 2003
	(in thousands)			
Balance Sheet Data:				
Cash and cash equivalents	$ 15,256	$ 1,332	$ 266	$ —
Working capital	14,830	580	127	69
Total assets	27,179	12,306	10,114	1,862
Total debt	—	6,203	626	—
Accumulated deficit	(24,595)	(11,843)	(3,560)	(1,219)
Members' equity	25,263	4,665	7,744	1,862

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma financial statements have been derived from the application of certain pro forma adjustments to the historical financial statements of Monosol Rx LLC included elsewhere in this prospectus, and give effect to (1) the merger of Monosol Rx LLC into MonoSol Rx, Inc. and (2) the sale of all of the shares of common stock in this offering at an initial public offering price of $ per share after deducting underwriting discounts and commissions and estimated offering expenses.

The unaudited pro forma financial statements presented below are based on the assumptions and adjustments described in the accompanying notes. The unaudited pro forma adjustments are based on available information and assumptions that management believes are reasonable under the circumstances. Such unaudited pro forma financial statements are presented for illustrative purposes only and are not necessarily indicative of what our financial position or results of operations would have been had this offering or other transactions described in this prospectus been consummated, nor are they necessarily indicative of what our financial position or results of operations will be in future periods. The unaudited pro forma financial statements, and the accompanying notes, should be read in conjunction with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited financial statements and related notes of Monosol Rx LLC, included elsewhere in this prospectus.

The following table sets forth our unaudited pro forma balance sheet as of December 31, 2006:

- on an actual basis;
- on a pro forma basis to give effect to the merger of Monosol Rx LLC into MonoSol Rx, Inc.; and
- on a pro forma as adjusted basis to give effect to (1) the merger of Monosol Rx LLC into MonoSol Rx, Inc. and (2) the sale of all of the shares of common stock in this offering at an initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses.

	As of December 31, 2006				
	Actual	Corporate Formation Adjustments	Pro Forma	Offering Adjustments	Pro Forma, as Adjusted
			(in thousands)		
Balance Sheet Data:					
Assets:					
Current assets:					
Cash and cash equivalents	$ 15,256	$ —	$ 15,256	$ (4)	$
Trade receivables	567	—	567	—	567
Other receivables	11	—	11	—	11
Due from the predecessor	200	—	200	—	200
Inventories	455	—	455	—	455
Prepaid expenses and other current assets	170	—	170	—	170
Total current assets	16,659	—	16,659		
Property and equipment, net	8,556	—	8,556	—	8,556
Other assets	300	—	300	—	300
Intangible assets, net	1,664	—	1,664	—	1,664
	$ 27,179	$ —	$ 27,179	$	$
Liabilities and Members' Equity/Stockholders' Equity:					
Current liabilities:					
Accounts payable	1,096	—	1,096	—	1,096
Accrued expenses	733	—	733	—	733
Total current liabilities	1,829	—	1,829	—	1,829
Deferred income taxes	—	900 (1)	900	—	900
Other liabilities — asset retirement obligations	87	—	87	—	87
Members' equity	25,263	(25,263)(2)	—	—	—
Stockholders' equity	—	(3)		(4)	
Total liabilities and members' equity/stockholders' equity	$ 27,179	$	$	$	$

(1) Represents the estimated deferred tax liability (long-term) to be recorded on the opening balance sheet of MonoSol Rx, Inc. in connection with the merger of Monosol Rx LLC into MonoSol Rx, Inc.

(2) Reflects the exchange of Monosol Rx LLC membership interests (common and preferred) for shares of MonoSol Rx, Inc. common stock.

(3) Reflects (i) the effect of the exchange of Monosol Rx LLC member interests for shares of MonoSol Rx, Inc. common stock, (ii) the recognition of the $900 for the estimated deferred income tax liability of MonoSol Rx, Inc. Also reflects $ million of amounts (compensation expense) due under the Monosol Rx LLC Performance Unit Plan, offset by the exchange of these amounts for the common stock of MonoSol Rx, Inc.

(4) Represents an increase from the receipt of the estimated net proceeds of this offering of $ million.

The following table sets forth our unaudited pro forma statement of operations for the year ended December 31, 2006:

- on an actual basis;
- on a pro forma basis to give effect to the merger of Monosol Rx LLC into MonoSol Rx, Inc.; and
- on a pro forma as adjusted basis to give effect to (1) the merger of Monosol Rx LLC into MonoSol Rx, Inc. and (2) the sale of all of the shares of common stock in this offering at an initial public offering price of $ per share, after deducting underwriting discounts and commissions and estimated offering expenses.

	Year-ended December 31, 2006				
	Actual	Corporate Formation Adjustments	Pro Forma	Offering Adjustments	Pro Forma, as Adjusted
	(in thousands)				
Statement of Operations Data:					
Revenues:					
Manufacture and supply revenue	$ 1,765	$ —	$ 1,765	$ —	$ 1,765
Co-development and research fees	950	—	950	—	950
Total revenues	2,715	—	2,715	—	2,715
Cost of goods sold:					
Manufacture and supply	1,623	—	1,623	—	1,623
Gross profit	1,092	—	1,092	—	1,092
Operating expenses:					
General and administrative expenses	11,296	(1)		—	
Research and development	1,993	—	1,993	—	1,993
Operating expenses	13,289	—			
Operating loss	(12,197)			—	
Other income, principally related-party	64	—	64	—	64
Interest income	226	—	226	—	226
Interest expense	(845)	—	(845)	—	(845)
Net loss before income taxes	(12,752)			—	
Income taxes	—	900(2)	900	—	900
Net loss	$ (12,752)	$	$	$ —	$

(1) Represents the amounts due participants under the Monosol Rx LLC Performance Unit Plan to be converted to the common stock of MonoSol Rx, Inc.

(2) Represents the estimated deferred tax liability (long-term) to be recorded on the opening balance sheet of MonoSol Rx, Inc. in connection with the merger of Monosol Rx LLC into MonoSol Rx, Inc.

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

You should read the following discussion and analysis of financial condition and results of operations in conjunction with the "Selected Financial Information" and the financial statements and the related notes included elsewhere in this prospectus. In addition to historical information, the following discussion and analysis includes forward-looking information that involves risks, uncertainties and assumptions. Our actual results and the timing of events could differ materially from those anticipated by these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere in this prospectus. See "Special Note Regarding Forward-Looking Statements" included elsewhere in this prospectus.

Overview

We are a drug delivery company specializing in proprietary dissolving thin film pharmaceutical products. Since our inception in 2004, we have developed a significant portfolio of intellectual property and know how in thin film drug delivery, including formulation manufacturing, encapsulation and packaging. We are working with partners to develop thin film versions of their products for use in the prescription pharmaceutical, over-the-counter, or OTC, and consumer markets. Additionally, we began our self-funded initiatives by selecting prescription pharmaceutical products for development in our thin film technology based upon factors such as technical suitability, market opportunity, approved indications, patent expiration and other factors. We intend to further develop these products on our own before seeking a partner with the goal of maximizing our potential revenue.

Both with partners and through our self-funded initiatives we are currently developing a number of prescription products. This is a multi-phase process which includes regulatory filings for approval of our formulations prior to them being sold in the marketplace. We are vertically integrated in all critical phases of development and manufacture of our thin film.

We have incurred significant net losses since our inception in January 2004. As of December 31, 2006, we had accumulated net losses of $24.6 million, and our annual net loss has grown in size each year. Our losses have resulted principally from general and administrative expenses associated with developing our business and costs incurred in the research and development of our technologies. We expect to continue to incur net losses for the next several years as we pursue the development and commercialization of our product candidates.

We have financed our early stage operations with revenue from co-development arrangements and manufacturing and supply arrangements, the proceeds of capital contributions from our members and various debt offerings to affiliates of our members. In addition to proceeds from this offering, we may require additional financing to execute our business strategy.

Since the beginning of January 2006, we have added 49 employees, doubling the total size of our workforce, including contract employees and temporary employees. The growth in the size of our workforce included the hiring of our Chief Executive Officer and our Chief Financial Officer, as well as our Senior Vice Presidents of Business Development and Operations. We also added and plan to continue to add analytical scientists, packaging engineers and other manufacturing specialists necessary to attract and fulfill key customer contracts. These additional employees have increased dramatically, and will continue to increase our expenses in the short term but will enable the continued improvement of our thin film technology and development of products that we expect will produce revenue in the future.

In October 2006, we leased the Ameriplex facility which will become our primary development and analytical laboratories and manufacturing facility when retrofitting is complete in 2008. This facility will give us a state of the art cGMP manufacturing facility with enough capacity to hold all of our

operations and room to grow in the future. We expect to invest nearly $14 million in improvements to the facility over the next two years. This amount excludes investments in any additional equipment necessary to ensure we have the appropriate capabilities and capacity to support ongoing customers' needs.

In November 2006, we completed a private placement of equity and issued preferred membership interests in exchange for $16.9 million in cash and the settlement of $20.5 million principal amount of Tranche A and B notes, together with related accrued interest. This transaction allowed us to retire all of our outstanding debt and provided cash proceeds for product development and general corporate purposes, including capital expenditures and working capital.

Since January 2007, we have entered into a number of new customer agreements for the development and supply of various products in the prescription pharmaceutical, OTC pharmaceutical and non-pharmaceutical categories. Each of these contracts and the products they represent have different development timelines and, in some cases, regulatory requirements that will determine when the products will be commercially available and begin to produce revenue. In each case, we expect the development effort to generate milestone-based development revenue for us in the near term and ultimately supply and, potentially, royalty revenue in the long term.

Financial Operations Overview

Revenues and Cost of Goods Sold

We derive our revenues from two sources: manufacture and supply agreements and co-development and research fees. We currently generate manufacture and supply revenue from the production of thin film under commercial supply agreements with our customers for OTC products and a specialty application film. Co-development and research fees result from arrangements with third parties to test the applicability of and to develop products in thin film. These arrangements are usually for a finite period of time and are directed at a certain defined result. The fees may be related to completion of defined milestones. These arrangements may or may not lead to future research and development arrangements or manufacture and supply agreements.

Cost of goods sold is comprised of expenses related to manufacturing our thin film products, including raw materials, direct labor and fixed overhead. Our material costs include the costs of raw materials used in the production of our thin film drug delivery products and related packaging supplies. Direct labor costs consist of payroll costs (including benefits) of employees engaged in production activities. Fixed overhead principally consists of indirect payroll, facilities rent and depreciation for production machinery and equipment.

Our revenues and cost of goods sold are impacted by the following factors:

- negotiated sales price with our partners for the products being manufactured;
- our customers' supply requirements; and
- costs of production, which includes:
    - raw materials, which we purchase at market prices; and
    - production efficiency (measured by the cost of a salable unit) which can increase or decrease based on the amount of direct labor and materials required to produce a product and the allocation of fixed overhead, which is dependent on the levels of production.

In the future, we expect to generate revenues from milestone payments for research and development activities and manufacture and supply agreements, which may include royalty payments.

Research and Development Expenses

Our research and development expenses reflect costs incurred in developing our thin film drug delivery technology, the development of our self-funded initiatives and external arrangements with third party partners. We expense research and development costs as incurred. Our partnered products generate co-development and research fees. Our research and development expenses consist primarily of:

- salaries and related expenses for personnel;
- costs of laboratory supplies and materials;
- fees to professional service providers;
- depreciation of capital assets used in the research and development process; and
- allocated operating costs, such as the cost of facilities.

Our business is largely to identify presently marketed prescription pharmaceutical products that are suitable for thin film development. Our research and development cycle is shorter and less costly than the development of the pharmaceutical product itself. For each prescription thin film product we develop, we estimate that the research and development cycle will range between 24 to 30 months and total costs will be less than $5 million. The time frame and cost can be affected by the regulatory path we select or are required to follow and the extent to which regulatory authorities require follow-on clinical studies.

Research and development costs incurred by us during the last three fiscal years for internal proprietary projects and arrangements with third parties are as follows:

Fiscal Year	Internal Proprietary Projects	Arrangements With Third Parties	Total
2006	$ 1,194,000	$ 799,000	$ 1,993,000
2005	899,000	359,000	1,258,000
2004	941,000	69,000	1,010,000

We expect to incur increasing research and development expenses in future periods as we expand our internal research capabilities and increase the number of self-funded initiatives, or SFIs, we expect to enroll in pre-clinical studies and clinical trials. The process of conducting pre-clinical studies and clinical trials necessary to obtain FDA approval is costly and time consuming. We consider the development of our product candidates to be crucial to our long-term success. If we do not complete development of our product candidates and obtain regulatory approval to market one or more of these product candidates, we may not be successful. The probability of success for each product candidate may be impacted by numerous factors, including the timing and results of our pre-clinical research programs, the scope, rate of progress and cost of our clinical trials, future clinical trial results, the cost and timing of regulatory approvals, and the effects of competing technologies and market developments. We will make ongoing evaluations of our product candidates and determine which product candidates to advance and how much funding to direct to each based on an ongoing basis in response to their scientific and clinical success and market potential.

General and Administrative Expenses

Our general and administrative expenses consist of salaries and benefits for executive and support personnel, professional fees for legal, accounting and other services, travel costs, facility-related costs such as rent, utilities for non-production activities and other general office expenses. These expenses include the following functions: corporate management, business development and licensing, finance, human resources, information systems and other administrative functions and unabsorbed

manufacturing overhead costs. We expect our general and administrative expenses to increase as we continue to hire new employees, expand our infrastructure and incur additional costs related to the growth of our business and our operations as a public company.

Results of Operations

Years Ended December 31, 2006, 2005 and 2004

Revenue. Manufacture and supply revenue increased $0.3 million, or 20% to $1.8 million in 2006 from $1.5 million in 2005. This increase is attributable to additional supply agreements we entered into with new customers and the initial demand generated by those contracts. Co-development and research fees increased $285,000, or 43% to $950,000 in 2006 from $665,000 in 2005. The increase was attributable to additional development arrangements with new customers. Manufacture and supply revenue decreased $0.4 million, or 21% to $1.5 million in 2005 from $1.9 million in 2004. This decrease is attributable to the discontinuation of business of one of our customers and the resulting termination of our relationship with that customer. Co-development and research fees increased $565,000, or 565% to $665,000 in 2005 from $100,000 in 2004. The increase was attributable to us commencing operations in 2004 and the expansion of our customer base in 2005.

Customer Concentration. Customers are considered major customers when sales exceed 10% of total net sales for the year or outstanding receivable balances exceed 10% of total receivables. For 2006, we had four major customers with sales totaling $2.5 million, or 93% of net sales, and outstanding receivables of $563,000, or 97% of total receivables. We had no major customers in 2005. For 2004, we had one major customer, with sales totaling $1.8 million, or 90% of net sales, and outstanding receivables of $1.0 million, or 91% of total receivables.

Cost of Goods Sold. Cost of goods sold increased by $0.3 million, or 23% to $1.6 million in 2006 from $1.3 million in 2005. This increase is attributable to the growth of revenue resulting from additional products sold as well as higher allocated overhead costs due to our adoption of Statement of Financial Accounting Standards, or SFAS, No. 151, Inventory Costs — an Amendment of Accounting Research Bulletin, or ARB, No. 43 effective January 1, 2006. These increases were partially offset by lower levels of excess and obsolete inventory in 2006. Cost of goods sold decreased by $0.1 million, or 7% to $1.3 million in 2005 from $1.4 million in 2004. This decrease was attributable to a decrease in manufacture and supply revenue resulting from the terminated relationship with a significant customer as described above, offset by increased costs for excess and obsolete inventory in 2005.

Research and Development Expenses. Research and development expenses increased by $0.7 million, or 54% to $2.0 million in 2006 from $1.3 million in 2005. Research and development expenses increased by $0.3 million, or 30% to $1.3 million in 2005 from $1.0 million in 2004. The increased expenses in 2006 and 2005 were attributable to increased staffing and infrastructure to support our internal research efforts along with costs associated with the increase in partnered research and development arrangements for which we generate co-development and research fees.

General and Administrative Expenses. General and administrative expenses increased by $3.9 million, or 53% to $11.3 million in 2006 from $7.4 million in 2005. General and administrative expenses increased by $4.2 million, or 131% in 2005 from $3.2 million in 2004. The increase of general and administrative expenses in 2006 and 2005 was attributable to the increase in the number of employees at our company from 11 full-time employees (inclusive of consultants and temporary workers) in 2004 to 36 and 63 full-time employees (inclusive of consultants and temporary workers) at the end of 2005 and 2006, respectively. In addition to increased staffing, we have incurred increased costs related to building our infrastructure and developing our business, including costs related to the recruitment of the current management team and other professionals, costs for additional facilities and

related depreciation, as well as costs for outsourced formulation, and analytical and design work to support our development efforts.

Liquidity and Capital Resources

Sources of Liquidity

Since our inception in January 2004, we have never been profitable and as of December 31, 2006 we had accumulated net losses of approximately $24.6 million. Through December 31, 2006, we received net proceeds from debt and equity issuances of approximately $42.6 million as follows:

- at our formation in January 2004, we received a $4.8 million contribution of net assets, including $0.4 million in cash;
- later in 2004, we received an additional capital contribution of $6.6 million, including $4.8 million in cash;
- during 2005 and 2006, we issued $20.5 million principal amount of Tranche A and B notes payable, along with stock purchase warrants. The notes had a ten year term and payment in kind interest at 4.33% and 4%, respectively; and
- in November 2006, we closed a private placement for $38.4 million of preferred membership interests. A portion of the preferred interests were issued in settlement of amounts due under the Tranche A and B notes along with accrued interest. The net cash proceeds of $16.9 million are available for general corporate purposes including product development, capital expenditures and working capital. The preferred membership interests will be converted into shares of our common stock pursuant to the merger to occur prior to the offering.

We had $15.3 million in cash and cash equivalents as of December 31, 2006. Currently, our cash equivalents have a maturity of three months or less. The core of our strategy involves the development of our thin film drug delivery technology to targeted prescription pharmaceuticals. This area of product development is a multi-year process that requires significant expenditures prior to realizing any product revenue. We may need to raise additional funds through public or private debt or equity financings in order to develop or acquire new products or new product candidates, expand our manufacturing capacity, obtain FDA approval for our product candidates and continue our commercial growth. The proceeds from this offering will enable us to continue to execute our strategy, attract partners for co-development arrangements and ultimately develop products for commercial supply.

Cash Flow

Net Cash Used in Operating Activities. Cash used in operating activities was $9.3 million for the year ended December 31, 2006 and was primarily attributed to our $12.8 million net loss, offset by $3.5 million in non-cash charges such as depreciation, amortization and non-cash interest expense, and changes in operating assets and liabilities. Cash used by operating activities was $6.4 million for the year ended December 31, 2005 and was primarily attributed to our $8.3 million net loss, offset by $1.6 million in non-cash charges such as depreciation, amortization, non-cash interest expense and the write-off of accounts receivable, and changes in operating assets and liabilities. Cash used by operating activities was $3.4 million for the year ended December 31, 2004 and was primarily attributed to our $3.6 million net loss, offset by $0.5 million in non-cash charges such as depreciation and amortization and changes in operating assets and liabilities.

Net Cash Used in Investing Activities. Cash used in investing activities was $3.4 million, $2.8 million and $1.2 million for the years ended December 31, 2006, 2005 and 2004, respectively, and was attributable to capital expenditures for property, plant and equipment.

Net Cash Provided by Financing Activities. Cash provided by financing activities was $26.5 million for the year ended December 31, 2006 and was primarily attributable to the $16.9 million in net proceeds from the issuance of Series A Preferred Interests and $10.0 million in net proceeds from the issuance of notes payable with warrants. Cash provided by financing activities was $10.2 million for the year ended December 31, 2005 and was primarily attributable to $10.5 million in net proceeds from the issuance of notes payable with warrants. Cash provided by financing activities was $4.9 million for the year ended December 31, 2004 and was primarily attributable to $5.1 million in capital contributions from members.

Funding Requirements

Upon completion of this offering, we believe that the net proceeds from this offering, together with our existing cash and cash equivalents, as supplemented by our revenue, will be sufficient to meet our projected operating requirements for approximately the next 24 months. We have based this estimate on assumptions that could change, and we could utilize our available financial resources sooner than we currently expect. The key assumptions underlying this estimate include:

- the costs necessary to successfully complete our development efforts for thin film versions of existing drugs and other self-funded initiatives;
- the levels and timing of revenues from the commercialization of our product candidates;
- the capital expenditures required to support our increasing development and manufacturing capacity needs; and
- the infrastructure costs to support a public company.

We may require substantial additional capital due to the uncertainty and risks related to the time it will take for our product candidates to complete the clinical trial process, obtain approval from regulatory authorities and to be successfully commercialized. We may raise additional capital through public or private equity offerings, debt financings, corporate collaborations or other means. We may attempt to raise additional capital due to favorable market conditions or other strategic considerations even if we have sufficient funds for planned operations. To the extent that we raise additional funds by issuance of equity securities, our stockholders may experience dilution, and debt financings, if available, may involve restrictive covenants or may otherwise constrain our financial flexibility. To the extent that we raise additional funds through collaborative arrangements, it may be necessary to relinquish some rights to our intellectual property or grant licenses on terms that are not favorable to us. In addition, payments made by potential collaborators or licensors generally will depend upon our achievement of negotiated development and regulatory milestones. Failure to achieve these milestones may harm our future capital position. If at any time sufficient capital is not available, either through existing capital resources or through raising additional funds, we may be required to delay, reduce the scope of, eliminate or divest one or more of our research, pre-clinical or clinical programs.

Seasonality

To the extent we are producing OTC cough, cold and allergy pharmaceutical products, which by nature are seasonal, we could experience some seasonality in revenues in the second and third quarters of 2007 and 2008. In the long term, our strategy is to target selected prescription pharmaceuticals on thin film that are not cough, cold and allergy pharmaceutical products. As those products are brought to the market and they begin to represent a larger share of our product portfolio, the effects of seasonality caused by any cough, cold and allergy products will be diminished.

Contractual Obligations

Our contractual obligations relate to operating leases for our facilities and purchases of production equipment.

The following table sets forth a summary of our contractual obligations as of December 31, 2006:

Contractual Obligations	Total	Less Than One Year	One to Three Years	Four to Five Years	After Five Years
Operating lease obligations	$ 2,879,098	$ 588,102	$ 1,074,988	$ 1,088,412	$ 127,596
Equipment purchase obligations	3,690,000	3,690,000	—	—	—
Total	$ 6,569,098	$ 4,278,102	$ 1,074,988	$ 1,088,412	$ 127,596

Operating Lease Obligations. We have various lease agreements for our production and research facilities and offices. Most leases contain renewal options, some contain purchase options and some require us to pay for taxes, maintenance and operating expenses. In October 2006, we entered into a lease for the Ameriplex facility. The lease expires in March 2012 with options to extend through March 2021, and a right of first refusal to purchase the facility. In July 2006, we entered into a lease for our headquarters located in Warren, New Jersey. The lease expires in 2011. We lease our current production facility in Portage, Indiana which houses our research and development, offices and manufacturing operations. This lease expires in March 2008, with an option to extend through March 2010. This lease also contains a purchase option at a fixed price. We also lease a small technology development laboratory in Kingsport, Tennessee. The lease related to the Kingsport, Tennessee laboratory expires in December 2009.

Equipment Purchase Obligations. In 2007, we intend to purchase a new film casting line to fulfill production requirements under a commercial supply agreement. The equipment will be purchased with cash and the customer that is a party to the supply agreement is obligated to make capacity commitment payments over two years that equal the cost of the equipment and any other capital expenditures related to its installation.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Taxation

Our predecessor, Monosol Rx LLC, operated as a limited liability company which, for federal, state and local income tax purposes was treated as a partnership. As such, in lieu of company-level income taxes, its members were subject to tax on their respective pro rata shares of Monosol Rx LLC's income, deductions, gains, losses and credits, as allocated in accordance with the members' operating agreement. Because Monosol Rx LLC was treated as a partnership for federal, state and local income tax purposes, no income taxes have been recognized in the accompanying financial statements, except for certain state non-income taxes, which are immaterial and included in general and administrative expenses. Effective on the merger of Monosol Rx LLC into MonoSol Rx, Inc., we will be subject to corporate-level income tax under subchapter C of the Internal Revenue Code for federal income tax purposes, as well as under state and local income tax laws. In accordance with U.S. generally accepted accounting principles, or GAAP, we are required to estimate the future tax consequences attributed to temporary differences between the financial statement and income tax bases of our assets and liabilities and record a deferred tax asset or liability. In the unaudited pro forma financial statements contained elsewhere in this prospectus, we recorded a $900,000 one-time non-cash charge on the statement of operations to recognize the deferred tax liability related to existing taxable temporary differences that

will reverse in future periods. The temporary differences resulted principally from depreciation of property and equipment, and amortization of intangibles.

Performance Unit Plans

Our predecessor, Monosol Rx LLC, has maintained two Performance Unit Plans for the purpose of enhancing our long-term growth by providing incentives to key employees and other service providers. The performance units were granted with a base value equal to their estimated fair value at the date of grant, both of which were determined by our board of directors. The Performance Unit Plans call for accelerated vesting upon a change in control or an initial public offering. The vested units can be redeemed for cash or in the form of the same equity instruments received due to a change in control or an initial public offering, at the discretion of the board of directors. The payment to a participant is based on the spread between the fair value of the performance units at the time of the change in control or initial public offering and the base value of the performance units the participant was awarded. After the merger of Monosol Rx LLC with MonoSol Rx, Inc. and immediately prior to this offering, the performance units will be exchanged for common stock of MonoSol Rx, Inc. and we will incur compensation expense in the estimated amount of $ million, which has been reflected in the unaudited pro forma financial statements included elsewhere in this prospectus.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations is based on the financial statements, which have been prepared in accordance with GAAP. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 1 to the financial statements appearing elsewhere in this prospectus. We believe that the following accounting policies relating to revenue recognition, research and development expenses, inventory valuation, intangibles and impairment of long-lived assets are most critical to aid you in fully understanding and evaluating our reported financial results.

Revenue Recognition

Our research and development agreements contain development milestones that we must meet in order to earn fees. In addition, these agreements often require that we achieve certain results in order to have the opportunity to earn additional fees and revenues. Product sales are generally a result of previous research and development efforts.

We recognize revenue in accordance with Staff Accounting Bulletin, or SAB, No. 101 *Revenue Recognition in Financial Statements*, as amended by SAB No. 104. For manufacture and supply arrangements, we recognize revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, pervasive evidence of an arrangement exists and the sales price is fixed or determinable. In instances where we utilize a third-party to complete the packaging process, revenue is recognized when the completed product is shipped from the third-party. In the case of co-development and research fees, revenue is recognized when appropriate contractual milestones are realized, contractual amounts for those services are billed and collection of related receivables is probable.

Inventory Valuation

Due to our continual change in customer mix, we evaluate the utility of our inventory frequently. Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis. Our inventories are evaluated for recoverability on a periodic basis and any non-usable inventory is written-off to expense. In addition, we establish a reserve for any inventory that may be stated in excess of its recoverable amount or potentially non-usable. Charges for such write-off and reserves are recorded as a component of cost of goods sold.

Impairment of Long-Lived Assets

Our property, plant and equipment are exposed to technological obsolescence. Management reviews the utility of these long-lived assets annually. In accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, long-lived assets such as property, plant and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. In 2006, as a result of management's evaluation of our property, plant and equipment, we recorded an impairment charge of $132,000.

Intangible Asset

Management evaluates the utility of our intellectual property underlying our principal production capabilities annually. Our intangible asset relates to composition and process technology used in thin film technology acquired as part of the Kosmos Pharma Limited acquisition in 2004 (see Note 2 in accompanying financial statements). We amortize these intangible assets on a straight-line basis over 10 years which is the expected useful life of the associated technology.

Research and Development Costs

We expense costs associated with research and development activities as incurred. Research and development costs include costs incurred for our internal proprietary research and development projects as well as costs incurred under arrangements with third parties for which we generate co-development and research fees.

Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk due to changes in interest rates relates primarily to the increase or decrease in the amount of interest income we can earn on our investment portfolio. We attempt to increase the safety and preservation of our invested funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in short-term investment grade debt instruments. Due to the short-term nature of our investments, we do not believe that we have any material exposure to interest rate risk arising from our investments. We do not purchase, sell or hold derivatives or other market risk sensitive instruments to hedge interest rate risk or for trading purposes. All of our investment choices are consistent with and driven by good cash management practices.

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

In April 2006, our manager's general partner approved the engagement of KPMG LLP, or KPMG, to audit our financial statements for the fiscal years ended December 31, 2006, 2005, 2004 and 2003. Prior to our retention of KPMG, McGladrey & Pullen, LLP, or McGladrey, served as our certified

independent accountants and reported on our financial statements for the fiscal year ended December 31, 2004. McGladrey was dismissed as our principal accountant on April 3, 2006.

McGladrey's report on our financial statements did not contain an adverse opinion or a disclaimer of opinion and the financial statements were not qualified or modified as to uncertainty, audit scope or accounting principles. During the fiscal years ended December 31, 2005 and 2004, and during the subsequent interim period between December 31, 2005 and McGladrey's dismissal, there were no disagreements with McGladrey on any matter of accounting principle or practice, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of McGladrey, would have caused it to make reference to the subject matter of the disagreement in connection with its report on our financial statements. In addition, during the fiscal years ended December 31, 2005 and 2004, and during the subsequent interim period between December 31, 2005 and McGladrey's dismissal, there were no reportable events pursuant to Item 304(a)(1)(v) of Regulation S-K.

During the fiscal years ended December 31, 2005 and 2004, and during the subsequent interim period between December 31, 2005 and McGladrey's dismissal, we did not consult with KPMG regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a disagreement or a reportable event with McGladrey.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The provisions of FIN 48 was effective for us on January 1, 2007, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are in the process of assessing the impact of adopting FIN 48 on our results of operations and financial condition.

BUSINESS

Overview

We are a drug delivery company specializing in proprietary dissolving thin film pharmaceutical products. Our thin film, which is similar in size, shape and thickness to a postage stamp, dissolves rapidly and utilizes a novel process and proprietary encapsulation compositions to mask the taste of the drug contained within the film. We believe these qualities render our thin film easy to use and consequently will improve patient compliance, providing a significant benefit to patients, their prescribing physicians and healthcare institutions. Our thin film drug delivery technology is currently used in the over-the-counter, or OTC, marketplace and we are developing thin film containing prescription drugs. By incorporating approved drugs with soon-to-expire or expired patents into our thin film, we believe we can extend their patent lives and protect the billions of dollars of drug revenues important to our existing and future pharmaceutical partners. Furthermore, we are building the infrastructure required to produce our thin film rapidly and at scale.

We believe our thin film drug delivery technology has several material benefits over existing drug delivery forms and should enjoy strong physician, patient and consumer acceptance. Our thin film improves convenience and ease of use through discretion and portability and precludes the need for water or liquids. Our thin film may also improve dosing accuracy relative to liquid formulations thereby ensuring proper dosing for the pediatric, geriatric and mentally ill patients where proper administration is often difficult. In addition, our thin film provides ease of dosing for patients with conditions that make it difficult to swallow other solid dosage forms such as tablets or capsules.

Our proprietary thin film drug delivery technology is supported by a significant portfolio of intellectual property, which we believe differentiates us from our competitors. We believe this technology will enable pharmaceutical companies to better manage the life cycle of their products. By combining our thin film drug delivery technology with existing drugs, we believe our thin film can strategically differentiate existing or soon-to-be genericized drugs from potential generic competitors and can help protect branded prescription products against existing or new generic entries by providing additional patent protection or exclusivity in the marketplace. Additionally, we believe our thin film drug delivery technology can also be used to create new drug products with improved efficacy.

We believe we are the only company completely dedicated to thin film as a drug delivery dosage form and have created a vertically integrated infrastructure to ensure leadership capabilities in the critical activities of drug tastemasking, analytical development, global formulation development, manufacturing and packaging. We have invested significantly in this model of vertical integration to develop an operational infrastructure that we believe will position us to seamlessly commercialize products in concert with our partners' respective sales forces.

We have pursued and plan to continue to pursue four different strategic revenue paths to profitability. We plan to develop thin film versions of existing prescription products under partner-funded agreements. We also expect to self-fund the development of versions of existing prescription products which we intend to ultimately partner. We also plan to partner with pharmaceutical companies to develop and deliver new prescription products with improved efficacy and to continue to commercialize products in the OTC marketplace.

Our Business Strategy

Our strategy is to develop and partner innovative thin film strip products in the prescription, generic and OTC pharmaceutical markets and to establish a leadership position in thin film drug delivery technology through continued development of our drug delivery technology and our intellectual property portfolio. We believe that pharmaceutical companies will want to partner with us to extend the life cycle of their products, defend against patent expiration, protect against generic encroachment and

differentiate their products in competitive categories. To achieve these goals, our strategy includes the following key elements:

- **Self-fund the development of thin film versions of existing prescription products**. We are currently developing a portfolio of thin film formulations of existing prescription drugs. We select our targets based upon technical suitability for our thin film drug delivery technology, patent expiration, approved indications, market size and other factors. We intend to maximize the commercial value of these drugs by seeking to partner with the drug innovators to enable them to extend the life cycle of their prescription drugs. We believe this strategy will result in superior economics for us as compared to initiatives where partners initially fund the product development program as we have taken on most of the development risk.

- **Develop thin film versions of existing prescription products with pharmaceutical partners**. In contrast to our self-funded initiatives, we are also currently developing a number of thin film formulations of existing prescription products under partner-funded agreements. Together with our development and marketing partners, we have selected targets based upon technical suitability for our thin film drug delivery technology, patent expiration, patient demographics approved indications and other factors. Similar to our self-funded initiatives, we believe these agreements will enable our partners to manage the life cycle of their prescription drugs. When compared to our self-funded initiatives, the development costs and risks associated with partnered products are significantly reduced.

- **Partner with pharmaceutical companies to deliver new prescription products with improved efficacy**. For certain drugs, we believe our thin film drug delivery technology, when utilized for sublingual (under the tongue), buccal (in the cheek) or vaginal delivery may improve efficacy. Improved efficacy can occur through faster onset of action or lower dosing which may also result in reduced side effects and improved safety. We believe that the potential to deliver prescription drugs with improved efficacy will make us a desirable partner for pharmaceutical companies.

- **Position ourselves to be a partner of choice for thin film drug delivery technology through vertical integration**. We will continue to maintain and control critical capabilities in tastemasking and analytical development, global formulation, manufacturing and packaging of thin film. We are dedicated to a model of vertical integration and have invested significantly to develop an operational infrastructure that we believe will position us to seamlessly commercialize products in concert with our partners' respective sales forces. We believe our vertical integration benefits our partners by allowing us to: (i) research, develop, manufacture and package more quickly and cost effectively than if we were dependent on others; (ii) better develop and protect our intellectual property and institutional expertise; (iii) reduce the risk of third-party performance and quality; and (iv) better manage compliance related to pharmaceutical manufacturing standards.

- **Continue to develop our intellectual property portfolio to position ourselves as a market leader in thin film drug delivery technology**. We believe our existing intellectual property portfolio in thin film drug delivery is a significant source of competitive advantage. We intend to continue to develop our thin film intellectual property portfolio in areas such as film composition, drug uniformity, tastemasking, methods of manufacture and packaging. We believe our intellectual property portfolio provides us with significant protection against competition.

- **Continue to commercialize products in the OTC marketplace**. In the near term, we intend to continue to develop and commercialize OTC pharmaceutical products utilizing our proprietary thin film drug delivery technology. The process for regulatory approval of most OTC pharmaceutical products, the monograph system, should enable us to leverage our existing research and development capabilities and operational infrastructure to generate near-term revenue and cash flow. We believe that continued commercialization of OTC products utilizing

the thin film dosage form will further build consumer acceptance and industry awareness of our thin film drug delivery technology.

Industry Overview

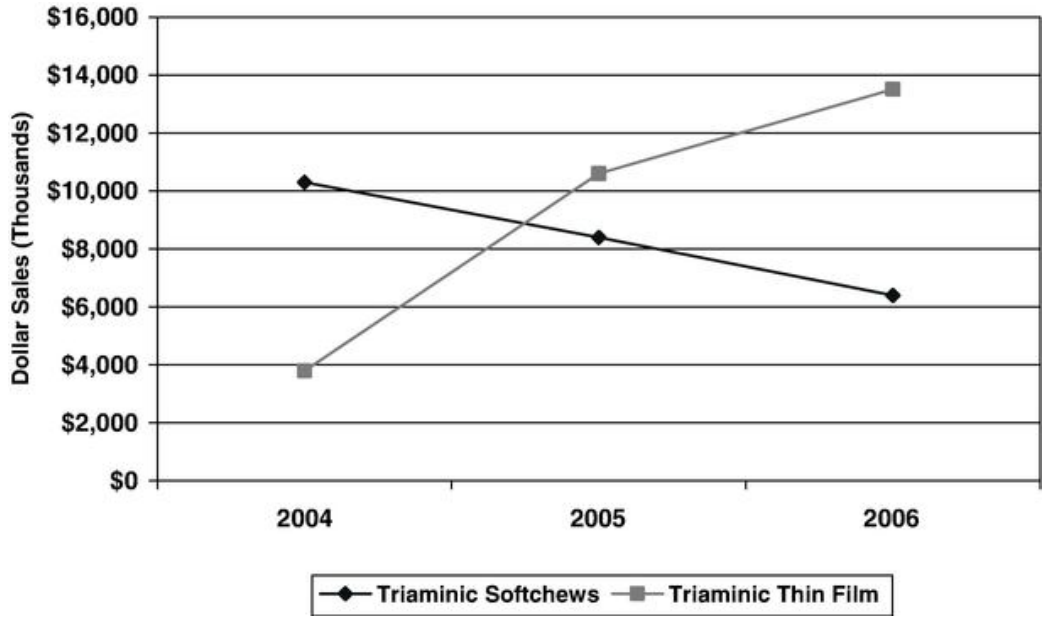
Drug Delivery Methods

Drug delivery companies apply proprietary technologies to create pharmaceutical products that improve the administration, absorption, efficacy, differentiation or cost of marketed pharmaceutical products. Drug delivery and related technologies have facilitated the improved delivery of drugs through a variety of means including oral (through controlled release, quick dissolve and liquids), injection, transdermal (through the skin), transmucosal (through the mucous membranes of the nose and mouth), intranasal and pulmonary methods. According to Front Line Strategic Consulting, U.S. sales of advanced drug delivery systems was $64.1 billion in 2005 and is projected to increase to approximately $153.5 billion by 2011.

Drugs incorporating rapid-dissolve technology, like thin film, are particularly suitable for use by children, geriatric patients, and individuals with certain physiological conditions that create a difficulty in swallowing, or dysphagia. In addition, according to industry data, forty percent of people report problems swallowing tablets. Since rapid-dissolving dosage forms containing drugs are easier to swallow and often incorporate tastemasking technology, they have the potential to enhance patient compliance relative to conventional tablets. Furthermore, when compared to liquid formulations, rapid-dissolve technology may also improve dosing accuracy resulting in improved patient outcomes.

Thin film strips were first introduced in 2001 by Warner-Lambert Consumer Healthcare in the form of the Listerine PocketPak®. We believe the global success of the product demonstrates consumer acceptance of thin strips. Novartis Consumer Health was the first major pharmaceutical company to launch several thin strip OTC pharmaceutical drug products under its Triaminic® and TheraFlu® brands. As demonstrated in the chart below based on IRI Infoscan data, Triaminic® Thin Strips have significantly outsold Triaminic® Softchews, its rapid dissolve alternative, since its introduction into the market.

Triaminic® Thin Strips and Triaminic® Softchews Sales Trends



Other thin film products on the market today include Prestige Brands' subsidiary's, Medtech Products Inc., or Medtech, Chloraseptic® strips for sore throat, Pfizer's Sudafed PE® phenylephrine strips, and Novartis' Gas-X® simethicone strips.

Trends in the Pharmaceutical Industry

Growth in the drug delivery industry is being driven by several significant trends in the healthcare industry. We believe pharmaceutical companies are becoming increasingly focused on life cycle product management. Life cycle product management is an issue due to expiring patents, generic encroachment and declining new drug pipelines. In addition to life cycle management, other trends in the pharmaceutical industry include an increase in direct-to-consumer marketing and the continued influence of managed care on reducing costs of treatment. The following is a more detailed discussion of these trends:

- **Drug patent expiration and increased generic competition**. We believe that pharmaceutical companies will adopt innovative drug delivery systems as a means of enhancing patient benefits and differentiating themselves from competition while preserving or increasing market share over the life cycle of a product. There are 83 major drugs, each with 2006 U.S. sales of $100 million or greater, that are expected to lose patent or exclusivity protection through 2012. Collectively, these drugs represent 2006 U.S. sales of approximately $95 billion, or 40% of the total U.S. retail pharmaceutical market. As a result, many pharmaceutical companies are increasingly focused on product life cycle management to protect the revenue from these products. One way that pharmaceutical companies are enhancing existing drug products is with innovative drug delivery technologies. These enhancements may include increased efficacy, improved compliance, reduced side effects and more convenient administration, any of which may provide a significant advantage over existing and future competition. We believe that pharmaceutical companies will continue to use drug delivery systems to preserve or increase market share, enhance efficacy, and extend product revenue life cycles. Generic competition occurs when a generic company markets a product that a pharmacist may substitute for the branded product in the event that the physician's prescription allows for substitution. In all states, except California, a pharmacist can substitute a generic product for a branded product solely where the Food and Drug Administration, or FDA, has confirmed therapeutic equivalence, also known as an "AB" rating, for the generic product. To obtain an "AB" rating, a generic company must demonstrate that its generic product contains the same drug, results in comparable drug blood levels to the branded product and is in the same dosage form. We believe our thin film will not be "AB" rated with either conventional tablets or capsules, or with orally dissolving tablets, or ODTs, since thin film is considered to be a different dosage form by the FDA.

- **Declining new drug pipelines**. In recent years, the development of new drugs has slowed dramatically while the cost of developing new drugs has increased. From 1996 to 2003, the number of new drug molecules approved annually by the FDA declined 60% and the number of new drug applications dropped by 45%. Also, according to industry data, by 2004 new drug research and development spending approached $40 billion a year, but the number of new drugs approved per year had fallen. This slowdown in new drug approval is occurring at the same time that the pharmaceutical industry is facing patent expirations on major revenue producing drugs. As a result, we believe that pharmaceutical companies are motivated to find new ways of marketing existing drugs, in part through the use of advanced drug delivery technology such as thin film.

- **Increased direct-to-consumer marketing is raising consumer awareness and demand for alternative dosage forms**. In recent years, pharmaceutical companies have brought tremendous resources to bear on direct-to-consumer advertising and education efforts. According to a November 2006 U.S. Government Accountability Office study, the amount that drug companies

spent on direct-to-consumer advertising between 1997 and 2005 increased twice as fast as spending on promotion to physicians or on research and development. IMS Health estimated that, from 1997 through 2005, spending on direct-to-consumer advertising in the United States increased from $1.1 billion to $4.2 billion, an average annual increase of almost 20%. We believe this increased spending on direct-to-consumer marketing has raised consumer awareness of and demand for products that incorporate unique and innovative drug delivery technologies, such as film strip technology.

- **Influence of managed care**. The Centers for Medicare & Medicaid Services estimates that healthcare spending through 2016 will grow at an average annual growth rate of 6.9%, with total health spending in that period of about $33.4 trillion. To address this issue, managed care providers and other insurers are keenly interested in products and technologies that help increase patient compliance thereby lowering the overall cost of treatment. Since the elderly, infant and juvenile patient populations typically have more frequent dosing requirements and a higher incidence of difficulty swallowing traditional oral solid dosage forms, we believe that physicians, patients, as well as managed care providers and other insurers, will seek out products incorporating advanced drug delivery systems to address the needs of these populations where compliance and accurate dosing are essential to proper treatment.

Our Solution

We have developed a thin film drug delivery technology that we believe will be embraced by patients, prescribing physicians, healthcare providers, and pharmaceutical drug marketers. Our thin film, which is similar in size, shape and thickness to a postage stamp, dissolves quickly in the mouth and effectively hides the taste of the drug it contains. We believe these qualities render our thin film easy to use and consequently will improve patient compliance, providing a significant benefit to patients, their prescribing physicians and healthcare institutions. By incorporating approved drugs with soon to expire or expired patents into our thin film, we believe we can extend their patent lives and help protect the billions of dollars of drug revenues important to our existing and future pharmaceutical partners. Furthermore, we are building the infrastructure required to produce our thin film rapidly and at scale. We believe this combination creates a compelling partnering proposition for pharmaceutical companies who are in need of significant differentiation from branded competitors and generic drug manufacturers.

We believe that our thin film drug delivery technology will have strong physician, patient and consumer acceptance. Evidence of this acceptance can be seen in the OTC pharmaceutical market where thin film pharmaceutical products have increased brand share and provided consumers with a preferred alternative to conventional tablets, orally dissolving tablets and other dosage forms. We believe our thin film drug delivery technology possesses several key advantages over existing drug delivery forms such as convenience, ease of dosing, portability and absence of the need for water or liquids; improved dosing accuracy relative to liquid formulations; accurate administration of drugs for the pediatric, geriatric and mentally ill patients where proper dosing can be difficult; and provides an easy alternative to patients with swallowing disorders and those who dislike taking other solid dosage forms such as tablets or capsules.

For many of the same reasons we think our thin film delivery technology will appeal to physicians, patients, and consumers, we also believe our thin film drug delivery technology will appeal to healthcare providers. Compared to quick-dissolve tablet technologies, our strips disintegrate faster, are more durable, have excellent stability and are cost effective. In addition, our thin film accommodates unit dose packaging and is highly portable and discreet. Because our thin film is easy to use, we believe our thin film technology may be a more effective means of drug delivery and may reduce the burden of repetitive daily dosing. Consequently, we believe our thin film will improve patient compliance with prescribed drug regimens reducing the need for repeat treatments.

We also believe our thin film drug delivery technology offers prescription pharmaceutical companies a compelling value proposition by enabling them to better manage the revenue life cycles of their products. Not only does our thin film drug delivery technology offer a unique ability to extend pharmaceutical product life through a non-"AB" rating but we also believe that our thin film drug delivery technology provides the essential characteristics necessary for product differentiation, performance and compliance with global drug standards. These characteristics include (i) limited clinical data requirements (505(b)(2) application, abbreviated new drug application, or ANDA, or European Union Mutual Recognition Procedure regulatory pathways), (ii) speed of dissolution, (iii) load capacity or ability to carry the drug, (iv) compatibility with tastemasking techniques, (v) manufacturing scalability, (vi) content uniformity, (vii) stability, (viii) an extensive and protective intellectual property portfolio and (ix) a highly differentiated patient friendly delivery form. Furthermore, we are dedicated to thin film as a drug delivery dosage form and have created a vertically integrated infrastructure to ensure leadership capabilities in drug tastemasking, analytical development, global formulation development, manufacturing and packaging.

Our Product Development

We plan to develop and market our innovative thin film strip products in the prescription drug and OTC markets by pursuing four distinct revenue-generating strategies: (i) self-funded initiatives, or SFIs; (ii) partnered existing prescription products; (iii) partnered new prescription products; and (iv) partnered OTC pharmaceuticals and other products. We have identified and undertaken a number of self-funded initiatives, or SFIs, to develop thin film versions of existing products, which we ultimately intend to bring to market with a partner. We have also been engaged by pharmaceutical partners to develop thin film versions of existing prescription products. In the future, we expect to partner with pharmaceutical companies to deliver new prescription products with improved efficacy. We also expect to continue to develop and commercialize thin film products in the OTC and consumer marketplace.

Self-Funded Initiatives

We are developing thin film versions of a series of major revenue producing prescription drugs. We believe that these products can be approved on the basis of limited clinical data and on a development to approval timeline of 24 to 30 months. We plan to advance development of these initiatives until we realize certain product-specific development milestones, at which point we expect to attract partners with whom we will commercialize these film products. We have a large pool of drugs to choose from for thin film development because we believe our technology can be applied to over 400 drugs due to its load capacity. As a result, there are many candidates suitable for development utilizing our thin film drug delivery technology and we intend to carefully evaluate those candidates to determine their suitability for internal development.

The following chart summarizes potential SFI candidates by therapeutic category, number of candidates within each category and market opportunity based on 2005 worldwide sales:

Potential Self-Funded Initiative Candidates

Category	Number of Candidates	2005 Global Category Market Value in U.S. $ (Billions)
Anti-Psychotics	5+	$ 11.0+
Pain	15+	6.0+
Neurodegenerative Disease Treatments	12+	4.5+
Urinary Incontinence	7	3.0+
Anxiety/Depression	20+	15.0+
Erectile Dysfunction	3	2.5+

We believe that these products can be approved on the basis of limited clinical data through the 505(b)(2) or ANDA regulatory pathways. For additional information, see the section of this prospectus entitled "Government Regulation." As thin film versions, these prescription drugs can strategically enter the global marketplace to minimize generic encroachment and in some cases allow sufficient marketing time to effectively replace the current dosage form with our non-generically substitutable film. In doing so, the drug's innovator can preempt generic introductions and retain the brand's sales and market share beyond ordinary patent expiration.

We are currently self-funding the development of the following pharmaceutical products:

Self-Funded Initiatives

Brand Name	Drug	Patent Expiration	Category	U.S. Sales (Billion)*	Partner	Status
Ambien®	Zolpidem Tartrate	Expired	Sleep	$ 2.3	To Be Determined	In Clinical Trials
Zofran®	Ondansetron HCl	Expired	Nausea/Vomiting	$ 1.3	To Be Determined	Pre-Clinical Work Complete
Aricept®	Donepezil HCl	11/10	Alzheimer's Disease	$ 1.1	To Be Determined	Clinical Trials First Half 2008
Lexapro®	Escitalopram Oxalate	3/12	Anti-Depressant	$ 2.0	To Be Determined	Clinical Trials Early 2008

* sales reported for fiscal year 2006

Zolpidem Tartrate

Zolpidem is a short-term insomnia medication and has a favorable side effect profile. Zolpidem is marketed by Sanofi-Aventis under the brand name Ambien® and generated sales of $2.3 billion in 2006.

In April 2007, Ambien® lost patent protection and is presently subject to generic competition. Zolpidem's revenue, dose, patent expiration, compatibility with our dosage form and category competitive needs make it an ideal choice for development utilizing our thin film drug delivery technology. Our zolpidem thin film is currently in pilot bioequivalence trials.

Ondansetron HCI

Ondansetron is a selective 5-HT3 receptor antagonist approved and commonly used to prevent nausea and vomiting due to chemotherapy, radiation treatments and following surgical procedures. Ondansetron is marketed by GlaxoSmithKline plc, or GSK, under the brand name Zofran® and generated sales of $1.3 billion in 2006.

In December 2006, Zofran® lost patent protection and is presently subject to generic competition. Zofran's® revenue, dose, patent expiration, compatibility with our dosage form and category competitive needs make it an ideal choice for development utilizing our thin film drug delivery technology. Our dosage form makes it easier to administer ondansetron, especially for those patients who have difficulty swallowing after chemotherapy. Dosing with our thin film does not require water which may help to reduce further nausea due to the need for liquids in taking other dosage forms. Our ondansetron thin film is scheduled for pilot bioequivalence trials in the third quarter of 2007.

Donepezil HCI

Donepezil is an acetylcholinesterase inhibitor that is used as a treatment for Alzheimer's Disease. Donepezil is marketed by Eisai Inc. under the brand name Aricept® and generated sales of $1.1 billion in 2006.

In November 2010, Aricept® is expected to lose its patent protection and be subject to generic competition. Aricept's® revenue, dose, future patent expiration, compatibility with our dosage form and category competitive needs make it an ideal choice for development using our thin film drug delivery technology. Our dosage form makes it easier to administer donezepil, especially to those elderly patients who have difficulty swallowing traditional dosage forms, such as tablets. We believe our thin film provides an immediate ease of use benefit for both the patient and the caregiver. Complete and swift dosing associated with thin film drug delivery also may reduce caregiver anxiety. Our donezepil thin film is currently in pre-clinical development.

Escitalopram Oxalate

Escitalopram is in a class of drugs called selective serotonin reuptake inhibitors. It is approved for depression and generalized anxiety disorders. Escitalopram is marketed by Forest Laboratories, Inc. under the brand name Lexapro® and generated sales of $2.0 billion in 2006.

In March 2012, Lexapro® is expected to lose its patent protection and be subject to generic competition. Escitalopram's revenue, dose, future patent expiration, compatibility with our dosage form and category competitive needs make it an ideal choice for development utilizing our thin film drug delivery technology. Our escitalopram thin film is currently in pre-clinical development.

Our Partnered Products

We are currently engaged with pharmaceutical partners to develop thin film versions of existing prescription products. The following is a chart summarizing our disclosed partnered prescription products:

Disclosed Partnered Prescription Products

Product	Category	Partner	Status
Ketorolac	Menstrual Pain	UMD Inc.	Pre-Clinical Work Complete
Multiple Products	Respiratory	Adams Respiratory Therapeutics, Inc.	Pre-Clinical Work Complete

We have entered into pharmaceutical partner-funded agreements with companies to develop bioequivalent, thin film versions of existing drugs. We anticipate pursuing these products through either the 505(b)(2) or ANDA regulatory pathways. Under partnership agreements, our pharmaceutical partners fund the development program, regulatory submission and ultimately advertise, promote and market the new thin film product. One of the companies we have partnered with is Adams Respiratory Therapeutics, or Adams, for a thin film product for certain respiratory indications.

We also currently, and in the future, expect to partner with pharmaceutical companies to deliver new prescription products with improved efficacy. Such improved results may be achieved through, for example, sublingual delivery (under the tongue) for those drugs suitable for absorption in that manner. These agreements consist of development fees, milestone payments, manufacturing fees, and royalties as a percentage of sales. We believe these products have the potential to offer maximum value but also involve longer development timelines and more rigorous clinical requirements compared to our

bioequivalent thin film versions of existing pharmaceutical products. We anticipate pursuing approval of these products with our partners through the new drug application, or NDA 505(b)(1), or 505(b)(2) regulatory pathways. One of the improved products we are developing, in conjunction with UMD Inc., is a vaginal film to treat menstrual pain. To date, this thin film product has achieved successful proof of principle bioavailability studies.

Our OTC Pharmaceuticals and Other Products

We are currently developing and expect to market a number of OTC and other products with our partners. The following is a chart summarizing our partnered OTC and other products:

Partnered OTC Pharmaceuticals and Other Products

Product *Brand Name*	**Category**	**Partner**	**Status**
Dextromethorphan	Cough	Vita Health Products, Inc.	In Production
Diphenhydramine HCl	Cough	L. Perrigo Company	Prototypes Complete
Benzocaine *Chloraseptic*®	Sore Throat	Medtech Products Inc.	In Production
Benzydamine	Sore Throat	Acraf S.p.A.	Prototypes Complete
Undisclosed	Undisclosed	CB Fleet Company, Inc.	Prototypes Complete
Pectin and Menthol *Breathe Right*®	Anti-Snore	GlaxoSmithKline plc	In Production
Specialty Application *Taboka*®	Tobacco	Philip Morris USA Inc.	In Production
Chlorine Dioxide *TheraBreath*®	Halitosis	Dr. Harold Katz LLC	In Production

We have entered into an agreement with Prestige Brands' subsidiary, Medtech, to develop and supply thin film containing benzocaine for the Chloraseptic® brand. We have also entered into agreements with Perrigo (for a store brand, diphenhydramine product), and CNS, Inc. (now owned by GSK) to develop and commercialize an anti-snore strip for the Breathe Right® franchise. In addition, we have partnered with Philip Morris USA to supply a long lasting specialty application film. We also have a development program in place with Angelini Pharmaceuticals of Italy for an anti-inflammatory thin film product. The appropriate regulatory pathways will be followed to commercialize these products.

Competition

We compete with drug delivery companies utilizing advanced technologies involving oral, injectable, patch-based, pulmonary and intranasal administration of pharmaceutical products. We also may compete with pharmaceutical companies seeking to develop and produce their own thin film products. However, some pharmaceutical companies have opted to partner with third-party technology providers rather than develop and manufacture their own delivery technologies in-house. However, such a trend may not continue in the future.

While there are several competitors in the thin film drug delivery market, we believe there are two primary competitors, Adhesives Research and Lohmann Therapie Systems. We compete against these companies to attract and retain partner relationships for the development and manufacture of thin film pharmaceuticals.

We differentiate ourselves through our vertically integrated business model which we believe increases our speed to market, reduces third-party performance risk and increases control from a regulatory perspective. We believe our proprietary composition, tastemasking and manufacturing process provides us with a competitive advantage in thin film.

Our Inventors

We believe our proprietary thin film drug delivery technology is supported by our portfolio of intellectual property. Our senior management and consultants are named inventors on many of our pending patent applications. We believe that we have a strong team of inventors with particular experience in drug delivery and medical sciences. We believe that our portfolio of intellectual property is a source of competitive strength for us.

Our primary inventor to date is Richard C. Fuisz, M.D., one of our consultants. Dr. Fuisz founded Kosmos Pharma, the assets of which we substantially acquired in 2004. Dr. Fuisz is a named inventor for our issued Irish patent and on 65 of our pending worldwide patent applications.

Garry Myers, is our senior director of product development. Mr. Myers is a named inventor on 60 of our pending worldwide patent applications.

Dr. Pradeep Sanghvi, is our vice president for pharmaceutical development. Dr. Sanghvi is a named inventor on 7 of our pending worldwide patent applications.

A. Mark Schobel is our chief executive officer. Prior to joining us, he was a named inventor on 12 issued patents ranging from controlled release methods to diagnostic devices.

Joseph Fuisz, the son of Dr. Fuisz, is a named inventor on 41 of our pending worldwide patent applications.

Intellectual Property

Developing and protecting our global thin film intellectual property portfolio is a key component of our business strategy. Through our intellectual property we seek to attract partners for our products, deter new entrants from developing competing thin film drug delivery technologies and protect our products from competition. As of May 4, 2007, we had 12 published pending U.S. patent applications, 15 unpublished pending U.S. patent applications, one published pending Patent Cooperation Treaty, or PCT, application, five unpublished pending PCT Applications, 38 published pending foreign applications, four unpublished pending foreign applications and one issued Irish patent covering our thin film drug delivery technology. Our total number of patents and pending patent applications, including unpublished applications from all categories, exceeds 75.

Prior to partnering with us, our pharmaceutical company partners perform due diligence on our intellectual property portfolio. This due diligence typically consists of establishing our "freedom to operate." The process of establishing "freedom to operate" consists of determining whether a product using our thin film drug delivery technology can be marketed without infringing the valid rights of third parties, and a qualitative assessment of our future ability to create intellectual property-based barriers to competition from third parties.

A "freedom to operate" analysis generally includes a review of all known issued patents, as well as a review of known published pending art in the field. We believe our partners have reached favorable conclusions with respect to our "freedom to operate." We do not believe that our existing products and product candidates infringe upon the valid thin film intellectual property rights of others.

We believe our global portfolio of patent applications is a significant source of competitive advantage. Our applications seek to cover our product compositions, our use of encapsulation for tastemasking, our manufacturing process, and certain novel packaging embodiments. We believe our most critical patent applications are those that relate to our ability to effectively mask the taste of the drug formulations incorporated into our thin film and to manufacture film in which the drug is uniformly dispersed.

Adoption of our thin film technology depends on our ability to successfully mask the often bitter and poor taste of drug formulations. To achieve this end, we are seeking certain patent claims covering the use of drug encapsulation for tastemasking in thin film products. Encapsulation refers to the coating of drug particles with a polymeric covering sufficient to help mask the taste of the drug particle while maintaining the ability to release the drug for absorption in the stomach. Encapsulation is an efficient method for combining a high ratio of drug to non-drug elements in the tastemasked particle. In fact, we have been able to incorporate as much as 60% drug by mass in our encapsulations. This allows us to deliver high drug loads in a single film. We believe we are the first and only company to commercially apply encapsulation technology in thin film.

We believe the only commercially available alternative to encapsulation for tastemasking is the use of an ion exchange resin to bind the drug, forming a resinate that is less bitter than the drug alone, which then releases the drug in the stomach. The use of ion exchange resins for tastemasking has four significant challenges for its application to thin film. First, ion exchange resins are limited in their application to tastemask drugs due to the specificity of their chemistry. Second, the percentage of drug to non-drug elements in an ion exchange resinate tends to be fairly low, approximately 15-40% and is highly dependent on the drug. This means that the thin film needs to deliver a fairly large amount of resinate relative to the amount of drug that is delivered, thereby reducing the amount of drug which can be delivered by a single thin film dose. Third, ion exchange drug resinates form a new drug salt which may necessitate more extensive safety and clinical investigations to obtain marketing approval from global regulatory authorities. Fourth, a patent covering the use of certain ranges of ion exchange resins for tastemasking in thin film was issued in June 2006 to Pfizer Consumer Health (US Patent 7,067,116). Unless Pfizer Consumer Health is willing to license its technology, it will be difficult for parties other than Pfizer Consumer Health to use ion exchange technology for thin film.

We are also seeking patent protection for our "mother daughter" mixing system technology. In this system, a main batch of water-based coating solution is prepared in the "mother" tank. This solution is then pumped into a "daughter" tank where the tastemasked (encapsuled) active drug is mixed in, and then applied onto a backing paper on which it is dried into film. While one fully mixed daughter tank is being used to feed the coating system, the second daughter tank is charged with drug and polymer and fully mixed. The system is designed to provide a continuous batch coating process of a uniform dispersion thereby minimizing the residence time of the drug active (or encapsulated drug active where encapsulation is used) in the water-based coating solution prior to making film thus maintaining the integrity of the encapsulation. We believe this mixing technology is critically important to enable the use of tastemasked drug encapsulations in thin film, the capability to process some sensitive drugs that may tend to degrade over time in an aqueous environment and the ability to maintain uniform film performance at large batch scales. This translates into film with better and more consistent tastemasking. It also allows us to be more efficient in our manufacturing process and ensures consistent drug release as compared to films containing encapsulated drug manufactured without this system.

Content uniformity is a requirement for all solid dosage forms. We need to maintain uniform dispersion of drug in our coating solution, during the application of the coating solution to the substrate, and during the ensuing drying process. We also have certain patent applications relating to our controlled film drying process, and the use of bottom drying in the initial stages of the film drying process. We believe that our process of controlled drying is critical to maintaining content uniformity of the drug during the drying process.

Collectively, we believe our extensive global portfolio of patent applications covering our compositions, methods of manufacture, particularly as they relate to tastemasking and uniformity, and other critical aspects of our thin film drug delivery technology have the potential to create significant barriers to entry for potential competitors.

In addition to our patent strategy, we use trade secrets, know how and continuing technological innovation to develop and maintain our competitive position. The development of our technology and many of our processes are dependent upon the knowledge, experience and skills of key scientific and

technical personnel. We have employment and/or consulting agreements in place with all of our principal inventors. We require all employees, consultants and advisors to enter into confidentiality agreements that prohibit the disclosure to or use of confidential information by any third party and which assign any invention rights to us. Further, as a matter of company policy, all scientific and technical employees have executed agreements that generally require disclosure and assignment to us of discoveries and inventions made by these individuals while devoted to our activities.

Manufacturing and Production

We currently manufacture film strip products in our current good manufacturing practices, or cGMP, manufacturing facility in Portage, Indiana. Our Portage facility has a bulk film production capacity of approximately 750 million strips per year. Our Portage facility has successfully passed pharmaceutical and governmental audits, including a food inspection by the FDA and a pharmaceutical inspection by the Australian Therapeutic Goods Administration, or the Australian TGA. Our Portage facility is registered with the Drug Enforcement Administration, or DEA, for Class III-V drugs. We also have a research and development laboratory in Kingsport, Tennessee. The Kingsport facility is registered with the DEA for Class II-V drugs. We believe that our current production capacity is sufficient to meet our present output requirements.

In October 2006, we entered into an agreement to lease the Ameriplex facility, a cGMP facility also in Portage, Indiana. Once retrofitted and approved, the Ameriplex facility will become our primary research, development, manufacturing and warehouse location. The Ameriplex facility provides us with the needed space for additional coating lines to meet future expected demand. The new facility and equipment give us greater control and operating efficiency for the products we produce.

In January 2007, we engineered and placed an order for a new second film manufacturing line to fulfill a long term customer supply agreement. The new line will have a maximum capacity of nearly 2.2 billion strips per year. Additionally, we own another smaller film manufacturing line that we intend to upgrade and validate for pharmaceutical products in 2008. We expect that the existing facility, the Ameriplex facility, the additional production capacity and the outsourcing relationships we presently have will allow us to meet our supply requirements for at least the next three years.

The various regulatory requirements to which we are subject, such as the regulations of the FDA, the DEA and the TGA, require us to adhere to cGMP. This standard requires manufacturers to follow elaborate design, testing, control, documentation and other quality assurance procedures throughout the entire manufacturing process. Our facility has undergone a food inspection by the FDA, a DEA inspection, a TGA drug inspection, and a number of quality and assurance inspections by pharmaceutical companies for cGMP compliance. In each case, our facility has passed inspection. At some point in the future, we will undergo a pharmaceutical inspection by the FDA as well. We are also subject to periodic re-inspection of our facilities.

We purchase our raw materials from qualified, approved vendors both domestically and internationally. We only have two "sole supplier" agreements and typically source raw materials from the lowest cost provider whenever possible. We expect that we will enter into more formal and predictive supply agreements in the future as production volumes increase and are more predictive. Additionally, we purchase active pharmaceutical ingredients from various suppliers in cases where such ingredients are not supplied by our pharmaceutical company partners.

Government Regulation

Our operations are subject to regulation by the federal government, state governments, and certain foreign governments. The Federal Food, Drug, and Cosmetic Act, or FDCA, other federal statutes and regulations, various state statutes and regulations, and laws and regulations of foreign governments govern to varying degrees the testing, approval, production, labeling, distribution, post-market surveillance, advertising, dissemination of information, and promotion of our products. The lengthy process of laboratory, animal and clinical testing, data analysis, manufacturing development, and

regulatory review necessary for required governmental approvals is costly and uncertain, and can delay or prevent product introductions in a given market. Promotion, marketing, manufacturing, and distribution of pharmaceutical products are regulated in all major world markets.

The FDA's regulatory control of product approval directly affects our ability to launch our products in the United States market even though some OTC pharmaceutical products can be launched without the need for FDA product approval. These products are a subset of OTC products, which may be marketed without a specific FDA approval if they conform to a special published regulation of the FDA referred to as an OTC monograph.

OTC Products

OTC products are those that are available to consumers without a prescription. They are available to consumers without a prescription because they can be labeled for safe and effective use without the supervision of a physician or other professional healthcare provider. In the United States, the FDA establishes OTC drug monographs for particular product classes, such as cough and cold products. The monographs specify permissible active ingredients, labeling and indications. Products that conform to a monograph may be marketed without a specific FDA approval. OTC products that do not conform to an OTC monograph generally require review and approval through a new drug application, or NDA, abbreviated new drug application, or ANDA, or 505(b)(2) application.

Prescription Drugs

Most prescription drugs marketed in the United States must be approved by the FDA before they can be lawfully marketed. In the case of an existing prescription drug that has already been approved by the FDA, the FDA will likely need to grant a separate and additional approval if the drug is to be marketed in a new film dosage form. Comparable requirements exist in other countries.

NDA Process

For innovative, or non-generic, new drugs, an FDA approved NDA is generally required before the drugs may be marketed in the United States. The NDA must contain data to demonstrate that the drug is safe and effective for its labeled uses, and that it will be manufactured to appropriate quality standards. In order to demonstrate safety and effectiveness, an NDA typically must include or reference pre-clinical data from animal and laboratory testing and clinical data from controlled trials in humans. For a new chemical entity, this generally means that lengthy, uncertain and rigorous pre-clinical and clinical testing must be conducted. For compounds that have a record of prior or current use, it may be possible to utilize existing data or medical literature and limited new testing to support an NDA.

Any pre-clinical laboratory and animal testing must comply with the FDA's good laboratory practice and other requirements. In order to initiate a clinical trial, the sponsor must submit an investigational new drug application, or IND, to the FDA or meet one of the narrow exemptions that exist from the IND requirement. Clinical testing in human subjects must be conducted in accordance with the FDA's good clinical practice and other requirements.

The process leading up to the filing of the NDA presents a number of challenges. The FDA may refuse to accept the IND for review if applicable regulatory requirements are not met. Moreover, the FDA may delay or prevent the start of clinical trials if the manufacturing of the test drugs fails to meet cGMP requirements or the clinical trials are not adequately designed. Such government regulation may delay or prevent the study and marketing of potential products for a considerable period of time and may impose costly procedures upon a manufacturer's activities. In addition, the FDA may, at any time, impose a clinical hold on ongoing clinical trials. If the FDA imposes a clinical hold, clinical trials cannot continue without FDA authorization and then only under terms authorized by the FDA.

Success in early-stage clinical trials does not assure success in later-stage clinical trials. Results obtained from clinical activities are not always conclusive and may be susceptible to varying interpretations that could delay, limit or prevent regulatory approval. Even if a product receives regulatory approval, later discovery of previously unknown problems with a product may result in restrictions on the product or even withdrawal of the marketing approval for the product.

Clinical trials involve the administration of the investigational drug to people under the supervision of qualified investigators. Clinical trials must be conducted under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated. These protocols are submitted to the FDA as part of the IND.

An independent institutional review board, or IRB, must review and approve each trial before it can begin, and these trials must be deemed adequate and well controlled to determine the safety and efficacy of the drug for each indication. Clinical trials are typically conducted in three sequential phases, but the phases may overlap or be combined. Phase I includes the initial introduction of an IND into a small number of humans. These trials are closely monitored and may be conducted in patients, but are usually conducted in healthy volunteer subjects. These trials are designed to determine the metabolic and pharmacologic actions of the drug in humans and the side effects associated with increasing doses as well as, if possible, to gain early evidence on effectiveness. Phase II usually involves trials in a limited patient population to evaluate dosage tolerance and appropriate dosage, identify possible adverse effects and safety risks and preliminarily evaluate the efficacy of the drug for specific indications. Phase III trials are large trials used to further evaluate clinical efficacy and test further for safety by using the drug in its final form in an expanded patient population. There can be no assurance that we will successfully complete Phase I, Phase II or Phase III testing within any specified period of time, if at all. Furthermore, clinical trials may be suspended at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

The FDA can, and does, reject new drug applications, require additional clinical trials, or grant approvals on only a restricted basis even when product candidates performed well in clinical trials. The FDA regulates and typically inspects manufacturing facilities, equipment and processes used in the manufacturing of pharmaceutical products before granting approval to market any drug. Each NDA submission requires a substantial user fee payment, unless a waiver or exemption applies. The FDA has committed generally to review and make a decision concerning approval on an NDA within 10 months, and on a new priority drug within six months. However, final FDA action on the NDA can take substantially longer, and where novel issues are presented there may be review and recommendation by an independent FDA advisory committee. The FDA can also refuse to file and review an NDA it deems incomplete or not properly reviewable.

ANDA Process

In the United States, generic drugs are approved through an abbreviated process based on the submission to the FDA of an ANDA. The ANDA must seek approval of a drug product that has the same active ingredient(s), dosage form, strength, route of administration, and labeling as a so-called "reference listed drug" approved under an NDA, although some limited exceptions may be permitted. For example, an applicant may file a suitability petition with the FDA seeking the agency's approval to file an ANDA for a different dosage form of a drug than the dosage form in the existing reference listed drug. Under the FDA's regulations, the agency will not grant a suitability petition for a change in dosage form if clinical testing would be needed to establish the safety and efficacy of the change. The FDA has previously determined that an applicant could submit an ANDA for famotidine 10 mg (marketed under the brand name Pepcid AC®) in an orally dissolving strip formulation where the reference listed drug is a chewable tablet. In the case of a prescription drug that is currently marketed in a quick dissolve dosage form, management believes, based upon informal discussions with the FDA's

Office of Generic Drugs, that it will be able to file an ANDA for approval of a film dosage form. We can give no assurance, however, that the FDA will make similar determination for our products.

An ANDA generally must contain limited clinical data to demonstrate that the product covered by the ANDA is absorbed in the body at the same rate and to the same extent as the reference listed drug. This is known as bioequivalence. In addition, the ANDA must contain information regarding the manufacturing processes and facilities that will be used to ensure product quality, and must contain certifications to patents listed with the FDA for the reference listed drug. An ANDA may not be approved if the reference listed product is subject to applicable periods of market exclusivity, or if there are valid patents other than manufacturing (process) patents covering the reference listed drug for the ANDA. Special procedures apply when an ANDA contains certifications stating that a listed patent is invalid or not infringed, known as a Paragraph IV certification. If the owner of the patent or the NDA for the reference listed drug brings a patent infringement suit within a specified time after receiving notice of a paragraph IV certification, an automatic stay bars FDA approval of the ANDA for a specified period of time pending resolution of the suit or other action by the court.

The amount of testing and effort that is required to prepare and submit an ANDA is generally substantially less than that required for an NDA. ANDAs typically go through two review cycles at the FDA. The median time to approval can vary, but is likely to approximate 15-18 months.

The first applicant to have an ANDA accepted for filing by the FDA that includes a Paragraph IV certification is awarded a 180-day period of marketing exclusivity. This means that the FDA may not approve another ANDA for that product until the first developer's 180-day period of marketing exclusivity has expired or has been waived. Under current law, the 180-day marketing exclusivity period generally begins with the first commercial marketing of the product, although the exclusivity can be forfeited by failure to market within specified timelines and certain other events, and some products are subject to prior rules under which the 180-day period is triggered by a court determination that the relevant patents are invalid, unenforceable or not infringed.

505(b)(2) Applications

We currently intend to seek approval of our film versions of drugs that are currently approved in non-rapid dissolve dosage forms by using a type of an NDA referred to as a "505(b)(2) application." Under section 505(b)(2) of the FDCA, 505(b)(2) applications may rely, in whole or in part, on safety or efficacy data that the applicant does not have a right to reference. For example, the applicant can cite published medical literature without a right to reference the underlying study data involved. Under current FDA regulations and policies, 505(b)(2) applications can also be used where the applicant is relying on prior FDA findings of safety or effectiveness regarding another company's NDA but does not qualify for the ANDA process because of some change being made for the new product relative to the existing products. For example, an applicant may seek FDA approval under section 505(b)(2) of a controlled-release formulation of an approved immediate-release formulation of another company. The 505(b)(2) applicant would reference in its application the immediate-release formulation, and submit new data to support the change to a controlled-release formulation. The 505(b)(2) application process may significantly reduce the time and expense of new drug development by eliminating the need for certain duplicative testing.

505(b)(2) applicants must make patent certifications with respect to any reference listed drug in the same manner as ANDA applicants, and the 505(b)(2) applications are also subject to any market exclusivity periods covering a reference listed drug. These patent and market exclusivity protections on products referenced in a 505(b)(2) application may result in the lengthy and uncertain delays of approvals similar to those described above for ANDAs. In addition, there is ongoing debate around the legality of the FDA's interpretation of section 505(b)(2) to permit an applicant to rely upon prior FDA findings with respect to another company's application. If there is a legal challenge to the FDA's

interpretation and the agency's view is invalidated, there would be new limitations on an applicant's ability to use the 505(b)(2) application process rather than conducting its own substantial clinical testing.

Post-Marketing Requirements

The FDA continues to review marketed products after approval or issuance of an OTC monograph. If previously unknown problems are discovered or if there is a failure to comply with applicable regulatory requirements, the FDA may restrict the marketing of a product, cause the withdrawal of the product from the market, or under certain circumstances seek recalls, seizures, injunctions or criminal sanctions. For example, the FDA may require labeling changes or additional studies for any marketed pharmaceutical product if new information reveals questions about a drug's safety or effectiveness. In addition, in the case of a product subject to an NDA, ANDA, or 505(b)(2) application, changes to the product, the manufacturing methods or locations, or labeling are subject to additional FDA approval, which may or may not be received, and which may be subject to a lengthy FDA review process.

Whether marketed under an approved application or an OTC monograph, all drugs must be manufactured in conformity with cGMP and other FDA regulations and requirements, and pharmaceutical products subject to an approved application must be manufactured, processed, packaged, labeled and promoted in accordance with the approved application. Certain products must also be packaged with child-resistant and senior friendly packaging under the Poison Prevention Packaging Act and Consumer Product Safety Commission regulations. Products that do not comply with these requirements can be considered misbranded and subject to seizure, recall, monetary fines, and other penalties. We must comply with cGMP and product specific regulations enforced by the FDA, and are continually subject to inspection by the FDA and other governmental agencies. Manufacturing operations could be interrupted or halted in any of those facilities if a government or regulatory authority determines that our contract manufacturers do not comply with applicable regulations or as a result of an unsatisfactory inspection.

The distribution of prescription pharmaceutical products is also subject to the Prescription Drug Marketing Act, or PDMA, which regulates the distribution of drugs and drug samples at the federal level, and sets minimum standards for the registration and regulation of drug distributors by the states. States require the registration of manufacturers and distributors who provide pharmaceuticals, including in certain states even if these manufacturers or distributors have no place of business within the state but satisfy other nexus requirements, for example, the shipment of products into such state. Both the PDMA and state laws limit the distribution of prescription pharmaceutical product samples to licensed practitioners and impose other requirements to ensure accountability in the distribution of samples.

Other reporting and recordkeeping requirements also apply for marketed drugs, including for most products requirements to review and report cases of adverse events. Product advertising and promotion are subject to FDA and state regulation, including requirements that promotional claims conform to any applicable FDA approval, and be appropriately balanced and substantiated. OTC drug advertising is also regulated by the Federal Trade Commission. Sales, marketing and scientific/educational programs must comply with applicable requirements of the anti-kickback provisions of the Social Security Act, the False Claims Act, the Veterans Healthcare Act, and the implementing regulations and policies of the United States Health and Human Services Office of Inspector General and United States Department of Justice, as well as similar state laws. Pricing and rebate programs must comply with applicable pricing and reimbursement rules, including the Medicaid drug rebate requirements of the Omnibus Budget Reconciliation Act of 1990. If products are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

Other Regulatory Requirements

In addition to the statutes and regulations described above, we are also subject to regulation under the Occupational Safety and Health Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other federal, state and local regulations. We believe that we have complied with these laws and regulations in all material respects, and we have not been required to take any action to correct any material noncompliance. We are unable to predict, however, the impact on our business of any changes that may be made in these laws or of any new laws or regulations that may be imposed in the future. We cannot be sure that we will not be required to incur significant compliance costs or be held liable for damages resulting from any violation of these laws and regulations.

Sales And Marketing

We market directly to leading pharmaceutical companies for products that we believe would benefit from our thin film drug delivery technology. Our strategy has been to leverage the brand equity, clinical, regulatory, marketing and sales capabilities of these pharmaceutical companies to maximize the value of our thin film drug delivery technologies. We will continue to build our credibility with major pharmaceutical companies by speaking at technical seminars, publishing in technical journals and exhibiting at pharmaceutical and drug delivery conferences.

We pursue feasibility or pilot agreements with leading pharmaceutical companies who fund the development of new products incorporating our drug delivery technologies. If the new product development is successful, we generally enter into licensing and supply agreements.

Partner Agreements

We have a number of partner agreements for the development of prescription and OTC thin film drug targets and the commercial supply of products including certain specialty non-pharmaceutical thin film applications. We have generally structured our partner agreements in the framework that is common to the rapid dissolve drug delivery market. Typically, a partner engages us to develop a particular product using specific active ingredients and, where appropriate, apply tastemasking and incorporate flavors. These arrangements are milestone-based and require payment by the partner as each particular milestone is achieved. Once development is underway, we negotiate a long-term commercial supply and licensing agreement with the partner. Revenue is realized under those agreements through the amount paid to us for product supply as well as through royalties. The royalties are calculated as a percentage of product sales. For the years ended December 31, 2006, 2005 and 2004 most of our partners were principally located in the Northeastern and Southeastern parts of the United States.

We believe that the financial terms we have agreed upon with partners are in line with comparable transactions in the rapid dissolve drug delivery market. We believe we are able to attract certain higher value partnerships than traditional rapid dissolve transactions in certain cases because some of our partnerships involve new therapeutic products or total product replacements (i.e. moving an entire product into thin film). In contrast, rapid dissolve technologies have traditionally been limited to line extensions where a company sells a rapid dissolve tablet at the same time it offers a traditional tablet version (e.g. Schering Plough's Claritin® is sold as both a conventional tablet and as a rapidly dissolving Reditab). In 2006, Philip Morris USA, King Pharmaceuticals, Leiner Health Products and Warner Chilcott each accounted for more than 10% of our revenues.

Adams Respiratory Therapeutics, Inc. In March 2007, we entered into development, supply and licensing agreements with Adams Respiratory Therapeutics, Inc., or Adams, for a prescription respiratory product. The development agreement includes a work plan for the initial product, which is a thin film containing a respiratory product, and contemplates that the parties may agree on additional products to be developed under the terms of the development agreement. The development milestones

for the respiratory product from development through commercial launch total $1.5 million. In addition, Adams agrees to pay $167,000 on each of the second, third and forth anniversaries of commercial launch. The development agreement also contains rights of first refusal for certain drugs that we or Adams may develop in the future. Pursuant to this right of first refusal, if we develop one of these pharmaceutical products, Adams will have the first right to exclusively market them in the United States. Likewise, if Adams desires to develop one of these drug products, we will have a right of first refusal to develop and manufacture them in the United States. These rights of first refusal are conditioned upon the development of a second thin film product, on terms to be negotiated, within 180 days following the proof of concept bio-study for the respiratory product, but in any case not before the calendar year 2008. In addition to other representations and warranties, we represent in the development agreement that our performance will not, to the best of our knowledge, infringe or otherwise conflict with the intellectual property rights of third parties. The development agreement is for a seven-year term, covers the United States, Canada and Mexico and may be extended at Adams' election for up to three three-year extension terms. In certain circumstances both we and Adams may cancel the development agreement before the term expires. We have agreed to develop the respiratory film product exclusively for Adams.

Our supply agreement with Adams contains standard terms and conditions, and is also for a seven-year term, which may be extended by Adams for up to three three-year extension terms.

Our license agreement with Adams has the same term as the supply agreement, including the same right to extend by Adams, but will remain in effect for an additional seven years in the event Adams terminates the agreement for our breach. The license agreement only applies to the respiratory thin film product. Adams agrees to pay royalties for the respiratory product on annual net sales within the territory of: 5% for the first $15 million in net sales; 6% on net sales from $15 to $25 million; 7% on net sales from $25 to $35 million, and 7.5% on all net sales over $35 million. In the event that a competitor obtains an approval for a competing, "AB"-rated product, our royalty rates are subject to reduction in accordance with a formula based upon the percentage decline in net sales of the product we make. Such a reduction could be material. Adams may terminate the license agreement upon 30 days' notice.

UMD Inc. UMD Inc., or UMD, has engaged us on a purchase order basis to develop a dual film system to vaginally deliver an active ingredient. To date, UMD has paid us $166,664 for formulation development and the manufacture of clinical supplies, contracted for on a purchase order basis. This product has undergone in vivo testing with favorable results. We are currently negotiating follow-on development work with UMD.

Philip Morris USA Inc. In February 2007, we entered into a five-year strategic exclusive supply agreement with Philip Morris USA Inc., or Philip Morris, for the supply of specialty application film strips for use in certain tobacco products. Subject to the agreement terms, Philip Morris has agreed to purchase all of its requirements for specialty application film strips for those tobacco products from us. In return, we agree to supply all of Philip Morris's requirements up to the amount of the capacity for our new production line which we have agreed to deploy in connection with our entry into this agreement. Philip Morris can terminate the agreement if we fail to meet certain service levels. Philip Morris may also terminate our strategic supply agreement if a change in control, including certain changes in the composition of our board of directors occurs. We have made certain representations and warranties to Philip Morris, including that the specialty application film strips we provide will not infringe upon the intellectual property rights of third parties.

Medtech Products Inc. In October 2006, we entered into a development agreement with Medtech Products Inc., or Medtech, a subsidiary of Prestige Brands Holdings. Pursuant to this agreement, we will develop three thin film product prototypes. During this development phase the agreement requires Medtech and us to negotiate a five-year commercial supply agreement, pursuant to which we will agree

to supply all of Medtech's requirements for a benzocaine sore throat product, which Medtech will agree to exclusively purchase from us.

L. Perrigo Company. In March 2007, we entered into a development and supply agreement with L. Perrigo Company, or Perrigo. Under this agreement, we are to develop and supply a thin film product containing Diphenhydramine HCI, a cough medication, and will receive payments upon reaching preformulation, pilot stability, and scale-up milestones. This product will be a national brand equivalent to an existing, branded thin film product, and will be exclusive to Perrigo for store brand marketing in the United States and Canada. The initial term of the agreement extends through December 31, 2011.

CNS, Inc.—GlaxoSmithKline plc. We developed an anti-snore thin film product for CNS, Inc. prior to its acquisition by GlaxoSmithKline plc, on a purchase order basis, and have received payments of $290,870 to date for such development. We have received a purchase order for product launch quantities and are currently negotiating a global supply agreement for the product.

Aziende Chimiche Riunite Angelini Francesco A.C.R.A.F. S.p.A. In April 2006, we entered into a development agreement with Aziende Chimiche Riunite Angelini Francesco A.C.R.A.F. S.p.A., or Angelini, to develop a thin film product containing benzydamine, a sore throat medication. The initial work order is for $40,000 in development work, of which $20,000 has been paid to us.

Dr. Harold Katz LLC. In June 2004, we entered into a four-year exclusive agreement with Dr. Harold Katz LLC to supply breath strips to Dr. Harold Katz LLC and its affiliates, together, TheraBreath. This agreement has an initial term of four years, with automatic one year extensions unless one party notifies the other of its intent to cancel within three months of the extension. We also supply TheraBreath with a vitamin product on a purchase order basis.

Vita Health Products, Inc. In June 2006, we entered into a development and supply agreement with Vita Health Products, Inc. of Canada, or Vita. Under this agreement, we have agreed to supply two OTC thin film products to Vita for sale in the Canadian market. Vita is responsible for registering the products in Canada. In 2007, we received initial purchase orders from Vita for the two products. The initial term of the agreement is five years.

C.B. Fleet Company, Inc. We are developing a thin film OTC product for C.B. Fleet Company, Inc., or Fleet, on a purchase order basis. We also entered into a non-binding term sheet with Fleet in April 2007 which includes terms for the supply and license of this thin film product. Under these terms, we will receive a royalty of 3% to 6% of net sales, our royalty percentage increasing as certain sales volumes are reached, and we will sell the product exclusively to Fleet on a global basis, except for the Middle East and North Africa. Under the non-binding term sheet, Fleet also has the exclusive right to develop a second thin film product for a limited time period. We are working with Fleet on a definitive agreement based upon the non-binding term sheet.

Certain Undisclosed Pharmaceutical Partners. In December 2006, we entered into a development agreement with a mid-sized global pharmaceutical manufacturer for a thin film that will bucally deliver certain controlled prescription actives. Under this agreement, we will receive payments upon meeting four different development milestones during the term of the agreement. This agreement has a term of 9 months, unless extended by the customer upon four weeks' notice

In August 2006, we entered into an agreement to develop a thin film that will sublingually deliver certain prescription actives. We have successfully completed preliminary formulation work and demonstrated our ability to achieve acceptable organoleptic performance and content uniformity at a very low drug loading level (i.e., micrograms). This product, should development continue, would entail the submission of a new drug application and will ultimately require dedicated manufacturing. This agreement may be terminated by either us or the customer upon 30 days' notice.

Employees

As of April 23, 2007, we had 63 employees (not including contract and temporary workers). Of these employees, four hold Ph.D. degrees. With the exception of one employee, all of our employees are full-time; 20 of these are directly involved in research and development, and approximately 31 are involved in manufacturing operations, including regulatory affairs.

We are subject to local labor laws and regulations with respect to our employees in those jurisdictions. These laws principally concern matters such as paid annual vacation, paid sick days, length of the workday and work week, minimum wages, pay for overtime, and insurance for workers' compensation.

Our employees are not represented by a labor union. We do not have written employment contracts with most of our employees, and we believe that our relations with our employees are satisfactory.

Facilities

We currently lease an approximately 10,000 square foot facility, including offices, in Portage, Indiana, which houses our research and development, analytical labs and cGMP manufacturing operations. This facility currently has the capacity to produce approximately 1 billion thin film strips per year. Our lease on the Portage facility was entered into in February 2002 and expires (including renewals) in 2010, at which time we have the right to purchase the facility for approximately $1.3 million. Our current monthly rent for this facility is $14,304.

We also lease a 400 square foot technology development laboratory in a multi-tenant facility in Kingsport, Tennessee, which is registered with the DEA for Class II-V drugs. The lease was entered into in January 2003 and expires December 31, 2009. Our monthly rent for this facility is currently $1,300.

We currently lease our 4,140 square-foot headquarters office in Warren, New Jersey. The office is located in a large, multi-tenant technology center. We plan to upfit 600 square feet of this space for laboratory use in 2007. The lease for this facility commenced in July 2006 and expires in 2011. Our monthly rent for this facility is currently $7,859.

We also are guarantor of a lease for approximately 1,000 square feet of office space in Washington, D.C. The underlying lease was entered into by one of our consultants and expires in May 2007. This space is used as our business development office. We have agreed to extend the lease on a month to month basis.

We also entered into an agreement to lease the 73,000 square foot Ameriplex facility. The lease and renewal options expire in 2021 and also contain a "right of first refusal" option on any potential sale of the property. The rent for the first 18 months of the lease is approximately $33,500 per month.

Legal Proceedings

We are not currently a party to any material legal proceedings. We may, from time to time, become involved in litigation or other adversarial proceedings based on commercial, product liability or other claims.

Executive Officers And Directors

Set forth below is the name, age, position and a brief account of the business experience of each of our executive officers and directors as of March 30, 2007:

Name	Age	Position(s)
A. Mark Schobel	51	President, Chief Executive Officer and Director
Keith J. Kendall	49	Executive Vice President, Chief Financial Officer, Treasurer and Secretary
Joseph Fuisz	36	Senior Vice President, Business Development and Licensing
Larry Kranking	60	Senior Vice President, Manufacturing and Operations
Dr. Pradeep Sanghvi	42	Vice President of Pharmaceutical Development
Douglas Bratton	48	Chairman of the Board and Director
Dr. Gregory Brown	53	Director
John Cochran	41	Director
Robert Flanagan	51	Director
Frank Tanki	66	Director

A. Mark Schobel has served as our President, Chief Executive Officer and a member of our Board of Directors since December 2005. From March 2001 to December 2005, Mr. Schobel was the Global Head of New Technology and Product Innovation for the Consumer Health Business Unit at Novartis. Prior to Novartis, Mr. Schobel held various general management positions with Reed & Carnrick Pharmaceuticals, Warner-Lambert, and Pharmaceutical Formulations Inc.

Keith J. Kendall has served as our Senior Vice President and Chief Financial Officer since July 2006. From February 1999 to June 2006, Mr. Kendall was the Vice President and Managing Director of the Americas for Hewlett Packard Financial Services. Mr. Kendall held a number of positions with AT&T Capital Corporation including President of AT&T Credit Corporation and NCR Credit Corporation from 1985 to 1998.

Joseph Fuisz has served as Senior Vice President of Business Development and Licensing since September 2006. From January 2004 to September 2006, Mr. Fuisz served as a business development consultant for Monosol Rx LLC. Mr. Fuisz was a member of the board of Monosol Rx LLC from January 2004 to May 2007. From February 2000 to January 2004, Mr. Fuisz, who co-founded Kosmos Pharma, the assets of which were acquired in January 2004, served as Vice President and General Counsel of Kosmos Pharma. Mr. Fuisz practiced corporate law with the firm of Sullivan & Cromwell LLP from 1996 to 1999.

Larry Kranking has served as our Senior Vice President of Manufacturing and Operations since March 2007. Prior to joining us, Mr. Kranking was President of Lang Medikaments, Inc. from January 2005 to May 2006, a contract manufacturing company focused on the production of sterile ophthalmic and parenteral products. From 1996 through 2004, Mr. Kranking was Vice President and General Manager of Eisai Inc., RTP, NC where he managed the design, construction, qualification and FDA approval of its parenteral and solid dose drug development and commercial operations facility.

Mr. Kranking was a board member of the International Society of Pharmaceutical Engineering, or ISPE, from 1989 to 1998 and held the position of President from 1996 to 1997.

Dr. Pradeep Sanghvi has served as our Vice President of Pharmaceutical Development since 2004, and is responsible for the technical and regulatory aspects of pharmaceutical formulation. Dr. Sanghvi was previously Director of Pharmaceutical Development at Penwest Pharmaceuticals, an oral drug development company, from October 2000 to February 2004. He also served as Director of Formulations and Process Development at Fuisz Technologies, a fast dissolve company that was acquired by Biovail Technologies, from December 1994 to September 2000.

Douglas Bratton has served on our board of directors since 2004. He manages the investment operations of the Edward P. Bass Group of Fort Worth, Texas, or the Bass Group. Since 1983, Mr. Bratton has served as an investment professional with various organizations utilizing alternative asset strategies. Since 1997, Mr. Bratton has been President of Bratton Capital Management, a firm that provides investment management services to the Bass Group.

Dr. Gregory Brown joined our board in March 2007. He is currently an independent consultant with over 20 years of combined clinical, operating and healthcare investment experience. From 2003 through 2006, Dr. Brown was a partner at Paul Capital Partners, a global private equity firm. From 1997 through 2002, Dr. Brown was a healthcare investment banker and co-head of investment banking at Adams, Harkness & Hill, Inc. (now Canaccord Adams). Dr. Brown is a member of the board of directors of Oscient Pharmaceuticals Corporation. Dr. Brown was a practicing thoracic and vascular surgeon.

John Cochran has served on our board of directors since 2004. He has been a partner of Bratton Capital Management since October 1998, and is responsible for directing its day-to-day operations. Mr. Cochran is also responsible for the operations of the Crestline Fund of Funds products. Prior to joining Bratton Capital Management, from December 1989 to October 1998 he was employed with KPMG Peat Marwick, L.L.P.

Robert Flanagan joined our board in January 2007. Since September 1989, Mr. Flanagan has been Executive Vice President of Clark Enterprises, Inc., a Bethesda, Maryland-based holding company that is the ownership, investment and asset management arm of the various Clark entities. Mr. Flanagan is a member of the board of directors of The Clark Construction Group, Inc., ILD Telecommunications, Martek BioSciences, Eagle Oil & Gas and Castle Brands, Inc.

Frank Tanki joined our board in January 2007. He is a certified public accountant and retired in 1998 as a Senior Partner of Coopers & Lybrand, the predecessor of PricewaterhouseCoopers. Mr. Tanki was a member of the Coopers & Lybrand Executive Management Committee from 1994 to 1995 and the Firm Council from 1982 to 1994. He served as the Director of Accounting and SEC Technical Services as well as the Business Assurance Partner In Charge of the New York Practice. He served on the Auditing Standards Board of the American Institute of Certified Public Accountants. Mr. Tanki has been a member of the board of directors of Computer Horizons Inc. since November 2005 and the Nasdaq company, Media Sciences International, Inc. since December 2006.

Board Composition

We have a board of directors comprised of six (6) members, which we believe will be compliant with the independence criteria for boards of directors under applicable law. We will continue to evaluate our compliance with these criteria over time. To the extent we deem necessary, we will seek to appoint additional independent directors.

Board Committees

Audit Committee

Our audit committee is comprised of Frank Tanki (chairman), Robert Flanagan and Dr. Gregory Brown. All three members of the audit committee are independent as defined under the applicable listing standards of The Nasdaq Global Market. The board of directors has determined that Mr. Tanki is an "audit committee financial expert" as defined under SEC rules and regulations by virtue of his business background and experience described under "Executive Officers and Directors" above.

Our audit committee is responsible for, among other things:

- overseeing the accounting and financial reporting processes and audits of our financial statements;
- appointing an independent registered public accounting firm to audit our financial statements;
- overseeing and monitoring:
    - the integrity of our financial statements;
    - our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;
    - our independent auditor's independence and performance; and
    - our internal accounting and financial controls;
- preparing the audit committee report that SEC rules require be included in our annual proxy statement or annual report on Form 10-K; and
- providing management with the results of its monitoring and recommendations.

Compensation Committee

Our compensation committee is comprised of John Cochran (chairman), Douglas Bratton and Robert Flanagan. Our compensation committee is responsible for, among other things:

- reviewing and approving executive compensation plans for our chief executive officer and other executive officers;
- reviewing and making recommendations to the board of directors regarding the compensation policy for such other officers as directed by the board;
- reviewing and making recommendations to the board of directors regarding general compensation goals and guidelines for employees;
- reviewing and making recommendations to the board of directors regarding general guidelines for the issuance of options and other forms of equity based compensation to all employees and consultants;
- preparing a compensation committee report to be included in our annual proxy statement or annual report on Form 10-K; and
- acting as administrator of our current benefit plans, including making recommendations for amendments to the plans.

Governance and Nominating Committee

Our governance and nominating committee is comprised of Douglas Bratton (chairman), John Cochran and Dr. Gregory Brown. Our governance and nominating committee is responsible for, among other things:

- reviewing board composition, procedures and committees, and making recommendations on these matters to the board of directors;
- reviewing, soliciting and making recommendations to the board of directors and stockholders with respect to candidates for election to the board; and
- overseeing compliance by the board of directors and management with our corporate governance principles and ethics standards and code of conduct.

Compensation Committee Interlocks And Insider Participation

None of the members of our compensation committee was at any time during 2006 one of our officers or employees. No member of our compensation committee and none of our executive officers serve as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our board of directors or compensation committee.

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Objectives

The primary objective of the compensation committee of our board of directors with respect to executive compensation is to attract, motivate and retain the best possible executive talent. Further, we believe that compensation should support our business goals and encourage increased stockholder value. These objectives govern the decision making process with respect to the amount and type of compensation payable to our executive officers. We expect to further implement and maintain, compensation plans that link executive compensation to the achievement of key strategic goals such as the level of earnings and new product commercialization. We believe that this will better align compensation with stockholder value. The compensation program is designed to reward the attainment of both company goals and individual goals.

Compensation Setting Process

Total compensation levels for each of our named executive officers are evaluated on an annual basis. In the past, our predecessor company, Monosol Rx LLC and its manager's general partner set compensation levels for each of our named executive officers. In the future, our compensation committee will set compensation with input from our chief executive officer.

During 2006, our manager's general partner relied on publicly available compensation data to establish compensation for our executive officers. As a startup company with significant operating losses, in order for us to attract highly skilled and experienced executive officers and managers, we aggressively bid for candidates in certain situations. In these cases, compensation was determined by industry norms, an individual's current compensation and a compensation premium that would be sufficient enough to attract that individual to work for us. In each of these cases, the manager's general partner and members of our advisory board were an integral part of setting each individual's executive compensation.

Following the completion of our initial public offering, our compensation committee expects to establish a benchmark group of companies in the life sciences and pharmaceutical industries that are similar to us in terms of stage of development, size, locations and/or job type. The benchmark group would also be representative of the types of companies we would compete with for executives and other employees.

Each of our named executive officers is a party to an employment agreement with us that sets forth certain elements of their respective compensation, including base salary. Please see the narrative discussion following the Grants of Plan-Based Awards table for additional information on the employment agreements with our named executive officers.

Compensation Components

Our executive compensation program includes the following five components:

- Base Salary
- Discretionary Annual Bonus
- Long-Term Incentives
- Employee Benefits and Perquisites
- Severance and Change in Control Benefits

Base Salary

Base salaries for each of our named executive officers, including our chief executive officer, are determined pursuant to the terms of their individual employment agreements. Base salaries are based

on the scope of their responsibilities, taking into account competitive market compensation paid by other companies for similar positions to ensure that we are able to attract and retain quality candidates. The general partner of our manager has in the past and our compensation committee may in the future have the discretion to increase the base salary of the chief executive officer from time to time, based upon such factors that include, but are not limited to, performance and market levels. Generally, the chief executive officer may increase base salaries of the other named executive officers from time to time in his discretion, based upon such factors that include, but are not limited to, performance and market levels. Please see the narrative discussion following the Grants of Plan-Based Awards Table for additional information on the employment agreements.

Discretionary Annual Bonus Opportunity

Our executive officers are eligible for annual discretionary bonuses designed to reward the achievement of corporate financial and operational goals, as well as individual performance objectives. Bonus targets are expressed as a percentage of the executive's base salary, as provided in our named executive officers' respective employment agreements. Like our base salaries, the bonus targets set forth in the employment agreements were based on the scope of a named executive officer's responsibilities, taking into account competitive market compensation paid by other companies for similar positions to ensure that we are able to attract and retain quality candidates. Our manager's general partner has in the past and our compensation committee will in the future have the discretion to increase or decrease the bonus above the target percentage of an executive officer's bonus based on the performance of the individual against company and individual goals.

The manager's general partner has in the past and our compensation committee will in the future approve the annual bonus award for the chief executive officer, and for each officer below the chief executive officer level, the bonus award is based on the chief executive officer's performance assessment of each officer. Typically, the bonus is paid in a single installment in the first quarter following the completion of a given fiscal year. Depending on the terms of the executive officer's employment agreement, a portion of a named executive officer's bonus may be granted in performance units of the company. Please see the narrative discussion following the Grants of Plan-Based Awards Table for additional information on the employment agreements.

Generally, the employment agreements with our named executive officers provide that eligibility for discretionary bonuses is tied to the achievement of company performance targets. In practice, we have taken both company and individual achievement into account. In the past, in setting and assessing company and individual performance, we have not used a predetermined formula or weighted factors. Our company achievement objectives generally relate to the growth of our business and the development of a company infrastructure to support the activities related to that growth. In 2006, our corporate focus was on revenues, customer development, product development and employee skill development. In 2006, the individual objectives generally related to either financial factors such as cash management and capital raising or strategic factors such as pre-clinical and clinical development, regulatory approval of our product candidates and management of our manufacturing operations in meeting cost targets and demand levels for our product and product candidates. The amount of emphasis put on each individual achievement depends on the individual's role within our company. The manager's general partner of our predecessor also took into account an individual's tenure, position, performance and responsibilities in approving the 2006 bonuses. For the chief executive officer, overall company performance is used to evaluate his individual performance.

The level of company and individual achievement is monitored by the chief executive officer and other executive officers on an ongoing basis throughout the year. At the end of the year, as part of each executive officer's evaluation and compensation review, each executive officer's achievement, as well as the executive's contribution to corporate performance, is assessed. The manager's general

partner has in the past and our compensation committee will in the future assess the performance of the chief executive officer.

From time to time, special bonuses may be granted in order to attract highly qualified and talented executives. In 2006, Mr. Kendall received a one-time signing bonus when he joined us.

In 2006, the following discretionary bonuses were earned by our named executive officers.

Executive Officer	Position	Actual Bonus Amount Paid	Target Bonus (% of Base Salary)
A. Mark Schobel	President, Chief Executive Officer	$ 227,500	50%
Keith Kendall*	Executive Vice President, Chief Financial Officer	$ 158,438	75%
Joseph Fuisz*	Senior Vice President, Business Development and Licensing	$ 44,660	50%
Dr. Pradeep Sanghvi**	Vice President of Pharmaceutical Development	$ 64,064	50%
Carl Fischer	(former Chief Financial Officer) current Senior Director, Finance	$ 32,813	25%

* These officers joined the company during 2006 and their bonus amounts are pro rated based upon their date of hire.
** Dr. Sanghvi received a pro-rated bonus based upon his eligibility and base salary change under the terms of his employment agreement.

Please refer to the Summary Compensation Table set forth herein for additional information.

For 2007, the manager's general partner of our predecessor determined that discretionary annual bonus awards for each executive officer should be contingent upon the achievement of company and individual performance targets and established our 2007 goals. We intend to rely more heavily on such company and individual goals and objectives and the measurement of achievement against those goals. We have established a performance management system that outlines the process for setting performance objectives and assessing performance against those objectives. As in the past, these goals continue to generally relate to our growth and continue to emphasize revenues, customer development, product development and employee skill development. Additionally, our individual goals for each executive are in the process of being determined by the chief executive officer and the individual executive, with the oversight and approval of our board of directors. For the chief executive officer, the overall company goals are his individual goals. The individual goals will continue to generally relate to either financial factors such as cash management and capital raising or strategic factors such as pre-clinical and clinical development, regulatory approval of our product candidates and management of our manufacturing operations in meeting cost targets and demand levels for our product and product candidates.

Long-Term Incentives

We believe that long-term performance is achieved through an ownership culture that encourages long-term participation by our executive officers in equity-based awards. Our incentive plans have been established to provide our current and future directors, officers, consultants and advisors, including our executive officers, with incentives to help align their interests with the interests of our stockholders. We believe that the use of equity-based awards offers the best approach to achieve our compensation goals.

In 2006, equity awards were granted under our performance units plan either upon the commencement of employment or due to antidilution measures with respect to previously granted awards. Equity awards have been negotiated on an individual basis with our named executive officers as part of their overall compensation packages. Equity awards have been made to support our compensation objectives of attracting, motivating and retaining executive talent and have been based

upon the scope of a named executive officer's responsibilities, taking into account competitive market compensation paid by other companies for similar positions to ensure that we are able to attract and retain quality candidates.

Performance Unit Plans

Our predecessor, Monosol Rx LLC, maintained and we have assumed two performance unit plans (Plan A and Plan B). The performance unit plans provide for distribution of equity interests, subject to repurchase rights, upon certain terminations of employment or change in control transactions, subject to the satisfaction of applicable vesting conditions. The performance units do not have any value until there is a triggering event, such as a termination or change in control, including an initial public offering. At the time of such a triggering event, all outstanding performance units vest automatically and each participant is entitled to a payment in cash or in the same consideration received by us upon the triggering event. Each participant's awards have been for a specific number of units at our predecessor's then current value, or Base Value. An executive officer with multiple awards often has multiple Base Values. The value of the performance units to a participant is based on the spread between our fair value at the time of a change in control and the Base Value of the performance units the participant has been awarded.

Plan A and Plan B are substantially similar. Mr. Fuisz received a grant of performance units in 2004 which is covered by Plan A. All of his subsequent antidilution grants are covered by Plan B, along with the grants made to each of our other named executive officers.

In 2006, several awards were made under our Plan B performance unit Plan to each of our named executive officers. Mr. Kendall received a grant of awards at the start of his employment pursuant to the terms of his employment agreement. All other awards to our named executive officers were granted as a result of antidilution measures. We hold their respective equity equivalent interests in the fair market value growth of the company stable at the respective percentages to prevent any dilution of those interests prior to this offering. Those percentages are for Mr. Schobel: 4%; Mr. Kendall: 3%; Mr. Fuisz: 4.5%; Dr. Sanghvi: 1% and Mr. Fischer: 0.5%.

During 2006, there were several potentially dilutive events that necessitated grants to each of the executives. These grants were made consistent with the terms of the performance unit plan and at the then current Base Value. Vesting for these units was consistent with the vesting schedule in the performance unit plan or, if applicable, the executive's employment agreement where vesting terms were specifically negotiated. The performance unit plan vesting schedule is as follows:

	Vesting Percentage	Cumulative Vested Percentage
After Year 1	25%	25%
After Year 2	25%	50%
After Year 3	50%	100%

Messrs. Schobel, Kendall and Fuisz have negotiated vesting schedules that vary from the performance unit plan vesting schedule. Mr. Schobel's performance units vest ratably over three years on the anniversary of his hire in December 2005. Mr. Kendall's units vest ratably every six months over three years from the date of his hire in June 2006. Upon the conclusion of the term of Mr. Fuisz's consulting agreement which is anticipated to be in effect upon the expiration of his amended and restated employment agreement, the vesting of his remaining units will accelerate. If Mr. Fuisz's amended and restated employment agreement is terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in his amended and restated employment agreement), then the vesting schedule of his remaining units will not be affected and will bridge any such break in service. We have entered into a letter agreement with Mr. Fuisz which provides for similar continued vesting in the event his employment with, or his engagement as a consultant by, us is

terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in Plan A).

In addition, the performance units vest automatically upon a change in control.

In 2006, the following performance units were granted:

Mr. Schobel

- 02/13/2006—947,203 units at a base value of $39,473,349
- 03/22/2006—58,820 units at a base value of $39,473,349
- 06/16/2006—74,032 units at a base value of $87,500,000
- 10/30/2006—1,583,067 units at a base value of $100,000,000

Mr. Kendall

- 06/16/2006—3,042,408 units at a base value of $87,500,000

Mr. Fuisz

- 03/22/2006—443,177 units at a base value of $39,473,349
- 06/16/2006—83,159 units at a base value of $87,500,000
- 10/30/2006—1,780,823 units at a base value of $100,000,000

Dr. Sanghvi

- 03/22/2006—235,280 units at a base value of $39,473,349
- 06/16/2006—18,254 units at a base value of $87,500,000
- 10/30/2006—396,527 units at a base value of $100,000,000

Mr. Fischer

- 02/13/2006—118,654 units at a base value of $39,473,349
- 03/22/2006—7,099 units at a base value of $39,473,349
- 06/16/2006—9,127 units at a base value of $87,500,000
- 10/30/2006—197,757 units at a base value of $100,000,000

No awards have been made in 2007 and we do not expect to make further grants pending the completion of our initial public offering. After the merger of Monosol Rx LLC with MonoSol Rx, Inc. and immediately prior to this offering, the outstanding performance units will be exchanged for the common stock of MonoSol Rx, Inc. We intend to discontinue the performance units plans upon the completion of our initial public offering.

If the value per share of our common stock at the time of the initial public offering is assumed to be $, we estimate that, immediately before the initial public offering, the aggregate dollar value of the outstanding awards under our performance unit plans will be $. All unvested performance units shall vest in an amount equal to the Base Value of the grant and the proportional unit value at the time of the initial public offering. The estimated dollar value of the performance unit awards held by each of our named executive officers at the time of the initial public offering are set forth in the following table:

Executive Officer	Value of Performance Plan Units
A. Mark Schobel	
Keith Kendall	
Joseph Fuisz	
Dr. Pradeep Sanghvi	
Carl Fischer	

Stock Incentive Plan

We anticipate that, before the completion of the initial public offering, our Board will adopt and our stockholders will approve a new stock incentive plan. Approval of our new stock incentive plan by our stockholders before the initial public offering would satisfy the Nasdaq requirement that equity compensation plans receive stockholder approval and consequently, awards that we make under the stock incentive plan after the completion of the initial public offering will not be subject to further vote by our stockholders. We intend to submit the performance criteria under the long-term incentive plan to our stockholders at or before our first annual meeting of stockholders occurring more than 36 months after the completion of the initial public offering in order to meet certain deductibility conditions of the Internal Revenue Code.

The plan is intended to help us (1) optimize our profitability and growth through long-term incentives that are consistent with our goals and that link the interests of participants to those of our stockholders, (2) provide participants with an incentive for excellence in individual and organizational performance, and (3) provide flexibility to help us attract, motivate and retain the services of participants who make significant contributions to our success.

In general, the plan will be administered by our compensation committee. The compensation committee may delegate its authority to persons other than its members, subject to such limitations as may be imposed by the plan or applicable law or stock exchange rules. In general, our compensation committee will decide who will receive awards under the plan and the terms and conditions of those awards, and will have broad discretion regarding the administration and interpretation of the plan and individual awards made under the plan. Our board of directors has the authority to grant awards and to make other determinations under the plan with respect to non-employee directors.

Our compensation committee or the board of directors, as the case may be, will have the authority to grant various types of awards to employees under the plan, including:

- *Stock Options*. Each stock option represents the right to purchase a specified number of shares of our common stock at a fixed grant price that cannot be less than the fair market value of the shares on the grant date. The plan does not permit re-pricing of any previously granted stock options. The maximum term of a stock option is 10 years from the date of grant. Any option will be exercisable, if at all, in accordance with terms established by our compensation committee. The purchase price of an option may be payable in cash, shares of our common stock (valued at fair market on the day of exercise), or a combination of both. The plan authorizes our compensation committee to grant non-qualified stock options as well as incentive stock options that comply with the requirements of Section 422(b) of the Code.

- *Stock Appreciation Rights*. A stock appreciation right, or SAR, represents the right to receive an increase in the value of a share of our common stock above the value on the date of grant. The maximum term of a SAR is 10 years. A SAR will be exercisable, if at all, in accordance with terms established by our compensation committee. A SAR may be settled in the form of cash or shares of our common stock, as determined by our compensation committee.

- *Restricted Stock and Restricted Stock Units*. Restricted stock and restricted stock units represent grants of our common stock or stock units (consisting of the right to receive shares of our common stock in the future) that are subject to a risk of forfeiture or other restrictions that lapse if and when specified service, performance or other objectives prescribed by our compensation committee are achieved. Any awards will be subject to such conditions, restrictions, and contingencies as our compensation committee determines. Restricted stock units are payable in cash, common stock, or a combination of both, as determined by our compensation committee.

- *Other Awards*. Our compensation committee will have authority to grant other types of share-based incentive awards that are payable in shares of our common stock or their cash equivalent, including, for example, performance shares, performance units and dividend equivalent rights. In addition, our compensation committee may grant cash incentive awards that are conditioned upon attaining prescribed performance objectives. The compensation committee has the discretion to determine the terms and conditions of any such awards.

Our compensation committee will determine the date on which awards are payable and may permit or require a participant to defer payment of all or a portion of an award subject to conditions established by our compensation committee. If awards are paid in shares of our common stock, our compensation committee will determine whether the shares will be subject to transfer restrictions and/or vesting conditions.

We will be authorized to issue up to shares of our common stock (adjusted for certain capital changes) under the plan. In applying this limitation, we do not count as issued (and thus add back to the plan's share pool): (a) shares covered by awards that expire or are canceled, forfeited, settled in cash or otherwise terminated, and (b) shares delivered to us and shares withheld by us for the payment or satisfaction of purchase price or tax withholding obligations associated with the exercise or settlement of an award. Also, shares covered by stock-based awards assumed by us in connection with the acquisition of another company or business are not taken into account in determining the number of shares that are or may be issued under the plan.

No awards have been granted under the plan. The exact number of future stock options and other awards that may be allocated to any one individual or group of individuals under the plan is not presently determinable.

Unless it is terminated earlier, the plan will remain in effect until all shares subject to the plan have been purchased, acquired, or forfeited, and all cash awards have been paid or forfeited, pursuant to the plan's provisions. However, in no event may an award be granted after 10 years from the effective date of the plan. During the term of the plan, our board of directors may amend or terminate the plan. Any amendment that would cause the plan to fail to comply with any requirement of applicable law, regulation, or rule if it were not approved by stockholders will not be effective unless our stockholders approve the amendment.

Employee Benefits and Perquisites

Consistent with our compensation philosophy to attract and retain talent, we intend to continue to maintain competitive employee benefits and perquisites for all employees, including executive officers.

We currently offer the following employee benefits and perquisites to our named executive officers to remain competitive in the marketplace:

- *Healthcare contribution*—We contribute to each named executive officer's health, vision and dental insurance premiums.

- *Moving expenses*—We reimburse our named executive officers for normal moving expenses associated with employment.

- *Life and disability insurance premiums*—We contribute to each named executive officer's life insurance premiums, short-term and long-term disability premiums and accidental death & dismemberment premiums.

- *401(k) Plan and Matching Contributions*—Each of our named executive officers is eligible to participate in the 401(k) plan which allows for a 100% company match on employee contributions up to 6%. The plan provides for immediate participation upon hire and includes a five year vesting period.

For a further description of these benefits, please refer to the Summary Compensation Table set forth herein.

In the future, the compensation committee, in its discretion, may revise, amend or add to the officers' executive benefits and perquisites if it deems advisable. We believe these benefits and perquisites are currently at competitive levels for comparable companies.

Severance and Change in Control Benefits

The employment agreements with our named executive officers as well as our incentive plans will require us to provide compensation or other benefits to our named executive officers in connection with certain events related to a termination of employment or change in control. For a description of the terms of these arrangements see "Termination of Employment and Change-in-Control Arrangements."

We have established these arrangements because we believe providing executive officers compensation and benefits arrangements upon a change in control is necessary in order for us to be competitive with compensation packages of other similarly situated companies and assists us in recruiting and retaining talented executives. In addition, formalizing our termination and change in control benefits provides us with certainty in terms of our obligations to an eligible executive in the event that our relationship with any such executive is terminated.

Impact of Tax Treatment on Compensation

In general, a federal income tax deduction is not allowed for annual compensation in excess of $1,000,000 paid to the chief executive officer or any of the four other most highly compensated officers of a public company. However, qualifying "performance-based" compensation is not counted against this limit. It is anticipated that stock options and SARs awarded under our long-term incentive plan will be deemed to be "performance-based" compensation that is not subject to the deduction limit. In addition, certain other awards that may be conditioned by our compensation committee on the attainment of prescribed performance goals may also qualify as "performance-based" compensation that is not subject to the deduction limit. To satisfy the requirements that apply to "performance-based" compensation, the performance measures must be approved by our stockholders, subject to transition relief that would apply generally to grants made before the 2011 annual stockholder meeting. It is expected that the performance measures to be used under a plan will be submitted for stockholder approval at the 2011 annual stockholder meeting (if not sooner).

While we seek to take advantage of favorable tax treatment for executive compensation where appropriate, the primary drivers for determining the amount and form of executive compensation must be the retention and motivation of superior executive talent rather than tax-based considerations.

Summary Compensation Table

The following table sets forth the compensation for our chief executive officer, our chief financial officer, our former chief financial officer and our two other most highly compensated executive officers for the fiscal year ended December 31, 2006. We have no other executive officers. We refer to these officers collectively herein as our named executive officers.

Name and Principal Position	Salary ($)	Bonus ($)	Option Awards(8) ($)	All Other Compensation ($)	Total ($)
A. Mark Schobel President and Chief Executive Officer	$ 350,000	$ 227,500	—	$ 20,983(9)	$ 598,483
Keith Kendall Executive Vice President, Chief Financial Officer	$ 156,250(1)	$ 358,438(5)	—	$ 1,136(9)	$ 515,824
Joseph Fuisz Senior Vice President—Business Development and Licensing	$ 204,889(2)	$ 44,660(6)	—	$ 3,900(9)	$ 253,449
Dr. Pradeep Sanghvi Vice President of Pharmaceutical Development	$ 242,885(3)	$ 64,064(7)	—	$ 12,434(9)	$ 319,383
Carl Fischer (former Chief Financial Officer)(4)	$ 172,408	$ 32,813	—	$ 14,443(9)	$ 219,664

(1) Mr. Kendall joined the company on June 16, 2006. Information presented is from June 16, 2006 through December 31, 2006.

(2) Mr. Fuisz worked as a consultant for the period of January 1, 2006 through September 13, 2006 and $127,500 of his base salary listed above reflects his compensation earned as a consultant. Mr. Fuisz was hired as an employee on September 14, 2006 and $77,389 of his base salary listed above reflects his compensation earned as an employee.

(3) Under the terms of his employment arrangement in effect during the initial part of 2006, Dr. Sanghvi received an annual base salary ranging from $176,775 to $187,500. Effective upon entry into his employment agreement on August 1, 2006, Dr. Sanghvi's annual base salary was increased to $280,000.

(4) Mr. Fischer ceased his duties as our chief financial officer on June 16, 2006. He has remained an employee of the company and is currently our senior director, finance, which we do not consider to be an executive officer position. The compensation amounts reflected in the table were based upon his previous employment agreement. His current employment agreement reflecting his role as our senior director, finance was entered into as of January 1, 2007.

(5) Consists of a signing bonus in the amount of $200,000 that Mr. Kendall received upon the commencement of his employment and an annual bonus in the amount of $158,438, pro-rated to his date of hire.

(6) Mr. Fuisz received a pro-rated bonus in the amount of $44,660, based on his date of hire.

(7) Dr. Sanghvi received a pro-rated bonus in the amount of $64,064, based on the date of his employment agreement.

(8) In 2006, awards of performance units were made under our performance unit Plan B to each of our named executive officers as follows: Mr. Kendall received a grant of awards at the start of his employment pursuant to the terms of his employment agreement. All other awards to our named executive officers were granted as a result of anti-dilution measures.

These awards of performance units represent a percentage of our ownership in the equity value in excess of a base value equal to our estimated fair value on the date of grant. The performance units do not have any value until there is a triggering event, such as a termination or change in control, including an initial public offering. Accordingly, no equity was recorded for the

performance units at the time of their grant. Please see note 14 to our audited financial statements contained elsewhere in this prospectus.

(9) Includes (i) matching contributions to our 401(k) plan in the following amounts with respect to each named executive officer: for Mr. Schobel: $17,577, Mr. Fuisz: $3,237, Dr. Sanghvi; $9,657 and Mr. Fischer: $11,631, (ii) premiums paid by us with respect to the medical insurance premiums (health, vision and dental) in the following amounts with respect to each named executive officer: for Mr. Schobel: $1,408, Mr. Kendall: $632, Mr. Fuisz: $210, Dr. Sanghvi: $1,408, and Mr. Fischer: $1,408, and (iii) premiums paid by us with respect to the life insurance policies in the following amounts with respect to each named executive officer: for Mr. Schobel: $1,998, Mr. Kendall: $504, Mr. Fuisz: $453, Dr. Sanghvi; $1,369 and Mr. Fischer: $ 1,404.

Grants of Plan-Based Awards

The following table provides information regarding plan-based awards granted during fiscal year 2006 to our named executive officers.

		Estimated Future Payouts Under Stock Incentive Plan Awards(2)					
Name	**Grant Date(1)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Option Awards: Number of Securities Underlying Options (#)**	**Exercise or Base Price of Option Awards(3) ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards(4)**
A. Mark Schobel	2/13/2006	0	947,203	947,203	0	$ 0	—
	3/22/2006	0	58,820	58,820		$ 0	—
	6/16/2006	0	74,032	74,032		$ 0	—
	10/30/2006	0	1,583,067	1,583,067		$ 0	—
Keith Kendall	6/16/2006	0	3,042,408	3,042,408	0	$ 0	—
Joseph Fuisz	3/22/2006	0	443,177	443,177	0	$ 0	—
	6/16/2006	0	83,159	83,159		$ 0	—
	12/07/2006	0	1,780,823	1,780,823		$ 0	—
Dr. Pradeep Sanghvi	3/22/2006	0	235,280	235,280	0	$ 0	—
	6/16/2006	0	18,254	18,254		$ 0	—
	10/30/2006	0	396,527	396,527		$ 0	—
Carl Fischer	2/13/2006	0	118,654	118,654	0	$ 0	—
	3/22/2006	0	7,099	7,099		$ 0	—
	6/16/2006	0	9,127	9,127		$ 0	—
	10/30/2006	0	197,757	197,757		$ 0	—

(1) Consists of performance units granted during 2006 as follows: Mr. Kendall received a grant of awards at the start of his employment pursuant to the terms of his employment agreement. All other awards to our named executive officers were granted as a result of anti-dilution measures. We hold their respective equity equivalent interests in our fair market value growth stable at the respective percentages to prevent any dilution of those interests prior to this offering. During 2006, there were several potentially dilutive events that necessitated grants to each of the executives. These grants were made consistent with the terms of the performance unit plan and at the then current base value.

These awards represent a percentage of ownership in the equity value of the company in excess of a base value equal to our estimated fair value on the date of grant. The equity percentages are as follows: Mr. Schobel: 4%; Mr. Kendall: 3%; Mr. Fuisz: 4.5%; Dr. Sanghvi: 1% and Mr. Fischer: 0.5%.

Mr. Schobel

- 02/13/2006—58,820 units at a base value of $39,473,349
- 03/22/2006—947,203 units at a base value of $39,473,349
- 06/16/2006—74,032 units at a base value of $87,500,000
- 10/30/2006—1,583,067 units at a base value of $100,000,000

Mr. Kendall

- 06/16/2006—3,042,408 units at a base value of $87,500,000

Mr. Fuisz

- 03/22/2006—443,177 units at a base value of $39,473,349
- 06/16/2006—83,159 units at a base value of $87,500,000
- 10/30/2006—1,780,823 units at a base value of $100,000,000

Dr. Sanghvi

- 03/22/2006—235,280 units at a base value of $39,473,349
- 06/16/2006—18,254 units at a base value of $87,500,000
- 10/30/2006—396,527 units at a base value of $100,000,000

Mr. Fischer

- 02/13/2006—118,654 units at a base value of $39,473,349
- 03/22/2006—7,099 units at a base value of $39,473,349
- 06/16/2006—9,127 units at a base value of $87,500,000
- 10/30/2006—197,757 units at a base value of $100,000,000

(2) Vested performance units can be redeemed for cash or in the form of the same equity instruments received due to a change in control or an initial public offering, at the discretion of the board of directors. If there is no such triggering event, a participant would receive no amounts payable on the performance units. The target and maximum amounts assume a one-for-one redemption upon a triggering event.

(3) There is no per unit exercise price for the performance units under the performance unit plans.

(4) Performance units are only valued at the time of a change in control or other triggering event, including an initial public offering. The performance units do not have any value until such a triggering event occurs. Accordingly, no equity was recorded for the performance units at the time of their grant.

Annual Base Salary and Bonus Overview

Base salary paid to the named executive officers in 2006 constituted approximately the following percentages of their total compensation as set forth in the Summary Compensation Table: Mr. Schobel: 58.5%; Mr. Kendall: 30.3%; Mr. Fuisz: 80.8%; Dr. Sanghvi: 76.0%; and Mr. Fischer: 78.5%. Discretionary annual bonuses paid to named executive officers in 2006 constituted approximately the following percentages of their total compensation as set forth in the Summary Compensation Table: Mr. Schobel: 38%; Mr. Kendall: 69.5%; Mr. Fuisz: 17.6%; Dr. Sanghvi: 20%; and Mr. Fischer: 14.9%. The base salary and bonus amounts are pro rata based upon the dates of hire of Mr. Kendall and Mr. Fuisz and, for Dr. Sanghvi, reflect the change in his salary and bonus eligibility under his employment agreement.

Employment Agreements

We have entered into employment agreements with each of our named executive officers. Please see the discussion under "Termination of Employment and Change-in-Control Arrangements" for additional information on our employment agreements.

A. Mark Schobel. Mr. Schobel's employment agreement was entered into as of November 17, 2005. Mr. Schobel's employment agreement has a three-year term which automatically renews for additional one-year periods until terminated by us or Mr. Schobel. Pursuant to his employment agreement, Mr. Schobel received an annual base salary of $350,000 for 2006, which is subject to increase according to the policies and practices we may adopt from time to time and at the discretion of our board of directors. In addition to receiving an annual base salary and standard employee benefits, Mr. Schobel is eligible for a discretionary annual incentive bonus of 50% of his base salary, based on our achievement of established performance targets. If we exceed our performance targets, we may increase the amount of Mr. Schobel's annual bonus. The bonus is to be paid 50% in cash and 50% in cash or in performance units, under the managing partner's discretion in the past and under the compensation committee's discretion in the future. The employment agreement also provides for a grant of performance units under the performance units plan that entitle him to 4% of the growth in the fair market value of the Company over and above the base value assigned to the units at the time they were granted. The base value of the units granted to Mr. Schobel at January 6, 2006 was $20 million. Mr. Schobel is also entitled to certain anti-dilution rights in connection with his performance units under this agreement. The performance units vest ratably over the term of the employment agreement on the anniversary of his employment.

Keith Kendall. Mr. Kendall's employment agreement was entered into as of June 16, 2006. Mr. Kendall's employment agreement has a three-year term which automatically renews for additional one-year periods until terminated by us or Mr. Kendall. Mr. Kendall's annual base salary is set at $325,000, which is subject to increase based upon performance and other considerations as appropriately determined by our chief executive officer. In addition to receiving an annual base salary and standard employee benefits, Mr. Kendall is eligible for a discretionary annual incentive bonus of a target of 75% of his base salary, based on our achievement of established performance targets. If we exceed our performance targets, we may increase the amount of Mr. Kendall's annual bonus. The bonus is to be paid 66% in cash and 34% in cash or performance units in the chief executive officer's discretion. The employment agreement also provides for a grant of performance units under the performance unit plan that entitle him to 3% of the growth in the fair market value of the company over and above the base value assigned to the units at the time they were granted. The base value of the units granted to Mr. Kendall at June 16, 2006 was $87.5 million. These performance units vest ratably in six month periods over the term of the employment agreement. Mr. Kendall is also entitled to certain anti-dilution rights in connection with his performance units under this agreement.

Joseph Fuisz. Mr. Fuisz's previous employment agreement was entered into on September 14, 2006 and provided for a term of two years and four months, concluding on December 31, 2008. Under the agreement, Mr. Fuisz's base salary is set at $280,000, which is subject to increase based upon performance and other considerations as appropriately determined by our chief executive officer. In addition to receiving an annual base salary and standard employee benefits, Mr. Fuisz is eligible for a discretionary annual incentive bonus of a target of 50% of his base salary, based on our achievement of established performance targets. If we exceed our performance targets, we may increase the amount of this annual bonus. The bonus may be paid in cash or performance units as determined by the company. Prior to entering into this employment agreement, Mr. Fuisz served as a consultant for business development and legal matters.

On May 12, 2007, we entered into an amended and restated employment agreement with Mr. Fuisz on terms similar to his previous employment agreement. His base salary and bonus structure remain the same. The amended and restated employment agreement, however, provides for a term of 8 months and will conclude on December 31, 2007. There is no automatic renewal provision. Upon the conclusion of the term of the amended and restated employment agreement, and assuming that Mr. Fuisz neither resigns voluntarily nor is terminated for "cause" (as defined in his amended and restated employment agreement), Mr. Fuisz shall return to providing services to us as a consultant on the terms set forth in the form of consulting agreement attached as an exhibit to the amended and restated employment agreement.

Dr. Pradeep Sanghvi. Dr. Sanghvi's employment agreement was entered into on August 1, 2006 for a period of three years and automatically extends for additional one year periods unless terminated by us or Dr. Sanghvi. Under the agreement, Dr. Sanghvi's annual salary is set at $280,000, which is subject to increase based upon performance and other considerations as appropriately determined by our chief executive officer. In addition to receiving an annual base salary and standard employee benefits, Dr. Sanghvi is eligible for a discretionary annual incentive bonus of a target of 50% of his base salary, based upon achievement by us and Dr. Sanghvi of established performance goals. The actual bonus amount may increase if such performance targets are exceeded. Prior to entering his employment agreement with us, Dr. Sanghvi was an at-will employee.

Carl Fischer. Mr. Fischer's employment agreement in his capacity of chief financial officer was in effect during 2006. The employment agreement was entered into on December 13, 2005 for a one-year term. Mr. Fischer received an annual base salary of $175,000 for 2006. In addition to receiving an annual base salary and employee benefits, Mr. Fischer was eligible for a discretionary annual incentive bonus of 25% of his base salary, based on our achievement of established performance targets. The

employment agreement also provides for a grant of performance units under the performance unit plan that entitle him to 0.5% of the growth in the fair market value of the company over and above the base value assigned to the units at the time they were granted. The base value of the units granted to Mr. Fisher at January 6, 2006 was $20 million. Mr. Fischer was entitled to certain anti-dilution rights in connection with his performance units.

Mr. Fischer's new employment agreement, reflecting his capacity as senior director, finance, was entered into on January 1, 2007 for a period of six months, expiring on June 29, 2007. Mr. Fischer's employment agreement will not automatically extend or renew unless we and Mr. Fischer mutually agree on new terms prior to expiration of the agreement. Under the agreement, Mr. Fischer receives an annual base salary of $135,000. In addition to receiving an annual base salary and standard employee benefits, Mr. Fischer is eligible for a bonus of 30% of his base salary, pro-rated to reflect the six-month employment term, based upon achievement by us and Mr. Fischer of established performance goals.

During the respective terms of their employment agreements and following the termination of their agreements for any reason as long as the information remains confidential, Messrs. Schobel, Kendall, Fuisz and Fischer and Dr. Sanghvi shall not make use, for his own benefit or for the benefit of a business or entity other than us, of any verbal or written secret or confidential information, so long as the information is confidential.

In addition, Messrs. Schobel, Kendall, Fuisz, Fischer and Dr. Sanghvi may not engage in competitive activities in the area of film based drug delivery systems during the terms of their respective employment agreements and for terms ranging from 12 to 24 months post-employment.

Each of Messrs. Schobel, Kendall, Fuisz and Fischer and Dr. Sanghvi may not solicit any of our employees or customers for terms ranging from 12 to 24 months post-employment.

Outstanding Equity Awards at December 31, 2006

The following table provides information about the number of outstanding equity awards held by our named executive officers at December 31, 2006.

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable(1)	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Stock Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (1)	Option Exercise Price($)(2)	Option Expiration Date(3)
A. Mark Schobel	—	1,393,423	—	—	—
	—	947,203	—	—	—
	—	58,820	—	—	—
	—	74,032	—	—	—
	—	1,583,067	—	—	—
Keith Kendall	—	3,042,408	—	—	—
Joseph Fuisz	—	1,786,908	—	—	—
	—	347,849	—	—	—
	—	121,696	—	—	—
	—	443,177	—	—	—
	—	83,159	—	—	—
	—	1,780,823	—	—	—
Dr. Pradeep Sanghvi	—	347,849	—	—	—
	—	16,226	—	—	—
	—	235,280	—	—	—
	—	18,254	—	—	—
	—	396,527	—	—	—
Carl Fischer	—	174,431	—	—	—
	—	118,654	—	—	—
	—	7,099	—	—	—
	—	9,127	—	—	—
	—	197,757	—	—	—

(1) Our performance units represent a percentage of ownership in the equity value of the company in excess of a base value equal to our estimated fair value on the date of grant. Until there is a triggering event, such as a change in control or an initial public offering, these performance units are not exercisable. The equity percentages are as follows: Mr. Schobel: 4%; Mr. Kendall: 3%; Mr. Fuisz: 4.5%; Dr. Sanghvi: 1% and Mr. Fischer: 0.5%.

Mr. Schobel has a total of 4,056,544 performance units which were granted as follows:

- 11/17/2005—1,393,423 units at a base value of $20,000,000
- 02/13/2006—947,203 units at a base value of $39,473,349
- 03/22/2006—58,820 units at a base value of $39,473,349
- 06/16/2006—74,032 units at a base value of $87,500,000
- 10/30/2006—1,583,067 units at a base value of $100,000,000

Mr. Kendall has a total of 3,042,408 performance units which were granted as follows:

- 06/16/2006–3,042,408 units at a base value of $87,500,000

Mr. Fuisz has a total of 4,563,612 performance units which were granted as follows:

- 01/22/2004—1,786,908 units at a base value of $12,500,000
- 02/23/2005—347,849 units at a base value of $17,857,143
- 11/17/2005—121,696 units at a base value of $20,000,000
- 03/22/2006—443,177 units at a base value of $39,473,349
- 06/16/2006—83,159 units at a base value of $87,500,000
- 10/30/2006—1,780,823 units at a base value of $100,000,000

Dr. Sanghvi has a total of 1,014,136 performance units which were granted as follows:

- 02/23/2004—347,849 units at a base value of $13,750,000
- 11/17/2005—16,226 units at a base value of $20,000,000
- 03/22/2006—235,280 units at a base value of $39,473,349
- 06/16/2006—18,254 units at a base value of $87,500,000
- 10/30/2006—396,527 units at a base value of $100,000,000

Mr. Fischer has a total of 507,068 performance units which were granted as follows:

- 12/13/2005—174,431 units at a base value of $20,000,000
- 02/13/2006—118,654 units at a base value of $39,473,349
- 03/22/2006—125,753 units at a base value of $39,473,349
- 06/16/2006—9,127 units at a base value of $87,500,000
- 10/30/2006—197,757 units at a base value of $100,000,000

The performance unit plan vesting schedule for Messrs. Fuisz, Sanghvi and Fischer is as follows:

	Vesting Percentage	Cumulative Vested Percentage
After Year 1	25%	25%
After Year 2	25%	50%
After Year 3	50%	100%

Messrs. Schobel, Kendall and Fuisz have negotiated vesting schedules that vary from the performance unit plan vesting schedule. Mr. Schobel's performance units vest ratably over three years on the anniversary of his hire in December 2005. Mr. Kendall's units vest ratably every six months over three years from the date of his hire in June 2006. Upon the conclusion of the term of Mr. Fuisz's consulting agreement which is anticipated to be in effect upon the expiration of his amended and restated employment agreement, the vesting of his remaining units will accelerate. If Mr. Fuisz's amended and restated employment agreement is terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in his amended and restated employment agreement), then the vesting schedule of his remaining units will not be affected and will bridge any such break in service. We have entered into a letter agreement with Mr. Fuisz which provides for similar continued vesting in the event his employment with, or his engagement as a consultant by, us is terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in Plan A).

(2) There is no per unit exercise price for the performance units under the performance unit plans.

(3) Performance units do not expire; they continue until the time of termination or other triggering event.

Director Compensation

None of the members of our predecessor Monosol Rx LLC board of directors received any compensation from us during 2006 or any preceding periods.

Upon the closing of this offering, we intend to provide cash compensation and stock options to non-employee members of our board of directors for serving on our board of directors. We will pay each of our non-employee directors $25,000 per year for serving on our board of directors. In addition to compensation for board services, we will pay the members of our committees $10,000 per year to each member of our audit committee and $5,000 per year to each member of our compensation committee and governance and nominating committee. In addition to any payments for being a member of the various committees of our board of directors, we will also pay the chair of the audit committee $10,000 and the chairs of each of the compensation committee and the governance and nominating committee $5,000. We will also pay each member of the board of directors $1,500 per meeting of the board of directors. Members of our board of directors are reimbursed for some expenses in connection with attendance of board and committee meetings.

We anticipate that, before the completion of the initial public offering, our board of directors will adopt and our stockholders will approve a new long-term incentive plan. Upon the completion of this offering, it is anticipated that each of our directors will receive an option to acquire 15,000 shares of our common stock. We expect that this initial grant will vest quarterly over three years. On the date a new director is first elected or appointed to the board of directors, we intend that he or she will automatically be granted an option to acquire 15,000 shares of our common stock on the date of the grant. In addition, upon election of directors each year, we intend that each director will receive an automatic grant of options to acquire 5,000 shares of common stock on a fully diluted basis on the date of the grant. We expect that these options will also vest quarterly over three years.

Termination of Employment and Change-in-Control Arrangements

The types of arrangements that would trigger payments to our named executive officers upon a change in control of the company include employment agreements, our stock incentive plan and our performance unit plans. We have established these arrangements because we believe providing executive officers compensation and benefits arrangements upon a change in control is necessary in order for us to be competitive with compensation packages of other similarly-situated companies and assists us in recruiting and retaining talented executives.

Employment Agreements

Please see the narrative discussion following the grants of plan-based awards table for additional information on the employment agreements.

A. Mark Schobel. Pursuant to the terms of Mr. Schobel's employment agreement, if Mr. Schobel's employment is terminated due to his disability or death, Mr. Schobel will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled under any of our plans;
- accrued, unpaid vacation days;
- a pro rata cash bonus based upon Mr. Schobel's bonus amount from the previous year; and
- any performance units held by Mr. Schobel will vest on a pro rata basis to the date of termination and, at his option, not be subject to repurchase.

If we terminate Mr. Schobel's employment for "cause" (as defined in his employment agreement), Mr. Schobel will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Schobel voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation).

If we terminate Mr. Schobel's employment without "cause" or Mr. Schobel terminates such employment for "good reason," Mr. Schobel will be entitled to receive:

- his base salary for the greater of 12 months or the remainder of his employment term at such intervals as the same would have been paid had Mr. Schobel's employment continued;
- any benefits to which he is entitled to under any of our plans; and
- reimbursement for his cost of purchasing medical benefits for himself under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, (provided COBRA is available and elected) for the greater of 12 months or the remainder of his employment term, but no longer than 18 months or until such time as Mr. Schobel is eligible to receive medical benefits from another person or entity comparable to those provided by us immediately prior to his termination.

In addition to the foregoing benefits, if Mr. Schobel terminates his employment for "good reason":

- he will be entitled to a pro rata cash bonus based upon Mr. Schobel's bonus amount from the previous year; and
- his performance units shall vest on a pro rata basis up to the date of termination and at his option, shall not be subject to repurchase.

If at any time during the initial two year period of Mr. Schobel's employment agreement, we are unable to fulfill our obligations as set forth therein, the managing general partner is required to guarantee payment of Mr. Schobel's base salary for a period of one year, payable in 12 equal monthly installments, less applicable deductions and withholdings.

Keith Kendall. Pursuant to the terms of Mr. Kendall's employment agreement, if Mr. Kendall's employment is terminated due to his disability or death, Mr. Kendall will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled under any of our plans;
- accrued, unpaid vacation days; and
- a pro rata cash bonus based upon Mr. Kendall's bonus amount from the previous year.

If we terminate Mr. Kendall's employment for "cause" (as defined in his employment agreement), Mr. Kendall will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Kendall voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination, any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation) and a pro rata bonus in cash calculated based upon Mr. Kendall's bonus amount from the previous year.

If we terminate Mr. Kendall's employment without "cause" or Mr. Kendall terminates such employment for "good reason," Mr. Kendall will be entitled to receive:

- his base salary for the greater of 18 months or the remainder of his employment term at such intervals as the same would have been paid had Mr. Kendall's employment continued;
- for the greater of 18 months or the remainder of his employment term, a monthly cash payment equal to one-twelfth of the bonus he received the previous year, pro-rated for any partial month; and
- any benefits to which he is entitled under any of our plans for a period of one year.

Regardless of the reason for Mr. Kendall's termination, within five days of his last day of employment with us, he shall receive a lump sum amount equal to the unvested portion of his 401(k) account.

Joseph Fuisz. Pursuant to the terms of the employment agreement that was in effect on December 29, 2006, if Mr. Fuisz's employment is terminated due to his disability or death, Mr. Fuisz will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled to under any of our plans;
- accrued, unpaid vacation days; and
- a pro rata cash bonus based upon Mr. Fuisz's bonus amount from the previous year.

If we terminate Mr. Fuisz's employment for "cause" (as defined in his employment agreement), Mr. Fuisz will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Fuisz voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation).

If we terminate Mr. Fuisz's employment without "cause" or Mr. Fuisz terminates such employment for "good reason," Mr. Fuisz will be entitled to receive:

- his base salary for the remainder of his employment term at such intervals as the same would have been paid had Mr. Fuisz's employment continued; and
- any benefits to which he is entitled under any of our plans for the remainder of his employment term.

Pursuant to the terms of Mr. Fuisz's amended and restated employment agreement, if Mr. Fuisz's employment is terminated due to his disability or death, Mr. Fuisz will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled to under any of our plans;
- accrued, unpaid vacation days; and
- a pro rata cash bonus based upon Mr. Fuisz's bonus amount from the previous year.

If we terminate Mr. Fuisz's employment for "cause" (as defined in his amended and restated employment agreement), Mr. Fuisz will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Fuisz voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation).

If we terminate Mr. Fuisz's employment without "cause" or Mr. Fuisz terminates such employment for "good reason," Mr. Fuisz will be entitled to receive:

- his base salary for the remainder of his employment term at such intervals as the same would have been paid had Mr. Fuisz's employment continued; and
- any benefits to which he is entitled under any of our plans for the remainder of his employment term.

Further, if Mr. Fuisz resigns voluntarily or is terminated for "cause," Mr. Fuisz will lose all rights to and interests in the consulting agreement that is to become effective following the term of the amended and restated employment agreement.

Dr. Pradeep Sanghvi. Pursuant to the terms of his employment agreement, if Dr. Sanghvi's employment is terminated due to his disability or death, Dr. Sanghvi will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled under any of our plans;

- accrued, unpaid vacation days for the year in which the termination occurs; and
- a pro rata cash bonus based upon Dr. Sanghvi's bonus amount from the previous year.

If we terminate Dr. Sanghvi's employment for "cause" (as defined in his employment agreement), Dr. Sanghvi will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation). Likewise, if Dr. Sanghvi voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation).

If we terminate Dr. Sanghvi's employment without "cause," Dr. Sanghvi will be entitled to receive:

- his base salary for the remainder of his employment term at such intervals as the same would have been paid had Dr. Sanghvi's employment continued; and
- any benefits to which he is entitled under any of our plans (with the exception of any bonus and/or incentive compensation) for the remainder of his employment term.

Carl Fischer. Pursuant to the terms of Mr. Fischer's employment agreement that was in effect on December 29, 2006, if we terminated Mr. Fischer's employment due to his disability or death, Mr. Fischer was entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled under any of our plans;
- accrued, unpaid vacation days; and
- a pro rata cash bonus based upon Mr. Fischer's bonus amount from the previous year.

If we terminated Mr. Fischer's employment for "cause" (as defined in his employment agreement), Mr. Fischer will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Fischer voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he was entitled under any of our plans (with the exception of any bonus and/or incentive compensation).

If we terminated Mr. Fischer's employment without "cause" (as defined in the employment agreement) or Mr. Fischer terminates such employment for "good reason," Mr. Fischer was entitled to receive:

- his base salary for the greater of 12 months or the remainder of his employment term at such intervals as the same would have been paid had Mr. Fischer's employment continued;
- any benefits to which he is entitled to under any of our plans; and
- reimbursement for his cost of purchasing medical benefits for himself under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (provided COBRA is available and elected) during the "severance period" (as defined in the employment agreement) but no longer than 18 months or until such time as Mr. Fischer is eligible to receive medical benefits from another person or entity comparable to those provided by us immediately prior to his termination.

Under his employment agreement that is currently in effect, if Mr. Fischer's employment is terminated due to his disability or death, Mr. Fischer will be entitled to receive:

- unpaid but earned base salary through the date of termination;
- any benefits to which he is entitled under any of our plans;
- accrued, unpaid vacation days;
- a pro rata cash bonus calculated based upon Mr. Fischer's bonus amount from the previous year; and

- any performance units held by Mr. Fischer will vest on a pro rata basis to the date of termination and, at his option, not be subject to repurchase.

If we terminate Mr. Fischer's employment for "cause" (as defined in his employment agreement), Mr. Fischer will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans. Likewise, if Mr. Fischer voluntarily resigns, he will be entitled to receive his unpaid but earned base salary through the date of termination and any benefits to which he is entitled under any of our plans.

If we terminate Mr. Fischer's employment without "cause," Mr. Fischer will be entitled to receive:

- his base salary for the remainder of his employment term at such intervals as the same would have been paid had Mr. Fischer's employment continued;

- any benefits to which he is entitled to under any of our plans; and

- reimbursement for his cost of purchasing medical benefits for himself under COBRA (provided COBRA is available and elected) during the "severance period" (as defined in the employment agreement) or until such time as Mr. Fischer is eligible to receive medical benefits from another employer, whichever is shorter.

Performance Unit Plans

Within the context of the performance unit plans, a change in control is generally defined as an event or series of events (such as a merger, acquisition or reorganization) that result in our beneficial owners immediately preceding the change in control owning less than 20% of the company following the change of control event or an initial public offering as contemplated herein.

Upon a change in control each participant's unvested units immediately vest and we are obligated to make a payment, either in cash or in the same consideration received by us upon the change in control.

Each participant's distribution under the plan would be calculated in the following manner as defined in the plan:

$$\frac{\text{Number of participant's vested performance units}}{\text{Number of outstanding performance units}} \times (\text{fair market value } \textit{minus} \text{ base value}) = \text{total payment}$$

Fair market value is defined as the fair market of the company prior to the change in control. Base value is the base value assigned to each individual grant made to a participant.

Long-Term Incentive Plan

We anticipate that, before the completion of the initial public offering, our board of directors will adopt and our stockholders will approve a new long-term incentive plan. In order to protect the rights of participants, we expect that our stock incentive plan will provide that, in the event of a change in control, as defined in the plan, outstanding awards made under the plan will either (1) be converted into equivalent awards with respect to shares of stock of the acquiring or successor company, or (2) be fully vested and settled in cash or shares. In general, we expect that if an award is converted into an equivalent award, the award will continue to be subject to the vesting and other terms and conditions applicable to the original award; however, vesting may accelerate in the event of an involuntary termination of employment within two years after the date of the change in control. Our board of directors will be responsible for determining the disposition of awards in the event of a change in control. No awards have been made under the plan at this time.

Potential Payments Upon Termination Without a Change in Control

The following table provides quantitative disclosure of the estimated payments and benefits that would be provided to our named executive officers assuming that each named executive officer's employment with us was terminated on December 29, 2006, the last business day of our fiscal 2006, and was not in connection with an event which constituted a "Change in Control" under any agreement or plan described above. We have also assumed that the base salary earned by each named executive officer for his services to us through December 29, 2006 was fully paid.

Name	Cash Severance Payment($)	Cash Payment for Performance Units($)	Other Benefits Under Any of Our Plans (present value) ($)	Total Termination Benefits($)
A. Mark Schobel				
Termination by us due to Mr. Schobel's disability or death	$ 0	$ 362,736(1)(2)	$ 0	$ 362,736
Termination by us for "cause"	0	0	0	0
Mr. Schobel's voluntary resignation	0	0	0	0
Termination by us without "cause" or by Mr. Schobel for "good reason"	656,250	362,736(1)(2)	21,600	1,040,586
Keith Kendall				
Termination by us due to Mr. Kendall's disability or death	25,000	62,500(1)	0(3)	87,500
Termination by us for "cause"	0	0	0(3)	0
Mr. Kendall's voluntary resignation	0	0	0(3)	0
Termination by us without "cause" or by Mr. Kendall for "good reason"	798,958	62,500(1)	0(3)	861,458
Joseph Fuisz(4)(5)				
Termination by us due to Mr. Fuisz's disability or death	21,500	1,636,188(1)	0	1,657,688
Termination by us for "cause"	0	0	0	0
Mr. Fuisz's voluntary resignation	0	0	0	0
Termination by us without "cause" or by Mr. Fuisz for "good reason"	560,000	1,636,188(1)	0	2,196,188
Dr. Pradeep Sanghvi				
Termination by us due to Dr. Sanghvi's disability or death	24,308	151,120(1)	0	175,428
Termination by us for "cause"	0	0	0	0
Dr. Sanghvi's voluntary resignation	0	0	0	0
Termination by us without "cause"	723,333	0	0	723,333
Carl Fischer(4)				
Termination by us due to Mr. Fischer's disability or death	2,692	34,400(1)	0	37,092
Termination by us for "cause"	0	0	0	0
Mr. Fischer's voluntary resignation	0	0	0	0
Termination by us without "cause" or for "good reason"	$ 0	$ 34,400(1)	$ 21,600	$ 56,000

(1) Under the terms of our performance unit Plan B, our advisory board may, in its sole discretion, elect to provide a participant in the plan with a cash payment in an amount equal to the number

of each such participant's vested performance units divided by the outstanding unit amount, multiplied by the fair market value minus the base value of the award. We may elect to make this cash payment within 12 months of an officer's termination. Historically, we have never exercised this discretion and do not intend to do so in the future. We have assumed a fair market value of $100,000,000 as of December 29, 2006, which is based upon the most recent valuation by our board of advisors as of September 18, 2006, in anticipation of our private placement of preferred members interests. It is possible that our value could have been higher at December 29, 2006, if appraised at that time.

- Mr. Schobel: 459,830 vested performance units granted at a base value of $20,000,000
- Mr. Kendall: 507,068 vested performance units granted at a base value of $87,500,000
- Mr. Fuisz: 1,786,908 vested performance units granted at a base value of $12,500,000 (granted under Plan A); 86,962 vested performance units granted at a base value of $17,857,143; and 30,424 vested performance units granted at a base value of $20,000,000. We have assumed that, if the advisory board were to exercise its discretion as to Mr. Fuisz's performance units that were granted under Plan B, it would exercise similar discretion with respect to the 1,786,908 performance units granted under Plan A.
- Dr. Sanghvi: 173,925 vested performance units granted at a base value of $13,750,000; and 4,057 vested performance units granted at a base value of $20,000,000
- Mr. Fischer: 43,608 vested performance units granted at a base value of $20,000,000.

(2) If we elect not to exercise our discretion with respect to a cash payment, Mr. Schobel's employment agreement provides for the pro rata vesting of Mr. Schobel's performance units up to the date of termination, and at his option, not be subject to repurchase. This consists of the vesting of 459,830 performance units. The performance units do not have any value until there is a triggering event, such as a termination or change in control, including an initial public offering. Accordingly, there is no value linked to the vesting of the performance units.

(3) Mr. Kendall is entitled to an amount equal to the unvested portion of his 401(k) account, which as of December 29, 2006 was $0.

(4) Amounts are determined in accordance with the respective employment agreements that were in effect as of December 29, 2006 for Messrs. Fuisz and Fischer.

(5) On May 12, 2007, we entered into an amended and restated employment agreement with Mr. Fuisz. If Mr. Fuisz's amended and restated employment agreement is terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in his amended and restated employment agreement), then the vesting schedule of his remaining units will not be affected and will bridge any such break in service. We have entered into a letter agreement with Mr. Fuisz which provides for similar continued vesting in the event his employment with, or his engagement as a consultant by, us is terminated for a reason other than his voluntary resignation or his termination for "cause" (as defined in Plan A).

Potential Payments Upon a Change in Control Without Termination

The following table provides quantitative disclosure of the estimated payments and benefits that would be provided to our named executive officers assuming an event which constituted a "change in control" under any agreement or plan described above on December 29, 2006, the last business day of our fiscal 2006, in connection with which none of the named executive officers' employment with us was terminated.

Upon a change in control, all performance units held by each of our named executive officers will automatically vest. The vested performance units may be redeemed for cash or in the form of the same equity instruments received due to a change in control or an initial public offering, at our discretion. The value of the performance units is calculated as follows

$$\frac{\text{Number of participant's vested performance units}}{\text{Number of outstanding performance units}} \times (\text{fair market value } \textit{minus} \text{ base value})$$

Fair market value is defined as the fair market of the company at the change in control. Base value is the base value assigned to each individual grant of performance units made to a participant. We have assumed a fair market value of $100,000,000 as of December 29, 2006, which is based upon the most recent valuation by our board of advisors as of September 18, 2006, in anticipation of our private placement of preferred members interests. It is possible that our value could have been higher at December 29, 2006, if appraised at that time. In accordance with the foregoing assumptions, the following table provides the potential realizable value of the performance units held by our named executive officers.

Name	Potential Realizable Value($)
A. Mark Schobel	$ 1,708,643(1)
Keith Kendall	$ 375,000(2)
Joseph Fuisz	$ 2,193,614(3)
Dr. Pradeep Sanghvi	$ 451,630(4)
Carl Fischer	$ 213,580(5)

(1) Mr. Schobel has a total of 4,056,545 performance units which were granted as follows:

- 11/17/2005—1,393,423 units at a base value of $20,000,000
- 02/13/2006—947,203 units at a base value of $39,473,349
- 03/22/2006—58,820 units at a base value of $39,473,349
- 06/16/2006—74,032 units at a base value of $87,500,000
- 10/30/2006—1,583,067 units at a base value of $100,000,000

(2) Mr. Kendall has a total of 3,042,408 performance units which were granted as follows:

- 06/16/2006—3,042,408 units at a base value of $87,500,000

(3) Mr. Fuisz has a total of 4,563,612 performance units which were granted as follows:

- 01/22/2004—1,786,908 units at a base value of $12,500,000
- 02/23/2005—347,849 units at a base value of $17,857,143
- 11/17/2005—121,696 units at a base value of $20,000,000
- 03/22/2006—443,177 units at a base value of $39,473,349
- 06/16/2006—83,159 units at a base value of $87,500,000
- 10/30/2006—1,780,823 units at a base value of $100,000,000

(4) Dr. Sanghvi has a total of 1,014,136 performance units which were granted as follows:

- 02/23/2004—347,849 units at a base value of $13,750,000
- 11/17/2005—16,226 units at a base value of $20,000,000
- 03/22/2006—235,280 units at a base value of $39,473,349
- 06/16/2006—18,254 units at a base value of $87,500,000

- 10/30/2006—396,527 units at a base value of $100,000,000

(5) Mr. Fischer has a total of 507,068 performance units which were granted as follows:

- 12/13/2005—174,431 units at a base value of $20,000,000
- 02/13/2006—118,654 units at a base value of $39,473,349
- 03/22/2006—125,753 units at a base value of $39,473,349
- 06/16/2006—9,127 units at a base value of $87,500,000
- 10/30/2006—197,757 units at a base value of $100,000,000

Limitations On Liability And Indemnification Of Directors And Officers

We have adopted provisions in our certificate of incorporation that limit or eliminate the personal liability of its directors to the maximum extent permitted by the Delaware General Corporation Law, or DGCL. The DGCL expressly permits a corporation to provide that its directors will not be liable for monetary damages for a breach of their fiduciary duties as directors, except for liability:

- for or any breach of the director's duty of loyalty to us or our stockholders;
- for any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- for any unlawful payments of dividends or unlawful stock purchases or redemptions; or
- for any transaction from which the director derived an improper personal benefit.

These limitations of liability do not generally affect the availability of equitable remedies such as injunctive relief or rescission. Our certificate of incorporation and bylaws also authorize us to indemnify our officers, directors, employees and other agents to the fullest extent permitted under the DGCL and we may advance expenses to our directors, officers, employees and other agents in connection with a legal proceeding, subject to limited exceptions. In addition, we maintain directors' and officers' liability insurance for our officers and directors.

As permitted by the DGCL, our certificate of incorporation and bylaws provide that:

- we must indemnify our board members and officers to the fullest extent permitted by the DGCL and advance expenses to our board members and officers in connection with a legal proceeding, subject to limited exceptions; and
- we may purchase and maintain insurance on behalf of our current or former board members, officers, employees or agents against any liability asserted against them and incurred by them in any such capacity, or arising out of their status as such.

In March 2007, we entered into separate indemnification agreements with each of our directors. Prior to the completion of this offering, we will enter into separate indemnification agreements with each of our board members and certain of our officers that will require us to indemnify them to the fullest extent permitted by the DGCL. These indemnification agreements will also require us to advance any expenses incurred by the board members and certain officers as a result of any proceeding against them as to which they could be indemnified.

The limited liability and indemnification provisions in our certificate of incorporation and bylaws and in any indemnification agreements we enter into may discourage stockholders from bringing a lawsuit against our board members for breach of their fiduciary duties and may reduce the likelihood of derivative litigation against our board members and officers, even though a derivative action, if successful, may otherwise benefit us and our stockholders. A stockholder's investment in us may be adversely affected to the extent we pay the costs of settlement or damage awards against our directors and officers under these indemnification provisions.

At present, there is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification by us is sought, nor are we aware of any threatened litigation or proceeding that may result in a claim for indemnification.

PRINCIPAL STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of the common stock of MonoSol Rx, Inc. before and after the completion of this offering (on a pro forma basis, after giving effect to the conversion of the membership interest for common stock as described under "Corporate Formation Transactions") and shows the number and percentage owned by:

- each of our directors;
- each of our named executive officers;
- all of our directors and executive officers as a group; and
- each person or group of affiliated persons whom we know to beneficially own more than 5% of our common stock.

Beneficial ownership and percentage ownership are determined in accordance with the rules of the SEC. This information does not necessarily indicate beneficial ownership for any other purpose. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock underlying options or warrants held by that person that are currently exercisable or will become exercisable within 60 days are deemed outstanding and are included in the number of shares beneficially owned, while the shares are not deemed outstanding for purposes of computing percentage ownership of any other person. There are currently no options or warrants outstanding. To our knowledge, except as indicated in the footnotes to this table and subject to community property laws where applicable, the persons named in the table have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them.

The address for those individuals for which an address is not otherwise indicated is: c/o MonoSol Rx, Inc., 30 Technology Drive, Warren, New Jersey 07059.

	Shares Beneficially Owned			
	Prior to the Offering		After the Offering	
	Number	%	Number	%
Director and executive officers:				
A. Mark Schobel	—			
Keith J. Kendall	—			
Dr. Pradeep Sanghvi	—			
Carl Fischer	—			
Joseph Fuisz	—			
Douglas Bratton	—			
Dr. Gregory Brown	—			
John Cochran	—			
Robert Flanagan	—			
Frank Tanki	—			
All directors and executive officers as a group	—	%		%
Five percent stockholders:				
MRX Partners, LLC	—	15.9%		%
MonoLine RX, L.P.	—	15.6%		%
MonoLine RX II, L.P.	—	28.4%		%
Halifax Monosol Investors, L.P.	—	12.1%		%

* *Represents beneficial ownership of less than 1%.*

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Corporate Transaction

In accordance with the agreement and plan of merger, after the merger our equity will continue to be owned by the same entities in the same proportions as before the merger. After completion of this offering, our existing equity owners, which include the direct and indirect holders of membership interests in Monosol Rx LLC will own shares of our common stock representing approximately % of the voting power of our outstanding capital stock. See "Principal Stockholders" for more information regarding the ownership of our common stock.

Unsecured Note—Dr. Richard Fuisz

In conjunction with Monosol Rx LLC's formation in January 2004 we assumed an unsecured note payable to Dr. Richard Fuisz with a principal amount of approximately $904,000. At December 31, 2006 the note was repaid and $347,650 was outstanding at December 31, 2005. Interest expense on the note was $21,890, $38,386 and $41,324 for the years ended December 31, 2006, 2005 and 2004, respectively.

Monosol, LLC Asset Purchase

In December 2006, we sold an asset consisting of a small film casting machine to Monosol, LLC for $200,000. The asset was part of the original capital contribution to Monosol Rx LLC by Monosol, LLC made in 2004 at the time the company was formed. The machine was found to be unsuitable for pharmaceutical applications and as such not used in our operations. Prior to the transaction, in order to determine an appropriate sales price we obtained independent estimates from dealers in the secondary market. The sales price was in excess of the estimates obtained. In addition, during 2006 we received $54,000 in rent from Monosol, LLC for use of the asset.

Melton Road Lease Amendment and Guarantee

In September 2006, Monosol Rx LLC, with the landlord's agreement and acceptance, assigned to us all rights and obligations of the existing lease. As part of the agreement Monosol, LLC agreed to guarantee lease payments in an aggregate amount of $218,423 through March 2008. In January 2007, the landlord released Monosol, LLC from its guarantee in consideration for us providing a security deposit in the amount of three months rent and amending the date we need to provide notice to the landlord that we do not intend to renew our lease from six months to nine months prior to the end of the current lease term.

Monosol, LLC Cost Allocation

The statements of operations include certain shared costs allocated to us by Monosol, LLC. Charges for rent, insurance, employee fringe benefits, and other overhead costs are based on the ratio of payroll expense of our employees to aggregate payroll expense for Monosol, LLC employees. In the opinion of management, the costs charged have been allocated on a basis that is believed to be reasonable within the structure of Monosol, LLC. However, the costs charged are not necessarily indicative of the level of expenses that may have been incurred if we and the Predecessor had operated as a stand alone entity. The total amount of costs allocated to us was $250,000, $696,000 and $727,000 for 2006, 2005 and 2004, respectively. As of October 2006 the cost allocation arrangement with Monosol, LLC was terminated.

Consulting Agreements

In conjunction with our purchase of all of the assets of Kosmos Pharma Limited, Dr. Richard Fuisz and his son, Mr. Joseph Fuisz, Esq., significant shareholders in Kosmos Pharma Limited, entered into consulting agreements with the Company. These consulting agreements were each for a three year term and provided for a monthly and annual fee of $13,333 and $160,000, respectively, plus the reimbursement of certain expenses. Including reimbursed fees, we paid Dr. Fuisz $163,301, $179,806 and $148,925 for 2006, 2005, and 2004 respectively, and Joseph Fuisz $224,117, $281,010 and $197,319 for 2006, 2005, and 2004, respectively, under the agreements. The contract between us and Mr. Joseph Fuisz, Esq. was terminated and Mr. Fuisz became our employee in September 2006.

In September 2006, the consulting agreement between us and Dr. Fuisz was extended through September 2009 with substantially the same terms. We have agreed to provide Dr. Fuisz with a one-time fee of $100,000 under his consulting agreement within 15 days after the date that the registration statement becomes effective. We will have no obligation to pay this fee in the event that the registration statement becomes effective after December 31, 2007.

We agreed to transfer the assets and properties relating to certain technology and intellectual property unrelated to thin film to a new Delaware limited liability company, 55% of the interests of which will be owned by Dr. Fuisz and 45% of the interests of which will be owned by our members as of the date of such transfer. We have also agreed to release Dr. Fuisz from all claims that we may have now or in the future against him, with the exception of claims arising under certain agreements between us and Dr. Fuisz or his affiliates. We have also agreed to indemnify Dr. Fuisz to the same extent we have agreed to indemnify our officers and directors.

We also are a guarantor through May 2007 of a lease for office space in Washington, D.C. that is used by Dr. Fuisz and Joseph Fuisz, Esq. The aggregate remaining lease payments through May 2007 are $12,153. We made payments to Dr. Fuisz in connection with the lease of $28,386, $29,893 and $41,133 for 2006, 2005 and 2004 respectively. We have agreed to extend this lease on a month to month basis.

DESCRIPTION OF CAPITAL STOCK

General

Upon completion of this offering, the total amount of our authorized capital stock will consist of 100,000,000 shares of common stock, par value $.01 per share, and 20,000,000 shares of preferred stock, par value $.01 per share. As of April 15, 2007, there were no shares of common stock outstanding and no shares of preferred stock outstanding. As of April 15, 2007, we had no record holders of our common stock. In addition, as of , 2007 shares of our common stock were reserved for grants under our stock incentive plan, and options to purchase a total of zero shares of our common stock were outstanding. As of April 1, 2007, pursuant to our predecessor's performance unit plans there were 22,796,404 units outstanding which will be converted to shares of our common stock.

Immediately after this offering, there will be shares of our common stock and no shares of preferred stock outstanding.

The following description of our capital stock does not purport to be complete and is subject to, and is qualified by, our certificate of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part, and by the applicable provisions of Delaware law.

Common Stock

Voting

The holders of our common stock are entitled to one vote for each share held of record on each matter submitted to a vote of stockholders, including the election of directors, and do not have any right to cumulative votes in the election of directors.

Dividends

Subject to the rights and preferences of the holders of any series of preferred stock which may at the time be outstanding, holders of our common stock are entitled to such dividends as our board of directors may declare from time to time out of legally available funds. Dividends on the common stock are not cumulative.

Liquidation rights

In the event of any liquidation, dissolution or winding-up of our affairs, after payment of all of its debts and liabilities, and subject to the rights and preferences of the holders of any outstanding shares of any series of its preferred stock, the holders of our common stock will be entitled to receive their pro rata distribution of any of our remaining assets.

Other matters

Holders of our common stock have no conversion, preemptive or other subscription rights and there are no redemption rights or sinking fund provisions with respect to the common stock. The shares of our common stock to be sold in this offering when issued and paid for will be validly issued, fully paid and non-assessable.

Preferred Stock

We are authorized to issue up to 20,000,000 shares of preferred stock. Our certificate of incorporation authorizes our board, from time to time, without any further stockholder action or approval: to issue these shares in one or more classes or series; to establish from time to time the number of shares to be included in each class or series; and to fix the designation, powers, preferences,

and rights of the shares of each wholly unissued class or series and any of its qualifications, limitations or restrictions. In some circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Our board may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. We currently have no plans to issue any shares of preferred stock.

Certain Provisions of Our Certificate of Incorporation, Bylaws and Delaware Law

Provisions of our certificate of incorporation, bylaws and Delaware law, which are summarized below, may be deemed to have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt that a stockholder may consider in such stockholder's best interest, including those attempts that may result in a premium over the market price for our common stock. These provisions include restrictions on stockholder's ability to take action by written consents, elimination of the ability of stockholders to call special meetings, advance notice procedures for stockholder proposals and director nominations, and certain Delaware law provisions.

Number of Directors; Removal for Cause; Filling Vacancies

Our certificate of incorporation provides that our board of directors will consist of one or more directors, the exact number of which will be fixed from time to time by the board. Our board of directors will consist of six directors.

Our bylaws provide that any newly created directorships on our board, or any other vacancy on the board, may be filled by a majority of the board then in office, even if a quorum is not present, or by a plurality of votes cast at a meeting of the stockholders. Any director elected in accordance with the preceding sentence will hold office for the remainder of the full term of office of the director whom he or she replaced or until such director's successor shall have been elected and qualified.

Special Meetings of Stockholders

Our bylaws deny stockholders the right to call a special meeting of stockholders. Our bylaws provide that a special meeting of stockholders may be called only by our board.

Stockholder Action by Written Consent

Our certificate of incorporation and bylaws deny stockholders the ability to act by written consent without a meeting, unless the holders of $66^{2}/_{3}\%$ of our issued and outstanding stock act by such a written consent. All other stockholder action must take place at a meeting of stockholders.

Stockholder Proposals

At an annual meeting of stockholders, only business that is properly brought before the meeting will be conducted or considered. To be properly brought before an annual meeting of stockholders, business must be specified in the notice of the meeting (or any supplement to that notice), brought before the meeting by or at the direction of the board (or any duly authorized committee of the board) or properly brought before the meeting by a stockholder. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely written notice of the business in proper written form to our secretary.

To be timely, a stockholder's notice must be delivered to or mailed and received at our principal executive offices not less than 60 days nor more than 180 days prior to the anniversary date of the last annual meeting; provided, however, that in the event that the annual meeting is called for a date that is

not within 45 days before or after the anniversary date, notice by the stockholder must be received not later than the close of business on the 10th day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter the stockholder proposes to bring before the annual meeting:

- a brief description of the business desired to be brought before the annual meeting and the reasons for conducting the business at the annual meeting;
- the name and address, as they appear on our books, of the stockholder proposing such business;
- the class or series and number of our shares which are owned beneficially or of record by the stockholder proposing the business; and
- any material interest of the stockholder in such business.

Similarly, at a special meeting of stockholders, only such business as is properly brought before the meeting will be conducted or considered. To be properly brought before a special meeting, business must be specified in the notice of the meeting (or any supplement to that notice).

Nomination of Candidates for Election to Our Board

Under our bylaws, only persons who are properly nominated will be eligible for election to be members of our board. To be properly nominated, a director candidate must be nominated at an annual meeting of the stockholders or any special meeting called for the purpose of electing directors by or at the direction of our board (or any duly authorized committee of the board) or properly nominated by a stockholder. To properly nominate a director, a stockholder must:

- be entitled to vote at the meeting; and
- have given timely written notice in proper written form to our secretary.

To be timely, a stockholder's notice must be delivered to or mailed and received at our executive offices:

- in the case of an annual meeting, not less than 90 days prior to the anniversary date of the last annual meeting of our stockholders; and
- in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the 10th day following the day on which notice of the date of such meeting was mailed or public disclosure of the date of the special meeting was made, provided that such statement is mailed no earlier than 120 days prior to the date of such meeting.

To be in proper written form, a stockholder's notice to the secretary must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected and must set forth:

- as to each person whom the stockholder proposes to nominate for election as a director:

- the name, age, business address and residence address of the person;
- the principal occupation or employment of the person;
- the class or series and number of shares of our capital stock that are owned beneficially or of record by the person; and

- any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations promulgated thereunder; and

- as to the stockholder giving the notice:

- the name and record address of such stockholder;

- the class or series and number of shares of our capital stock that are owned beneficially or of record by such stockholder;

- a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) under which the nomination(s) are to be made by such stockholder; and

- a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice.

Amendment of Certificate of Incorporation and Bylaws

Our certificate of incorporation can only be amended by the approval of a majority of the stockholders. Our bylaws provide that the board of directors or the stockholders have the right to alter, amend or repeal the bylaws. In addition, our certificate of incorporation grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our certificate of incorporation.

Delaware Law

We will be subject to the provisions of Section 203 of the DGCL regulating corporate takeovers. In general, those provisions prohibit a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding those shares owned by directors and officers and shares issued under employee stock plans under which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- on or after the date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, lease, exchange, mortgage, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling, controlled by, or under common control with the entity or person.

Nasdaq Global Market Listing

We have applied to have our common stock included for quotation on The Nasdaq Global Market under the symbol "MSRX."

Transfer Agent And Registrar

Upon the closing of this offering, the transfer agent and registrar for our common stock will be The Bank of New York.

MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF OUR COMMON STOCK

The following is a general discussion of the material U.S. federal income and estate tax considerations applicable to non-U.S. holders with respect to their ownership and disposition of shares of our common stock. This discussion is for general information only and is not tax advice. Accordingly, all prospective non-U.S. holders of our common stock should consult their own tax advisors with respect to the United States federal, state, local and non-U.S. tax consequences of the acquisition, ownership and disposition of our common stock. For purposes of this discussion, a "non-U.S. holder" means a beneficial owner of our common stock who is not for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation, partnership, or any other organization taxable for U.S. federal income tax purposes as a corporation or partnership created or organized in the United States or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate the income of which is included in gross income for U.S. federal income tax purposes regardless of its source; or
- a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) a valid election is in place to treat the trust as a U.S. person.

If a partnership holds our common stock, the tax treatment of its partners generally will depend on the status of the partner and upon the activities of the partnership. Accordingly, partnerships that are prospective investors in our common stock, and partners in such partnerships, should consult their tax advisors.

This discussion is based on current provisions of the United States Internal Revenue Code of 1986, as amended, existing and proposed United States Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all of which are in effect as of the date of this prospectus and all of which are subject to change or to differing interpretation. Any change, which may or may not be retroactive, could alter the tax consequences to non-U.S. holders described in this prospectus.

This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's circumstances nor does it address any aspects of U.S. state, local or non-U.S. taxes. This discussion does not address the consequences to non-U.S. holders subject to special rules, including, U.S. expatriates; "controlled foreign corporations" or "passive foreign investment companies;" or non-U.S. holders that own more than 5% of our common stock.

There can be no assurance that the Internal Revenue Service, or IRS, will not challenge one of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, an opinion of counsel with respect to the U.S. federal income or estate tax consequences to a non-U.S. holder of the acquisition, ownership, or disposition of our common stock. **We urge prospective investors to consult with their own tax advisors regarding the U.S. federal, estate, state and local, and non-U.S. income and other tax considerations of acquiring, holding and disposing of shares of our common stock.**

Distributions with respect to Our Common Stock

We have not declared or paid distributions on our common stock since our inception and do not intend to pay any distributions on our common stock in the foreseeable future. In the event we do pay

distributions on our common stock, however, these distributions generally will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated first as a tax-free return of the non-U.S. holder's investment, up to such holder's tax basis in the common stock and then any remaining excess will be treated as gain from the sale of common stock, subject to the tax treatment described below in "Gain on Sale or Other Disposition of Our Common Stock."

Dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be provided by an applicable income tax treaty. In order to obtain a reduced rate of withholding, a non-U.S. holder will be required to provide an Internal Revenue Service Form W8-BEN certifying its entitlement to a reduced rate of withholding under a treaty. If we determine, at a time reasonably close to the date of payment of a distribution on our common stock, that the distribution will not qualify as a dividend because we do not anticipate having current or accumulated earnings and profits, we intend not to withhold any U.S. federal income tax on the distribution as permitted by United States Treasury Regulations.

Dividends paid to a non-U.S. holder that are treated as "effectively connected" with a trade or business conducted by such non-U.S. holder within the United States (and, if an applicable income tax treaty so provides, are also attributable to a permanent establishment of such non-U.S. holder), known as "United States trade or business income," are generally exempt from the 30% withholding tax if the non-U.S. holder provides a properly completed Internal Revenue Service Form W-8ECI and satisfies certain other requirements. However, such United States trade or business income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to United States persons. Additionally, United States trade or business income received by a non-U.S. holder that is a corporation may also be subject to an additional "branch profits tax" at a 30% rate or such lower rate specified by an applicable income tax treaty.

A non-U.S. holder that is eligible for a reduced rate of United States withholding or other withholding exclusion under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing an appropriate claim for refund or credit with the IRS.

Gain on Sale or Other Disposition of Our Common Stock

In general, a non-U.S. holder will not be subject to any U.S. federal income tax or withholding tax on any gain recognized upon such holder's sale or other disposition of shares of our common stock unless:

- the gain is United States trade or business income, in which case such holder will be subject to tax on the net gain derived from the sale or disposition at the graduated United States federal income tax rates applicable to United States persons; and, if the non-U.S. holder is a corporation, such holder may also be subject to the branch profits tax, both as described above in "Distributions with respect to Our Common Stock;"

- the non-U.S. holder is an individual who is present in the United States for 183 days or more during the taxable year of the disposition and meets certain other requirements in which case the holder will be subject to a flat 30% tax on the amount by which the gain derived from the sale, and certain other United States source capital gains recognized during such year exceed certain United States source capital losses recognized during such year; or

- certain rules relating to "United States real property holding corporation" status apply to such sale or other disposition. Under such rules, gain recognized on a sale or other disposition of our common stock may be subject to U.S. federal income tax (and, in certain circumstances, withholding tax) if (1) our common stock is not regularly traded on an established securities

market prior to the beginning of the calendar year in which the sale or disposition occurs and (2) we are, or have been, a United States real property holding corporation during the shorter of the five-year period ending on the date of such sale or other disposition or the period that the non-U.S. holder held our common stock. Generally, we would be considered a United States real property holding corporation if the fair market value of our "United States real property interests" were to equal or exceed 50% of the aggregate fair market value of our worldwide real property interests and our other assets used or held for use in our trade or business. Although there can be no assurance, we do not believe that we are, or have been, a United States real property holding corporation, or that we are likely to become one in the foreseeable future.

United States Federal Estate Tax

Shares of our common stock that are owned or treated as owned by an individual non-U.S. holder at the time of such non-U.S. holder's death will be included in such individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise, and therefore may be subject to U.S. federal estate tax.

Backup Withholding, Information Reporting and Other Reporting Requirements

We must report to the IRS and to each non-U.S. holder the gross amount of any dividends paid to such holder with respect to our common stock, and the tax withheld, if any, upon the payment of such dividends. In addition, information reporting and backup withholding (at a rate of 28% through 2010, and 31% thereafter) generally will apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the United States office of a broker unless the holder certifies its status as a non-U.S. holder and satisfies certain other qualifications, or otherwise establishes an exemption. Generally, such information reporting and backup withholding will not apply to a payment of disposition proceeds if the transaction is effected outside the United States through a non-U.S. office of a non-U.S. broker. However, for information reporting purposes, certain brokers with substantial United States ownership or operations are treated in a manner similar to United States brokers. Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them.

Copies of information returns may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which a non-U.S. holder resides or is incorporated.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is timely filed with the IRS.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there was no public market for our common stock. Future sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock.

Upon completion of this offering, we will have approximately shares of our common stock outstanding (approximately shares if the underwriters exercise their overallotment option in full). Of those shares, the shares of common stock sold in this offering (shares if the underwriters exercise their overallotment option in full) will be freely transferable without restriction, unless purchased by our affiliates. The remaining approximately shares of common stock to be outstanding immediately following the completion of this offering, which are "restricted securities" under Rule 144 of the Securities Act of 1933, as amended, or Rule 144, as well as any other shares held by our affiliates, may not be resold except pursuant to an effective registration statement or an applicable exemption from registration, including an exemption under Rule 144.

Lock-Up Agreements

The holders of approximately shares of outstanding common stock as of the closing of this offering, including all of our officers and directors, have entered into lock-up agreements under which they have generally agreed, subject to certain exceptions, not to offer or sell any shares of common stock or securities convertible into or exchangeable or exercisable for shares of common stock for a period of at least 180 days from the date of this prospectus without the prior written consent of Cowen and Company, LLC. See "Underwriting—No sales of similar securities."

Rule 144

In general, under Rule 144, an affiliate of ours who beneficially owns shares of our common stock that are not restricted securities, or a person who beneficially owns for more than one year shares of our common stock that are restricted securities, may generally sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume of our common stock on the Nasdaq Global Market during the four preceding calendar weeks.

Sales under Rule 144 are also subject to requirements with respect to manner of sale, notice and the availability of current public information about us. Generally, a person who was not our affiliate at any time during the three months before the sale, and who has beneficially owned shares of our common stock that are restricted securities for at least two years, may sell those shares without regard to the volume limitations, manner of sale provisions, notice requirements or the requirements with respect to availability of current public information about us.

Rule 144 does not supersede the contractual obligations of our security holders set forth in the lock-up agreements described above.

Rule 701

Generally, an employee, officer, director or consultant who purchased shares of our common stock before the effective date of the registration statement of which this prospectus is a part, or who holds options as of that date, under a written compensatory plan or contract, may rely on the resale provisions of Rule 701 under the Securities Act of 1933, as amended. Under Rule 701, these persons who are not our affiliates may generally sell their eligible securities, commencing 90 days after the

effective date of the registration statement of which this prospectus is a part, without having to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. These persons who are our affiliates may generally sell their eligible securities under Rule 701, commencing 90 days after the effective date of the registration statement of which this prospectus is a part, without having to comply with Rule 144's one-year holding period restriction.

Neither Rule 144 nor Rule 701 supersedes the contractual obligations of our security holders set forth in the lock-up agreements described above.

Sale of Restricted Shares

The shares of our common stock that were outstanding will become eligible for sale, pursuant to Rule 144 or Rule 701, without registration approximately as follows:

- approximately shares of common stock will be immediately eligible for sale in the public market without restriction;
- approximately shares of common stock will be eligible for sale in the public market under Rule 144 or Rule 701, beginning 180 days after the effective date of the registration statement of which this prospectus is a part, subject to the volume, manner of sale and other limitations under those rules; and

The above does not take into consideration the effect of the lock-up agreements described above.

2007 Stock Incentive Plan

We intend to file a registration statement on Form S-8 under the Securities Act to register the shares of common stock available for issuance under our 2007 Stock Incentive Plan. Subject to the lock-up agreements, shares issued under these plans after the effective date of such registration statement will be available for sale in the open market and, for our affiliates, subject to the conditions and restrictions of Rule 144. As of April 15, 2007, options to purchase a total of zero shares of common stock were outstanding under our 2007 Stock Incentive Plan and shares of our common stock were available for future grant under the 2007 Stock Incentive Plan.

UNDERWRITING

We and the underwriters for the offering named below have entered into an underwriting agreement with respect to the common stock being offered. Subject to the terms and conditions of the underwriting agreement, each underwriter has severally agreed to purchase from us the number of shares of our common stock set forth opposite its name below. Cowen and Company, LLC is the representative of the underwriters.

Underwriters	Number of Shares
Cowen and Company, LLC	
CIBC World Markets Corp.	
Susquehanna Financial Group, LLLP	
Total	

The obligations of the underwriters may be terminated upon the occurrence of the events specified in the underwriting agreement. The underwriters have agreed, severally and not jointly, to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased, other than those shares covered by the overallotment option described below. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters against specified liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments the underwriters may be required to make in respect thereof.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions specified in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Overallotment Option to Purchase Additional Shares. We have granted to the underwriters an option to purchase up to additional shares of common stock at the public offering price, less the underwriting discount. This option is exercisable for a period of 30 days. The underwriters may exercise this option solely for the purpose of covering overallotments, if any, made in connection with the sale of common stock offered hereby. To the extent that the underwriters exercise this option, the underwriters will purchase additional shares from us in approximately the same proportion as shown in the table above.

Discounts and Commissions. The following table shows the public offering price, underwriting discount and proceeds, before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

We estimate that the total expenses of the offering, excluding underwriting discount, will be approximately $ and are payable by us.

		Total	
	Per Share	Without Overallotment	With Overallotment
Public offering price			
Underwriting discount			
Proceeds, before expenses, to us			

The underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus. The underwriters may offer the shares of common stock to securities dealers at the public offering price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. If all of the shares are not sold at the public offering price, the underwriters may change the offering price and other selling terms.

Discretionary Accounts. The underwriters do not intend to confirm sales of the shares to any accounts over which they have discretionary authority.

Market Information. Prior to this offering, there has been no public market for shares of our common stock. The initial public offering price will be determined by negotiations between us and the representative of the underwriters. In addition to prevailing market conditions, the factors to be considered in these negotiations will include:

- the history of, and prospects for, our company and the industry in which we compete;
- our past and present financial information;
- an assessment of our management; its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

We have applied for the quotation of our common stock on the Nasdaq Global Market under the symbol "MSRX."

Stabilization. In connection with this offering, the underwriters may engage in stabilizing transactions, overallotment transactions, syndicate short covering transactions, penalty bids and purchases to cover positions created by short sales.

- Stabilizing transactions permit bids to purchase shares of common stock so long as the stabilizing bids do not exceed a specified maximum, and are engaged in for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.
- Overallotment transactions involve sales by the underwriters of shares of common stock in excess of the number of shares the underwriters are obligated to purchase. This creates a syndicate short position which may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the overallotment option. In a naked short position, the number of shares involved is greater than the number of shares in the

overallotment option. The underwriters may close out any short position by exercising their overallotment option and/or purchasing shares in the open market.

- Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared with the price at which they may purchase shares through exercise of the overallotment option. If the underwriters sell more shares than could be covered by exercise of the overallotment option and, therefore, have a naked short position, the position can be closed out only by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that after pricing there could be downward pressure on the price of the shares in the open market that could adversely affect investors who purchase in the offering.

- Penalty bids permit the representative to reclaim a selling concession from a syndicate member when the common stock originally sold by that syndicate member is purchased in stabilizing or syndicate covering transactions to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock in the open market may be higher than it would otherwise be in the absence of these transactions. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on the Nasdaq Global Market, in the over-the-counter market or otherwise and, if commenced, may be discontinued at any time.

Lock-Up Agreements. Pursuant to certain "lock-up" agreements, we and our executive officers, directors and certain of our other stockholders, have agreed, subject to certain exceptions, not to offer, sell, contract to sell, announce any intention to sell, pledge or otherwise dispose of, enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any common stock or securities convertible into or exchangeable or exercisable for any common stock without the prior written consent of Cowen and Company, LLC, for a period of 180 days after the date of the pricing of the offering. The 180-day restricted period will be automatically extended if (i) during the last 17 days of the 180-day restricted period we issue an earnings release or material news or a material event relating to us occurs or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 180-day restricted period, in either of which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. The exceptions permit us, among other things and subject to restrictions, to: (a) issue common stock or options pursuant to employee benefit plans, or (b) issue common stock upon exercise of outstanding options or warrants. The exceptions permit parties to the "lock up" agreements, among other things and subject to restrictions, to: (a) participate in tenders involving the acquisition of a majority of our stock, (b) participate in transfers or exchanges involving common stock or securities convertible into common stock or (c) make certain gifts. In addition, the

lock-up provision will not restrict broker-dealers from engaging in market making and similar activities conducted in the ordinary course of their business.

Directed Share Program. At our request, the underwriters have reserved up to shares of our common stock for sale, at the initial public offering price, through a directed share program to members of our management, and our employees and directors. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public in the offering will be reduced to the extent the reserved shares are purchased in the directed share program. Any reserved shares of common stock not purchased through the directed share program will be offered to the general public on the same basis as the other common stock offered hereby.

Electronic Offer, Sale and Distribution of Shares. A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations. Other than the prospectus in electronic format, the information on these websites is not part of this prospectus or the registration statement of which this prospectus forms a part, has not been approved or endorsed by us or any underwriter in its capacity as underwriter, and should not be relied upon by investors.

Other Relationships. Certain of the underwriters and their affiliates have provided, and may in the future provide, various investment banking, commercial banking and other financial services for us and our affiliates for which they have received, and may in the future receive, customary fees.

LEGAL MATTERS

The validity of the common stock offered hereby will be passed upon for us by Fulbright & Jaworski L.L.P., Dallas, Texas. Willkie Farr & Gallagher LLP, New York, New York, is counsel for the underwriters in connection with this offering.

EXPERTS

The financial statements of Monosol Rx LLC for the year ended December 31, 2004, and as of and for the years ended December 31, 2005 and 2006, have been included herein and in the registration statement in reliance upon the report of KPMG LLP, an independent registered public accounting firm, appearing elsewhere in this prospectus, and upon and the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock we are offering. This prospectus, which constitutes a part of the registration statement, does not contain all of the information in the registration statement and the exhibits which are part of the registration statement. For further information with respect to us and our common stock, we refer you to the registration statement and to the exhibits to the registration statement. Statements contained in this prospectus about the contents of any contract or any other document are not necessarily complete, and, in each instance, we refer you to the copy of the contract or other document filed as an exhibit to the registration statement. Each of these statements is qualified in all respects by this reference.

You may read and copy the registration statement of which this prospectus is a part at the SEC's Public Reference Room, which is located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

You can request copies of the registration statement by writing to the SEC and paying a fee for the copying cost. Please call the SEC at 1-800-SEC-0330 for more information about the operation of the SEC's Public Reference Room. In addition, the SEC maintains an Internet website, which is located at www.sec.gov, that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. You may access the registration statement of which this prospectus is a part at the SEC's Internet website. Upon completion of this offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, and we will file reports, proxy statements and other information with the SEC.

This prospectus includes statistical data obtained from industry publications. These industry publications generally indicate that the authors of these publications have obtained information from sources believed to be reliable but do not guarantee the accuracy and completeness of their information. While we believe these industry publications to be reliable, we have not independently verified their data.

Monosol Rx LLC

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Members
Monosol Rx LLC:

We have audited the accompanying balance sheets of Monosol Rx LLC as of December 31, 2006 and 2005, and the related statements of operations, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Monosol Rx LLC as of December 31, 2006 and 2005, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 151, *Inventory Costs—an Amendment of ARB No. 43, Chapter 4.*

/s/ KPMG LLP

Chicago, Illinois

May 14, 2007

Monosol Rx LLC

Balance sheets

	December 31,	
	2006	2005
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,256	$ 1,332
Trade receivables	567	196
Other receivables	11	4
Due from the Predecessor	200	—
Inventories	455	665
Prepaid expenses and other current assets	170	99
Total current assets	16,659	2,296
Property and equipment, net	8,556	7,614
Other assets	300	496
Intangible asset, net	1,664	1,900
	$ 27,179	$ 12,306
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ —	$ 278
Accounts payable	1,096	1,239
Due to the Predecessor	—	10
Accrued expenses	733	189
Total current liabilities	1,829	1,716
Other liabilities — asset retirement obligations	87	—
Long-term debt, less current maturities	—	5,925
Members' equity	25,263	4,665
	$ 27,179	$ 12,306

See accompanying notes to financial statements.

Monosol Rx LLC
Statements of operations

	Year ended December 31,		
	2006	2005	2004
	(in thousands)		
Revenues:			
Manufacture and supply revenue	$ 1,765	$ 1,458	$ 1,947
Co-development and research fees	950	665	100
Total revenues	2,715	2,123	2,047
Cost of goods sold:			
Manufacture and supply	1,623	1,282	1,388
Gross profit	1,092	841	659
Operating expenses:			
General and administrative	11,296	7,372	3,168
Research and development	1,993	1,258	1,010
Operating expenses	13,289	8,630	4,178
Operating loss	(12,197)	(7,789)	(3,519)
Other income, principally related-party	64	41	—
Interest income	226	46	—
Interest expense	(845)	(581)	(41)
Net loss	$ (12,752)	$ (8,283)	$ (3,560)

See accompanying notes to financial statements.

Monosol Rx LLC
Statements of changes in equity

	Members' contributions	Net income (loss)	Predecessor division equity	Total equity
		(in thousands)		
Balance, December 31, 2003	$ —	$ —	$ 1,862	$ 1,862
Formation of Monosol Rx LLC and contribution of net assets	4,725	—	(1,862)	2,863
Additional contributed capital	6,579	—	—	6,579
Net loss	—	(3,560)	—	(3,560)
Balance, December 31, 2004	11,304	(3,560)	—	7,744
Issuance of stock purchase warrants	3,024	—	—	3,024
Capital contribution related to debt modification	2,180	—	—	2,180
Net loss	—	(8,283)	—	(8,283)
Balance, December 31, 2005	16,508	(11,843)	—	4,665
Issuance of stock purchase warrants	4,668	—	—	4,668
Issuance of Series A—preferred interest	16,887	—	—	16,887
Conversion of Tranche A & B Note Series A-1—preferred interest	12,011	—	—	12,011
Return of capital contribution to Predecessor	(216)	—	—	(216)
Net loss	—	(12,752)	—	(12,752)
Balance, December 31, 2006	$ 49,858	$ (24,595)	$ —	$ 25,263

See accompanying notes to financial statements.

Monosol Rx LLC
Statements of cash flows

	Year ended December 31,		
	2006	2005	2004
	(in thousands)		
Cash flows from operating activities:			
Net loss	$ (12,752)	$ (8,283)	$ (3,560)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,730	479	295
Asset retirement obligation accretion	2	—	—
Amortization of debt discount	248	83	—
Amortization of intangible	236	236	222
Non-cash interest expense	575	452	—
Write-down of unapplied vendor credit	296	—	—
Loss from disposal of assets	226	—	—
Loss from impairment of assets	132	—	—
Bad debt expense	16	—	—
Compensation expense related to the issuance of debt and warrants	—	25	—
Write-off of accounts receivable	—	296	—
Changes in operating assets and liabilities:			
Trade receivables	(387)	647	(1,073)
Other receivables	(7)	—	—
Inventories	210	29	(695)
Prepaid expenses	(71)	(51)	(47)
Accounts payable	(143)	(306)	1,200
Due to the Predecessor	(10)	(129)	232
Accrued expenses	544	127	(17)
Other assets	(100)	—	—
Net cash used in operating activities	(9,255)	(6,395)	(3,443)
Cash flows from investing activities:			
Capital expenditures	(3,378)	(2,761)	(1,194)
Proceeds from sale of assets	18	—	—
Net cash used in investing activities	(3,360)	(2,761)	(1,194)

Monosol Rx LLC
Statements of cash flows (Continued)

	Year ended December 31,		
	2006	2005	2004
		(in thousands)	
Cash flows from financing activities:			
Contributed capital	$ 16,887	$ —	$ 5,181
Principal payments on long-term debt	(348)	(278)	(278)
Proceeds from debt and warrants issuances	10,000	10,500	—
Net cash provided by financing activities	26,539	10,222	4,903
Net increase in cash and cash equivalents	13,924	1,066	266
Cash and cash equivalents:			
Beginning of year	1,332	266	—
Ending of year	$ 15,256	$ 1,332	$ 266
Supplemental disclosure of cash flow information:			
Cash payments for interest	$ 22	$ 38	$ 41
Supplemental schedule of noncash investing activities:			
Formation of Monosol Rx LLC:			
Assets acquired and liabilities assumed from Predecessor and Kosmos:			
Other assets—future vendor credits to be applied to capital expenditures	$ —	$ —	$ 1,196
Property and equipment	—	—	2,045
Intangible assets	—	—	2,358
Accounts payable	—	—	(345)
Long-term debt	—	—	(904)
	$ —	$ —	$ 4,350
Other asset—vendor credits applied to capital expenditures	$ —	$ —	$ 700
Contributed capital related to debt conversion	12,011	—	—
Contributed capital related to debt modification	—	2,180	—
Return of capital contribution to Predecessor	216	—	—
Asset retirement obligation included in property and equipment	85	—	—
Accounts receivable from the Predecessor related to asset transfer	200	—	—
Capital contribution—fixed assets from Predecessor	—	—	1,688
Capital contribution—intercompany payable owed to Predecessor	—	—	79
Offset of due to Monosol, LLC with amounts due from Predecessor	—	—	94

See accompanying notes to financial statements.

(1) Nature of Business and Significant Accounting Policies

Nature of Business

Monosol Rx LLC (Monosol Rx or the Company) was founded on January 21, 2004 and is a drug delivery company specializing in proprietary dissolving thin film drug delivery products. The Company's thin film drug delivery dosage form is similar in size, shape and thickness to a postage stamp and dissolves readily on the tongue for easy use by patients. The Company's thin film drug delivery technology is now used in the over-the-counter, or OTC, marketplace and is currently emerging in the prescription drug market. The Company's films are environmentally friendly given their biodegradable properties and ability to yield inert materials once dissolved in water. For the years ended December 31, 2006, 2005 and 2004, most of the Company's customers were principally located in the Northeastern and Southeastern parts of the United States.

Prior to the formation of Monosol Rx LLC, the activities of the Company were carried out as part of the research and development efforts of Monosol, LLC, a manufacturer of commercial soluble films (the Predecessor). For the time period of January 1, 2004 to January 21, 2004, the results of operations and the assets and liabilities have been assigned to the Company based upon those items specifically related to the Predecessor's business.

During 2004, in connection with the formation of Monosol Rx LLC, the Company received from the Predecessor a capital contribution in the form of assets of $1,793. Additionally, on formation, the Company also received capital of $375 in cash from Monosol RX Genpar, L.P., a private investor, and $2,557 of contributed capital in the form of assets from Kosmos Pharma Limited (Kosmos) in exchange for equity ownership (see note 2).

During 2004, the Company received additional capital contributions from the Predecessor of $6,579 in the form of cash of $4,812 and assets of $1,767.

During 2005, the Company received additional capital contributions from its members as a result of unit purchase warrants issued in connection with two debt issuances. Contributed capital of $3,024 represented the estimated fair values assigned to the unit purchase warrants issued in connection with the debt issuances. An additional $2,180 in contributed capital was recorded as a result of a modification of the terms of certain previously outstanding debt. The modifications were made in connection with the second debt issuance made in 2005. See note 9 for further explanation.

During 2006, the Company received additional capital contributions from its members as a result of unit purchase warrants issued in connection with debt issuances. Contributed capital of $4,668 represented the estimated fair value assigned to the unit purchase warrants issued in connection with the debt issuances.

In October 2006, the Company issued Preferred Members' Interests, Series A and Series A-1 representing a 37.878% interest in the Company. The Series A interestholders contributed $16,887 in cash in exchange for their interest. All of the then existing secured debt holders converted their notes, plus related accrued interest, in to Series A-1 interests, resulting in an additional capital contribution of $12,011.

The Company maintains a production plant in Portage, IN, a research facility in Kingsport TN, a business development office in Washington, DC and its headquarters in Warren, New Jersey.

Significant Accounting Policies

(a) Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(b) Cash Equivalents

The Company considers investments with an original maturity of three months or less to be cash equivalents. The Company's cash equivalents were comprised principally of overnight or short-term investment grade debt instruments.

(c) Trade Receivables

The Company's standard credit terms are 30 days for customers in the United States and 45 days for international customers. Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and in the absence of historical experience, applying an estimate that management believes is a reasonable indicator of future potential losses. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. The following table presents the changes in the allowance for bad debts account for the years ended December 31, 2006, 2005 and 2004.

	Balance Beginning of Year	Charged to Costs and Expenses	Acquisitions	Deductions	Balance at End of Year
Allowance for bad debts					
2004	—	—	—	—	—
2005	—	381	—	381	—
2006	—	16	—	—	16

(d) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Inventories are evaluated periodically and the cost of any nonusable inventory is written-off to expense. In addition, the Company reserves for any inventory where carrying value may be in excess of its estimated realizable value, or where the items could potentially be nonusable. Charges for such write-offs and reserves are recorded as a component of cost of goods sold.

(e) Property and Equipment

Property and equipment are stated at cost. Depreciation for equipment, furniture, and fixtures is calculated using the straight-line method over the estimated useful lives of the assets. Machinery and equipment are depreciated over 2 to 15 years and furniture and fixtures are depreciated over 5 to 10 years. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful lives. Total depreciation for the years ended December 31, 2006, 2005, and 2004 was $1,730, $479 and $295, respectively.

(f) Other Assets

Other assets consist principally of unapplied vendor credits available for application against the purchase price of additional machinery configured similarly to that currently used by the Company, and restricted cash.

(g) Intangible Asset

The technology intangible relates to composition and process technology used in edible soluble film manufacturing. It was acquired as part of the Kosmos Pharma Limited asset purchase in 2004 (see note 2). The Company amortizes the technology intangible using the straight-line method over 10 years, which is the expected useful life of the associated products.

(h) Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs reflect costs incurred for the Company's internal proprietary research and development projects as well as costs incurred under arrangements with third parties for which the Company generates co-development and research fees. All research and development costs are presented within operating expenses. Research and development expenses amounted to $1,993, $1,258, and $1,010 for the years ended December 31, 2006, 2005, and 2004, respectively.

(i) Income Taxes

Monosol Rx LLC is a limited liability company and its owners are referred to as members. Limited liability companies operate under sections of federal and state income tax law which provide that, in lieu of company-level income taxes, the members separately account for their pro rata shares, as allocated in accordance with the members' operating agreement, of the Company's items of income, deductions, losses, and credits. No income taxes have been recognized in the accompanying financial statements except for certain state taxes, which are immaterial and included in general and administrative expense.

(j) Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

In 2006, as a result of management's evaluation of the recoverability of the carrying value of its property and equipment, the Company recorded an impairment charge of $132.

(k) Revenue Recognition

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable. The Company occasionally uses a third party to complete the packaging process. In these instances, revenue is recognized when the completed product is shipped from the third party. In the case of co-development and research fees, revenue is recognized when appropriate contractual milestones are realized, contractual amounts for those services are billed, and collection of related receivables is probable.

(l) Asset Retirement Obligations

SFAS No. 143, *Accounting for Asset Retirement Obligations*, addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company's asset retirement obligation consists of estimated future spending to remove certain leasehold improvements and return the leased facility to its original condition. Spending estimates are discounted at the credit-adjusted risk-free rate. The Company records an Asset Retirement Obligations (ARO) asset (a component of property and equipment) associated with the discounted liability. The ARO asset is amortized on the straight-line method over the lesser of its expected life or the lease term, and the ARO liability is accreted to the projected spending date.

(m) Reclassifications

Costs written off for inventory excess and obsolescence in 2005 have been reclassified from general and administrative expenses to cost of goods sold to conform to the 2006 presentation.

(n) Change in Method of Accounting for Patent Costs

In 2006, the Company elected to change its method of accounting for patent costs. In prior years, the Company capitalized all external costs incurred in seeking patent protections, consisting primarily of legal fees for patent applications, and commenced amortization upon approval of the patent. Internal costs related to patent applications were expensed as incurred. Beginning in 2006, the Company adopted a policy of expensing both internal and external patent application costs as incurred. Legal costs incurred to successfully defend an existing patent are capitalized and amortized over the remaining life of the patent. Legal costs related to an unsuccessful outcome are expensed when the outcome is known. The comparative financial statements of prior years have been adjusted to reflect the change in accounting policy retroactively.

(o) Recently Adopted Accounting Standards

In December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), *Share-Based Payment*, which addresses the accounting for transactions in which an entity exchanges its equity instruments for goods or services, with a primary focus on transactions in which an entity obtains employee services in share-based payment transactions. This Statement is a revision to Statement 123 and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and its related implementation guidance. This Statement requires measurement of the cost of employee services received in exchange for stock-based awards using the grant-date fair value of the awards. Incremental compensation costs arising from subsequent modifications of awards after the grant date must

also be recognized. The Company adopted this Statement on January 1, 2006 under the modified prospective method of application. Under that method, the Company will recognize compensation costs for new grants of share-based awards, awards modified after the effective date, and the remaining portion of the fair value of the unvested awards at the adoption date. The adoption had no impact on the Company's operating income or net loss.

Effective January 1, 2006, the Company adopted FASB Statement No. 151, *Inventory Costs—an Amendment of ARB No. 43, Chapter 4* (Statement 151). Statement 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) requiring that those items be recognized as current period charges. In addition, Statement 151 requires that allocation of fixed production overheads be based on the normal capacity of the production facilities. Prior to the adoption of Statement 151, the Company's inventory cost included fixed overhead costs determined as a percentage of direct costs.

(p) Recently Issued Accounting Standards

In July 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement 109 (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, derecognition, classification, interest and penalties, and disclosure. The provisions of FIN 48 will be effective for the Company on January 1, 2007, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is in the process of assessing the impact of adopting FIN 48 on its results of operations and financial position, but does not believe that it will be significant.

(2) Purchase of Assets from Kosmos Pharma Limited

On January 22, 2004, the Company purchased substantially all of the assets of Kosmos Pharma Limited (Kosmos), a drug research company, in exchange for the assumption of certain liabilities and the issuance of limited liability interests in the Company. At the date of purchase, Kosmos had no commercially viable products, but had developed certain development applications. The Company believed that the combination of the Predecessor's production capabilities and Kosmos' technology would accelerate the growth of the Predecessor.

The following table presents a summary of the assets purchased and the liabilities assumed based on their approximate fair value:

Receivables	$ 1,196
Property and equipment	252
Technology intangible asset	2,358
Total assets acquired	3,806
Accounts payable	345
Long-term debt	904
Total liabilities assumed	1,249
Net assets acquired	$ 2,557

Fair value for property and equipment and the technology intangible were determined using estimated replacement cost.

(3) Cash and Liquidity

At December 31, 2006, the Company had $15,256 of cash. Management believes, even absent any actions to access the capital markets, that the Company has sufficient cash resources to meet its needs at least through December 31, 2007.

(4) Major Customers

Most of the Company's customers are located in the United States and Europe. Customers are considered major customers when sales exceed 10% of the Company's total net sales for the year or outstanding receivable balances exceed 10% of total receivables. The Company had four major customers with sales totaling $2,509 for the year ended December 31, 2006 and outstanding receivable balances totaling $563 at December 31, 2006. The Company had no major customers for the year ended December 31, 2005. The Company had one major customer with sales of $1,774 for the year ended December 31, 2004 and an outstanding receivable balance from this customer of $1,015 at December 31, 2004.

(5) Trade Receivables

Trade receivables consist of the following at December 31, 2006 and 2005:

	2006	2005
Trade receivable	$ 583	$ 196
Less allowance for bad debts	16	—
	$ 567	$ 196

(6) Inventory

Inventory consists of the following at December 31, 2006 and 2005:

	2006	2005
Raw material	$ 242	$ 234
Packaging material	213	221
Finished goods	—	210
	$ 455	$ 665

(7) Property and Equipment

Property and equipment consists of the following at December 31, 2006 and 2005:

	2006	2005
Machinery and equipment	$ 6,698	$ 4,028
Furniture and fixtures	544	247
Leasehold improvements	3,469	2,016
Construction in process	242	2,098
	10,953	8,389
Less accumulated depreciation and amortization	2,397	775
	$ 8,556	$ 7,614

(8) Other Assets

As of December 31, 2006, the Company had $100 in restricted cash on deposit in support of a stand-by letter of credit issued in favor of the Indiana Board of Pharmacy. This is a statutory requirement based on the regulations of the Indiana Board of Pharmacy. Additionally, the Company is entitled to credits from a supplier of machinery. At December 31, 2006 and 2005, the Company was entitled to $200 and $496 of vendor credits, respectively, to be applied towards the purchase of production machinery configured similarly to the machinery it currently uses. During June 2006, the Company reconfigured a portion of its production, machinery, and equipment. As a result, $296 of vendor credits were no longer usable and were charged off. The Company also has a purchase obligation related to the machinery. See note 11.

(9) Intangible Asset

The following table presents a summary of the intangible asset at December 31, 2006 and 2005.

	2006	2005
Purchased intangible	$ 2,358	$ 2,358
Less accumulated amortization	694	458
	$ 1,664	$ 1,900

Amortization expense for the years ended December 31, 2006, 2005, and 2004 was $236, $236, and $222, respectively. Estimated annual amortization expense for each of the next five years is $236.

(10) Long-Term Debt

The Company had no long-term debt outstanding at December 31, 2006. Long-term debt at December 31, 2005 consisted of the following:

Unsecured term note due to member	$ 348
Note Payable Tranche A	5,365
Note Payable Tranche B	5,587
Less discounts on notes	(5,097)
Less current maturities	(278)
	$ 5,925

During 2006, the Company repaid the unsecured note due to member and the Tranche A & B Notes were converted to Series A-l Preferred Interests (see below).

The unsecured note was assumed as a result of the Kosmos transaction (see note 2) and was payable to a related party.

Tranche A & B Notes

In 2005, the Company issued $5,000 of notes payable (Tranche A Notes) along with stock purchase warrants. The Tranche A Notes bore 15% payment in kind (PIK) interest with a maturity date of 2010. Management held $275 of the Notes, with the remainder held by affiliates of the members of the Company. The estimated fair value of the warrants at the date of issue was $431 and the Company recognized $25 of compensation expense related to the warrants held by management. In August 2005, the Company modified the Tranche A Notes by reducing the interest rate to 4.33% and extending the maturity date to 2015. The modification of the Tranche A note terms was considered a significant debt modification and resulted in the recognition of a capital contribution in the amount of $2,180.

In August 2005, the Company completed a financing transaction in which it issued $5,500 of notes payable (2005 Tranche B Notes) and stock purchase warrants to an affiliate of the Company. The notes were issued with a maturity date of 2015 and 4% payment-in-kind (PIK) interest. The warrants were recorded at fair value and gave rise to the recognition of a discount on the 2005 Tranche B Notes of $2,567.

During 2006, the Company issued $10,000 of notes payable (2006 Tranche B Notes) along with warrants to several investors, including affiliates of the Company. The notes were issued with a 10-year term and 4% PIK interest. The warrants were recorded at fair value and gave rise to the recognition of a discount on the 2006 Tranche B Notes of $4,668.

The warrants are immediately exercisable at price of $0.01 per unit and expire at various times in 2015 and 2016. At December 31, 2006, the warrants represent a 35.5% ownership interest in the Company.

In October and November 2006, the Tranche A and B Notes, with an original principal amount of $20,500 and accrued interest of $1,027, were converted to Series A-l Preferred Interests.

(11) Commitments and Contingent Liabilities

(a) Leases:

The Company has entered into various lease agreements for production and research facilities and offices. Most leases contain renewal options; some contain purchase options and some require the Company to pay for taxes, maintenance and operating expenses.

Production and Research Facilities:

The Company leases its current production facility in Portage, Indiana, which houses research and development offices and current good manufacturing practices, or cGMP, manufacturing operations. Prior to September 2006, the property was leased through the Predecessor and rent was charged to the Company by the Predecessor. In September 2006, the Predecessor, with the landlord's agreement and acceptance, assigned to the Company all rights and obligations under the existing lease. As part of the assignment, the Predecessor agreed to guarantee the lease payment through March 2008. See note 18.

In October 2006, the Company entered into a lease for a 73,000 square foot cGMP facility (Ameriplex) in Portage, Indiana. The Ameriplex facility will become the primary research, development, and manufacturing facility for the Company. The current term of the lease expires in March 2012, with options to extend through March 2021. The lease contains a right of first refusal to purchase the facility.

The Company leases a technology development laboratory in Kingsport, Tennessee. The lease expires in December 2009.

Office Facilities:

In July 2006, the Company entered into a lease for its headquarters in Warren, New Jersey. The lease expires in August 2011.

The Company is a guarantor of a lease for office space in Washington, D.C. The underlying lease was entered into by a consultant to the Company and extends through May 2007.

Rent expense totaled $360, $233, and $124 for the years ended December 31, 2006, 2005, and 2004, respectively.

The following is a schedule of future minimum lease payments under operating leases as of December 31, 2006:

	Amount
Year:	
2007	$ 588
2008	536
2009	539
2010	532
2011	556
Thereafter	128
	$ 2,879

(b) Equipment Purchase Obligations

The Company has entered into an agreement to purchase in 2007 a new film coating line in the amount of $3,690 to fulfill production requirements under a commercial supply agreement. The customer that is a party to the supply agreement is obligated to make capacity payments over two years that equal the cost of the equipment and other capital expenditures related to its installation.

(12) Employee Benefit Plans

The Company sponsors a defined contribution 401(k) plan covering all full-time employees. Participants may contribute up to 50% of their salary not to exceed applicable statutory limitations. The Company makes matching contributions to the plan equal to 100% of the first 6% contributed by employees. The Company may also make a discretionary profit sharing contribution to the plan. In 2006, the Company's matching contributions to the plan were $169. The discretionary profit-sharing contribution totaled $0 in 2006. In 2005, the Company's matching contributions to the plan were $64. The Company also made a discretionary profit-sharing contribution of 9% of annual compensation for employees who had completed more than one year of service. The discretionary profit-sharing contribution totaled $101 in 2005. In 2004, the Company's matching contributions to the plan were $22. The Company also made a discretionary profit-sharing contribution of 9% of annual compensation for employees who had completed more than one year of service in 2004. The discretionary profit-sharing contribution totaled $31.

(13) Research and Development Arrangements

The Company periodically enters into arrangements to test the applicability of various products on thin film. These arrangements are usually for a finite period of time and are directed at a certain defined result. The fees charged are usually on a cost-plus basis. These arrangements may or may not lead to future research and development arrangements or product production. In 2006, 2005, and 2004, revenue derived from these types of arrangements was $950, $665, and $100, respectively. In 2006, 2005, and 2004, research and development expenses related to co-development and research fees were $799, $359 and $69, respectively.

(14) Performance Units Plan

The Company has established two Performance Unit Plans (the Plans) for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and other service providers of the Company. The Plans authorize grants of up to 22,796 performance units and can be modified at the Company's discretion to make additional performance units available. Performance units may be granted with a base value equal to their estimated fair value on the date of grant. The base value and fair value are determined by the Company's board of directors. The performance units granted to employees are equity classified instruments. The performance units granted to consultants are liability classified instruments. All performance units are awarded upon a change in control or an Initial Public Offering (IPO) of the Company and vest over either a two or a three-year period with accelerated vesting upon a change in control or an IPO of the Company. Vested units can be redeemed for cash or in the form of the same equity instruments received by the Company or members of the Company at the time of a change in control or an IPO, at the Company's discretion. The payment to a participant is based on the spread between the fair value at the time of a change in control and the base value of the performance units the participant has been awarded.

There were 21,215, 3,750, and 2,775 performance units issued to plan participants that would be awarded in the event of a change in control or IPO of the Company as of December 31, 2006, 2005, and 2004, respectively. No equity or liability was recorded for the performance units outstanding at December 31, 2006 and 2005, as the certain conditions that allow award of the units and redemption, such as change in control, were not deemed probable at that time.

Certain participants of the plan, principally senior management, have been granted protection against future dilution of their interests (dilution protection). As of December 31, 2006, 19,776 of the outstanding units are covered by dilution protection through June 2007 or the completion of an IPO of the Company, whichever comes first. In addition, during 2006, 13,599 units were issued due to dilutive events or changes in the capital structure of the Company, and 3,380 units were issued in connection with new hires.

(15) Related-Party Transactions

Holders of the Tranche A and B Notes are affiliates of the Company. See note 9.

At December 31, 2006 and 2005, $0 and $10, respectively, were due to the Predecessor as accounts payable.

At December 31, 2006, $200 was due from the Predecessor as other receivables. In December 2006, the Company sold an asset with a book value of $416 to the Predecessor for $200. The asset was originally part of Monosol Rx LLC's capital contribution in 2004 and was found to be unsuitable for use in pharmaceutical film casting. Prior to the transaction, in order to determine an appropriate sale price for the asset, the Company obtained independent estimates from dealers in the secondary market, the sales price was in excess of the estimates obtained. See note 18.

Interest expense on the term note with the interestholder was $22, $38, and $41 for the years ended December 31, 2006, 2005, and 2004, respectively.

The statements of operations include certain costs allocated by the Predecessor. Charges for rent, insurance, employee fringe benefits, and other overhead costs are based on the ratio of payroll expense for the Company's or the Predecessor's employees to aggregate payroll expense for the Predecessor employees. In the opinion of management, the costs charged have been allocated on a basis that is believed to be reasonable within the structure of the Predecessor. However, the costs charged are not necessarily indicative of the level of expenses that might have been incurred if the Company and the Predecessor had operated as a standalone entity. The total amount of costs allocated to the Company was $250, $696, and $727 for 2006, 2005, and 2004, respectively.

In conjunction with the Company's purchase of all of the assets of Kosmos, Dr. Richard Fuisz and his son, Joseph Fuisz, Esq., significant shareholders in Kosmos, entered into consulting agreements with the Company. These consulting agreements were each for a three-year term and provided for a monthly and annual fee of $13 and $160, respectively, plus the reimbursement of certain expenses.

In September 2006, the consulting agreement between the Company and Dr. Fuisz was extended through September 2009 with substantially the same terms. The contract between the Company and Joseph Fuisz, Esq. was terminated and Mr. Fuisz became an employee of the Company.

(16) Asset Retirement Obligations

SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement cost. The Company's asset retirement obligation consists of estimated future spending related to removing certain leasehold improvements at its Portage, Indiana laboratory and returning the facility to its original condition.

Below is a schedule of the Company's liability for asset retirement obligations for the year ended December 31, 2006:

	Amount
Balance at December 31, 2005	$ —
Liability incurred, September 2006	85
Accretion	2
Balance at December 31, 2006	$ 87

For the year ended December 31, 2006, the Company recorded expense of $14 included in depreciation expense related to the ARO asset.

(17) Preferred Interests

In November 2006, the Company closed a Private Placement Offering for $38,414 Series A and Series A-l Preferred Interests representing a 37.9% ownership in the Company. The interests were purchased by several investors, including affiliates of the Company. The balance of the Company's equity is represented by common interests.

The Company received $16,887 in cash proceeds from the Series A offering. The proceeds are to be used to fund research and development activities, capital expenditures for facilities, expansion of manufacturing capabilities and working capital needs. The Series A-l preferred interests were issued in settlement of all amounts due on the Tranche A and B Notes issued in 2005 and 2006, consisting of $20,500 in principal along with accrued interest.

The Series A interests rank senior to the Series A-l interests and common interests with respect to payment of dividends and amounts due upon liquidation, dissolution, or winding up of the Company. The Series A-l interests are senior to the common interests with respect to dividends and liquidation.

The Series A and A-l interests hold the same voting rights as the common interests.

The Company is required to receive the written consent of more than 50% of the Preferred Interests prior to:

- Liquidating, dissolving or winding up the Company;
- Amending or repealing the LLC Agreement; and
- Creating or authorizing a security senior to the preferred interest or increasing the authorized number of preferred interests.

(18) Subsequent Events

In January 2007, the landlord of the Portage, Indiana production facility released the Predecessor from its guarantee in consideration of the Company providing a security deposit in the amount of three months rent.

In January 2007, the Company issued an additional 210 performance units to various employees. The performance units are subject to the terms of the Performance Unit Plan, as described in note 13.

In February 2007, the Company received the $200 classified as other receivables from the Predecessor.

In April 2007, the holders of the warrants issued in 2005 and 2006 in connection with the Tranche A & B Notes, (see Note 10) exercised their rights to purchase common membership interests in Monosol Rx LLC. An additional 55,785 membership interests were issued for $155.

In May 2007, the Company amended and restated its Executive Employment Agreement with Joseph Fuisz and amended its Consulting Agreement with Dr. Richard Fuisz. Dr. Fuisz's Consulting Agreement was amended to require the Company to pay him a fee of $100 upon the effectiveness of a registration statement for an initial public offering of MonoSol Rx, Inc., if the effectiveness occurs by December 31, 2007. See note 19. Joseph Fuisz's amended and restated Executive Employment Agreement terminates on December 31, 2007, and provides for a consulting agreement between Joseph Fuisz and the Company commencing January 1, 2008, and ending December 31, 2008.

The agreement that amended Dr. Fuisz's Consulting Agreement with the Company also provided for the Company's transfer of certain intellectual property to a new limited liability company of which Dr. Fuisz will own a 55% interest and the current equity interest holders of Monosol Rx LLC will own a 45% interest. The intellectual property transferred is not related to thin film products. Thus management does not believe that it has value to the Company in its current form.

We have also agreed to indemnify Dr. Fuisz to the same extent we have agreed to indemnify our officers and directors.

(19) Planned Transactions (unaudited)

The Company is planning to merge with and into a newly formed entity, MonoSol Rx, Inc. The merger is in connection with MonoSol Rx, Inc. filing a Registration Statement relating to the proposed public offering of its common stock. Immediately after merger, but prior to the offering the Company's common interests, preferred interests and outstanding performance units will be converted to the Common Stock of MonoSol Rx, Inc.

Shares

Common Stock

PROSPECTUS

Cowen and Company

CIBC World Markets

Susquehanna Financial Group, LLLP

, 2007

Until , 2007, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other expenses of issuance and distribution.

Set forth below are the expenses (other than underwriting discounts and commissions) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the Securities and Exchange Commission registration fee and the Nasdaq Global Market filing fee, the amounts set forth below are estimates.

SEC Registration Fee	$	2,647.87
NASD Filing Fee	$	9,125
Nasdaq Global Market Listing Fee		
Printing and Engraving Expenses		
Fees and Expenses of Legal Counsel		
Accounting Fees and Expenses		
Transfer Agent and Registrar Fees		
Miscellaneous		
Total	$	

Item 14. Indemnification of directors and officers.

Our certificate of incorporation provides that none of our directors will be personally liable to us or our stockholders for monetary damages for breaches of fiduciary duty, except for (i) breach of our director's duty of loyalty to us or our stockholders, (ii) acts or omissions that are not in good faith, or which involve intentional misconduct or a knowing violation of law, (iii) unlawful payments of dividends, stock purchases, or redemptions as provided in Section 174 of the Delaware General Corporation Law, or DGCL, or (iv) any transaction from which the director derives an improper personal benefit.

Our bylaws provide that, to the fullest extent permitted by applicable law, we will indemnify, hold harmless, and advance expenses to any person that is made or threatened to be made a party to an action or proceeding by reason of the fact that he or she is or was one of our directors or officers. However, we are not required to indemnify such person for a proceeding initiated by or on behalf of such person, unless our board of directors authorizes indemnification for that particular proceeding.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee, or agent of the corporation and certain other persons serving at the request of the corporation in related capacities against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlements actually and reasonably incurred by the person in connection with a threatened, pending, or completed action, suit or proceeding to which he or she is or is threatened to be made a party by reason of such position, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, indemnification is limited to expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and no indemnification shall be made with respect to any claim, issue, or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but

in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

In addition, Section 145 of the DGCL requires that, to the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding described above, or defense of any claim, issue, or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 145 of the DGCL also provides that expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit, or proceeding may be advanced by the corporation upon receipt of an undertaking by such person to repay such amount if it is ultimately determined that such person is not entitled to indemnification by the corporation under Section 145 of the DGCL.

We expect to obtain insurance policies under which our directors and officers are insured, within the limits and subject to the limitations of those policies, against certain expenses in connection with the defense of, and certain liabilities which may be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been directors or officers.

Prior to the completion of this offering, we will enter into indemnification agreements with each of our officers and directors under which we agreed to indemnify each of them against: (a) expenses, judgments, and settlements paid in connection with third-party claims and (b) expenses and settlements paid in connection with claims on our behalf, in each case provided that the director acted in good faith. In addition, we will agree to indemnify each director to the extent permitted by the DGCL, our certificate of incorporation and our bylaws against all expenses, judgments, and amounts paid in settlement unless the director's conduct constituted a breach of his or her duty of loyalty to the stockholders. Subject to the director's obligation to pay us in the event that he or she is not entitled to indemnification, we will pay the expenses of the director prior to a final determination as to whether the director is entitled to indemnification.

Reference is also made to the Underwriting Agreement filed as Exhibit 1.1 to the Registration Statement for information concerning the underwriters' obligation to indemnify us and our officers and directors in certain circumstances.

Item 15. Recent sales of unregistered securities.

Set forth below is information regarding securities sold by us since March 1, 2004 which were not registered under the Securities Act of 1933, as amended, or Securities Act.

From February 2005 to April 2005, we conducted an offering in which we issued and sold promissory notes and related warrants to seven investors for an aggregate offering price of approximately $5,000,000 in exchange for cash.

From August 2005 to November 2006 we conducted on offering in which we issued and sold promissory notes and related warrants to two investors for an aggregate offering price of approximately $15,500,000 in exchange for cash.

In September 2006, we issued and sold two series of preferred membership interests in Monosol Rx LLC to nine investors for an aggregate offering price of approximately $38,913,600 in exchange for cash. A portion of the proceeds of this offering was used to retire our outstanding indebtedness, including accrued interest, under the promissory notes described above.

No underwriters were involved in the foregoing sales of securities. The securities were issued to U.S. investors in reliance upon the exemption from registration requirements of the Securities Act, as set forth in Section 4(2) under the Securities Act and Rule 506 of Regulation D promulgated

thereunder relating to sales by an issuer not involving any public offering to the extent an exemption from such registration was required. The purchaser of our notes, warrants, and preferred membership interests described above represented to us in connection with their purchase that they were accredited investors and were acquiring the securities for investment and not distribution, that they could bear the risks of the investment, and could hold the securities for an indefinite period of time.

The purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration. The sales of these securities were made without general solicitation or advertising.

Item 16. Exhibits.

(a) The following documents are filed as exhibits to this registration statement:

Exhibit	
1.1*	Form of Underwriting Agreement
2.1*	Form of Agreement and Plan of Merger between Monosol Rx LLC and MonoSol Rx, Inc.
3.1	Certificate of Incorporation of MonoSol Rx, Inc.
3.2	Bylaws of MonoSol Rx, Inc.
4.1*	Specimen Stock Certificate
5.1*	Opinion of Fulbright & Jaworski L.L.P. as to the legality of the securities being registered
10.1	Executive Employment Agreement dated November 17, 2005 by and between Monosol Rx LLC and A. Mark Schobel
10.2	Executive Employment Agreement dated June 16, 2006 by and between Monosol Rx LLC and Keith J. Kendall
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23.1	Consent of KPMG LLP
23.2*	Consent of Fulbright & Jaworski L.L.P. (contained in Exhibit 5.1)
24.1	Powers of attorney (included on the signature page hereof)

* To be filed by amendment.

Item 17. Undertakings.

(1) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(2) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that:

(i) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to

Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(ii) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York on May 14, 2007.

MONOSOL RX, INC.

By: /s/ A. MARK SCHOBEL

A. Mark Schobel
Chief Executive Officer

POWER OF ATTORNEY

Each person whose signature appears below hereby appoints Keith J. Kendall and Theresa Wood, and each of them, each of whom may act without the joinder of the other, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and any registration statement of the type contemplated by Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing appropriate or necessary to be done, as fully and for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ A. MARK SCHOBEL A. Mark Schobel	Chief Executive Officer, President and Director	May 14, 2007
/s/ KEITH J. KENDALL Keith J. Kendall	Executive Vice President, Chief Financial Officer, Treasurer and Secretary	May 14, 2007
/s/ DOUGLAS BRATTON Douglas Bratton	Chairman of the Board and Director	May 14, 2007
/s/ DR. GREGORY BROWN Dr. Gregory Brown	Director	May 14, 2007
/s/ JOHN COCHRAN John Cochran	Director	May 14, 2007

/s/ ROBERT FLANAGAN		
Robert Flanagan	Director	May 14, 2007
/s/ FRANK TANKI		
Frank Tanki	Director	May 14, 2007

EXHIBIT INDEX

Exhibits	
1.1*	Form of Underwriting Agreement
2.1*	Form of Agreement and Plan of Merger between Monosol Rx LLC and MonoSol Rx, Inc.
3.1	Certificate of Incorporation of MonoSol Rx, Inc.
3.2	Bylaws of MonoSol Rx, Inc.
4.1*	Specimen Stock Certificate
5.1*	Opinion of Fulbright & Jaworski L.L.P. as to the legality of the securities being registered
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* To be filed by amendment.

QuickLinks

CERTIFICATE OF INCORPORATION
OF
MONOSOL RX, INC.

I, the undersigned, for the purposes of incorporating and organizing a corporation under the General Corporation Law of the State of Delaware, do execute this Certificate of Incorporation and do hereby certify as follows:

FIRST. The name of the corporation is MonoSol Rx, Inc.

SECOND. The address of the corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware. The name of the corporation's registered agent at such address is The Corporation Trust Company.

THIRD. The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH. The total number of shares of stock which the corporation shall have authority to issue is One Hundred Twenty Million (120,000,000), consisting of Twenty Million (20,000,000) shares of preferred stock, par value $.01 per share (hereinafter referred to as "Preferred Stock") and One Hundred Million (100,000,000) shares of common stock, par value $.01 per share (hereinafter referred to as "Common Stock").

The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized to provide for the issuance of shares of Preferred Stock in one or more series and, by filing a certificate pursuant to the applicable law of the State of Delaware (hereinafter referred to as "Preferred Stock Designation"), to establish from time to time the number of shares to be included in such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations and restrictions thereof. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

- The designation of the series, which may be by distinguishing number, letter or title.
- The number of shares of the series, which number the Board of Directors may thereafter (except where otherwise provided in the Preferred Stock Designation) increase or decrease (but not below the number of shares thereof then outstanding).
- The amounts payable on, and the preferences, if any, of shares of the series in respect of dividends, and whether such dividends, if any shall be cumulative or noncumulative.
- Dates at which dividends, if any, shall be payable.
- The redemption rights and price or prices, if any, for shares of the series.

- The terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series.
- The amounts payable on, and the preferences, if any, of shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the corporation.
- Whether the shares of the series shall be convertible into or exchangeable for shares of any other class or series, or any other security, of the corporation or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion or exchange price or prices or rate or rates, any adjustments thereof, the date or dates at which such shares shall be convertible or exchangeable and all other terms and conditions upon which such conversion or exchange may be made.
- Restrictions on the issuance of shares of the same series or of any other class or series.
- The voting rights, if any, of the holders of shares of the series.

The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. Except as may otherwise be provided in this Certificate of Incorporation, as it may be amended from time to time, in a Preferred Stock Designation, or by applicable law, the holders of shares of Common Stock shall be entitled to one vote for each such share upon all questions presented to the stockholders, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to vote at or receive notice of any meeting of stockholders.

The corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the corporation shall have notice thereof, except as expressly provided by applicable law.

FIFTH. The holders of the Common Stock shall have no preemptive rights to subscribe for any shares of any class or series of stock of the corporation whether now or hereafter authorized.

SIXTH. Any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of such stockholders and may not be effected by any consent in writing by such stockholders, *unless* the holders of a least 66-2/3% of the issued and outstanding stock of the corporation act by such a written consent. At any annual or special meeting of stockholders of the corporation, only such business shall be conducted as shall have been brought before such meeting in the manner provided by the bylaws of the corporation.

SEVENTH. The incorporator of the corporation is Keith J. Kendall, whose mailing address is c/o MonoSol Rx, Inc., 30 Technology Drive, Warren, New Jersey 07059.

EIGHTH. Unless and except to the extent that the bylaws of the corporation shall so

require, the election of directors of the corporation need not be by written ballot.

NINTH. In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the corporation is expressly authorized to make, alter and repeal the bylaws of the corporation, subject to the power of the stockholders of the corporation to alter or repeal any bylaw whether adopted by them or otherwise.

TENTH. Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this corporation under §291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under §279 of Title 8 of the Delaware Code, order a meeting of the creditors or class of creditors, or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing ¾ in value of the creditors or class of creditors, or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.

ELEVENTH. No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; *provided, however*, that the foregoing clause shall not apply to any liability of a director (i) for any breach of such director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which such director derived an improper personal benefit. In addition to the circumstances in which a director of the corporation is not personally liable as set forth in the preceding sentence, a director of the corporation shall not be liable to the fullest extent permitted by any amendment to the Delaware General Corporation Law hereafter enacted that further limits the liability of a director.

TWELFTH. The corporation reserves the right at any time, and from time to time, to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, and other provisions authorized by the laws of the State of Delaware at the time in force may be added or inserted, in the manner now or hereafter prescribed by law; and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whom by and pursuant to this Certificate of Incorporation in its present form or as hereafter amended are granted subject to the rights reserved in this article.

The undersigned incorporator hereby acknowledges that the foregoing certificate of incorporation is his act and deed on this 5th day of March, 2007.

/s/ Keith J. Kendall
Keith J. Kendall
Incorporator

BYLAWS

OF

MONOSOL RX, INC.

ADOPTED AS OF

MARCH 6, 2007

BYLAWS OF

MONOSOL RX, INC.

ARTICLE I

Meetings of Stockholders

Section 1.1 ***Annual Meetings***. If required by applicable law, an annual meeting of stockholders shall be held for the election of directors at such date, time and place, either within or without the State of Delaware, as may be designated by resolution of the Board of Directors from time to time. Any other proper business may be transacted at the annual meeting.

Section 1.2 ***Special Meetings***. Special meetings of stockholders for any purpose or purposes may be called at any time by the Board of Directors, but such special meetings may not be called by any other person or persons. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 1.3 ***Notice of Meetings***. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given that shall state the place, if any, date and hour of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the certificate of incorporation or these bylaws, the notice of any meeting shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. All such notices shall be delivered either personally, by electronic transmission or by mail, by or at the direction of the Board of Directors, the President or the Secretary, and if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the corporation.

Section 1.4 ***Adjournments***. Any meeting of stockholders, annual or special, may adjourn from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 1.5 ***Quorum***. Except as otherwise provided by law, the certificate of incorporation or these bylaws, at each meeting of stockholders the presence in person or by proxy of the holders of a majority in voting power of the outstanding shares of stock entitled to vote at the meeting shall be necessary and sufficient to constitute a quorum. In the absence of a quorum, the stockholders so present may, by a majority in voting power thereof, adjourn the meeting from time to time in the manner provided in Section 1.4 of these bylaws until a quorum shall attend. Shares of its own stock belonging to the corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is

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held, directly or indirectly, by the corporation, shall neither be entitled to vote nor be counted for quorum purposes; provided, however, that the foregoing shall not limit the right of the corporation or any subsidiary of the corporation to vote stock, including but not limited to its own stock, held by it in a fiduciary capacity.

Section 1.6 ***Organization***. Meetings of stockholders shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in his or her absence by the President, or in his or her absence by a Vice President, or in the absence of the foregoing persons by a chairperson designated by the Board of Directors, or in the absence of such designation by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 1.7 ***Voting; Proxies***. Except as otherwise provided by or pursuant to the provisions of the certificate of incorporation, each stockholder entitled to vote at any meeting of stockholders shall be entitled to one vote for each share of stock held by such stockholder which has voting power upon the matter in question. Each stockholder entitled to vote at a meeting of stockholders or to express consent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy which is not irrevocable by attending the meeting and voting in person or by delivering to the Secretary of the corporation a revocation of the proxy or a new proxy bearing a later date. Voting at meetings of stockholders need not be by written ballot. At all meetings of stockholders for the election of directors at which a quorum is present a plurality of the votes cast shall be sufficient to elect.

All other elections and questions presented to the stockholders at a meeting at which a quorum is present shall, unless otherwise provided by law, the certificate of incorporation, these bylaws, the rules or regulations of any stock exchange applicable to the corporation, or applicable law or pursuant to any regulation applicable to the corporation or its securities, be decided by the affirmative vote of the holders of a majority in voting power of the shares of stock of the corporation which are present in person or by proxy and entitled to vote thereon.

Section 1.8 ***Fixing Date for Determination of Stockholders of Record***. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (1) in the case of determination of stockholders entitled to vote at any meeting of stockholders or adjournment thereof, shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting; (2) in the case of determination of stockholders entitled to express consent to corporate action in writing without a meeting, shall not be more than ten (10) days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (3) in the case of any other action, shall not be more than sixty (60) days prior to

such other action. If no record date is fixed: (1) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (2) the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (3) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 1.9 ***List of Stockholders Entitled to Vote***. The officer who has charge of the stock ledger shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the corporation. The list of stockholders must also be open to examination at the meeting as required by applicable law. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 1.9 or to vote in person or by proxy at any meeting of stockholders.

Section 1.10 ***Action By Consent of Stockholders***. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than 66-2/3% of the votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which minutes of proceedings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall, to the extent required by law, be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation.

Section 1.11 ***Inspectors of Election.*** The corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may

be employees of the corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of capital stock of the corporation outstanding and the voting power of each such share, (ii) determine the shares of capital stock of the corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of capital stock of the corporation represented at the meeting and such inspectors' count of all votes and ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the corporation, the inspectors may consider such information as is permitted by applicable law. No person who is a candidate for an office at an election may serve as an inspector at such election.

Section 1.12 ***Conduct of Meetings***. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the person presiding over the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the person presiding over the meeting of the stockholders shall have the right and authority to convene and to adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such person, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding person of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the presiding person of the meeting shall determine; (iv) restrictions on entry to the meeting

after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. The presiding person at any meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a matter or business was not properly brought before the meeting and if such presiding person should so determine, such presiding person shall so declare to the meeting and any such matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the person presiding over the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 1.13 ***Business Properly Brought Before an Annual Meeting***. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of

the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder of the corporation. For business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation, not less than sixty (60) days nor more than one hundred eighty (180) days prior to the anniversary date of the immediately preceding annual meeting; provided, however, that in the event that the date of the annual meeting is more than 45 days later than the anniversary date of the immediately preceding annual meeting, notice by the stockholder to be timely must be so received not later than the close of business on the tenth day following the earlier of the date on which a written statement setting forth the date of the annual meeting was mailed to stockholders or the date on which it is first disclosed to the public. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the stockholder proposing such proposal, (c) the class and number of shares of the corporation which are beneficially owned by the stockholder, and (d) any material interest of the stockholder in such business. In addition, if the stockholder's ownership of shares of the corporation, as set forth in the notice, is solely beneficial, documentary evidence of such ownership must accompany the notice. Notwithstanding anything in these bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 1.13. The presiding officer of an annual meeting shall, if the facts warrant, determine and declare to the meeting that any business which was not properly brought before the meeting is out of order and shall not be transacted at the meeting.

ARTICLE II

Board of Directors

Section 2.1 ***Number; Qualifications***. The Board of Directors shall consist of one or more members, the number thereof to be determined from time to time by resolution of the Board of Directors. Directors need not be stockholders.

Section 2.2 ***Election; Resignation; Vacancies***. The Board of Directors shall initially consist of the persons named as directors in the certificate of incorporation or elected by the incorporator of the corporation, and each director so elected shall hold office until the first annual meeting of stockholders or until his or her successor is elected and qualified. At the first annual meeting of stockholders and at each annual meeting thereafter, the stockholders shall elect directors each of whom shall hold office for a term of one year or until his or her successor is duly elected and qualified, subject to such director's earlier death, resignation, disqualification or removal. Any director may resign at any time upon notice to the corporation. Unless otherwise provided by law or the certificate of incorporation, any newly created directorship or any vacancy occurring in the Board of Directors for any cause may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he or she has replaced or until his or her successor is elected and qualified.

Section 2.3 ***Nomination of Directors***. Subject to the rights of holders of any class or series of stock having preference over the common stock as to dividends or upon liquidation, nominations for the election of directors at a stockholders' meeting may be made by the board of directors or a committee appointed by the board of directors or by any stockholder entitled to vote in the election of directors generally. However, any stockholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a stockholders' meeting only if written notice of such stockholders' intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the secretary of the corporation not later than (a) with respect to an election to be held at an annual meeting of stockholders, 90 days prior to the anniversary date of the date the immediately preceding annual meeting, and (b) with respect to an election to be held at a special meeting of stockholders for the election of directors, the close of business on the tenth day following the date on which a written statement setting forth the date of such meeting is first mailed to stockholders provided that such statement is mailed no earlier than 120 days prior to the date of such meeting. Notwithstanding the foregoing if an existing director is not standing for reelection to a directorship which is the subject of an election at such meeting or if such vacancy exists as to a directorship which is the subject of such election at a stockholders' meeting, whether as a result of resignation, death, an increase in the number of directors, or otherwise, then a stockholder may make a nomination with respect to such directorship at any time not later than the close of business on the tenth day following the date on which a written statement setting forth the fact that such directorship is to be elected and the name of the nominee proposed by the board of directors is first mailed to stockholders. Each notice of a nomination from a stockholder shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a Director, (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) the class and number of shares of the corporation which are beneficially owned by such person, and (iv) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of Directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including without limitation such persons' written consent to being named in the proxy statement as a nominee and to serve as a Director if elected); and (b) as to the stockholder giving the notice (i) the name and address, as they appear on the corporation's books, of such stockholder, (ii) the class and number of shares of the corporation which are beneficially owned by such stockholder, (iii) whether the stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice and (iv) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder. At the request of the Board of Directors any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.3. The Chairman of the

meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by the bylaws, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 2.4 ***Regular Meetings***. Regular meetings of the Board of Directors may be held at such places within or without the State of Delaware and at such times as the Board of Directors may from time to time determine.

Section 2.5 ***Special Meetings***. Special meetings of the Board of Directors may be held at any time or place within or without the State of Delaware whenever called by the President, any Vice President, the Secretary, or by any member of the Board of Directors. Notice of a special meeting of the Board of Directors shall be given by the person or persons calling the meeting at least 24 hours before the special meeting.

Section 2.6 ***Telephonic Meetings Permitted***. Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting thereof by means of conference telephone or communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this bylaw shall constitute presence in person at such meeting.

Section 2.7 ***Quorum: Vote Required for Action***. At all meetings of the Board of Directors the Directors entitled to cast a majority of the votes of the whole Board of Directors shall constitute a quorum for the transaction of business. Except in cases in which the certificate of incorporation or these bylaws otherwise provides, a majority of the votes entitled to be cast by the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 2.8 ***Organization***. Meetings of the Board of Directors shall be presided over by the Chairperson of the Board, if any, or in his or her absence by the Vice Chairperson of the Board, if any, or in his or her absence by the President, or in their absence by a chairperson chosen at the meeting. The Secretary shall act as secretary of the meeting, but in his or her absence the chairperson of the meeting may appoint any person to act as secretary of the meeting.

Section 2.9 ***Action by Unanimous Consent of Directors***. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmissions are filed with the minutes of proceedings of the Board of Directors or committee in accordance with applicable law.

ARTICLE III

Committees

Section 3.1 ***Committees***. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute

a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it.

Section 3.2 ***Committee Rules***. Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may make, alter and repeal rules for the conduct of its business. In the absence of such rules each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of these bylaws.

ARTICLE IV

Officers

Section 4.1 ***Officers; Election; Qualifications; Term of Office; Resignation; Removal; Vacancies***. The Board of Directors shall elect a President and Secretary, and it may, if it so determines, choose a Chairperson of the Board and a Vice Chairperson of the Board from among its members. The Board of Directors may also choose one or more Vice Presidents, one or more Assistant Secretaries, a Treasurer and one or more Assistant Treasurers and such other officers as it shall from time to time deem necessary or desirable. Each such officer hold office until the first meeting of the Board of Directors after the annual meeting of stockholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the corporation. The Board of Directors may remove any officer with or without cause at any time, but such removal shall be without prejudice to the contractual rights of such officer, if any, with the corporation. Any number of offices may be held by the same person. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.2 ***Powers and Duties of Officers***. The officers of the corporation shall have such powers and duties in the management of the corporation as set forth below and as may be prescribed in a resolution by the Board of Directors. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

4.2.1 Chairperson and Vice Chairperson of the Board. The Chairperson and Vice Chairperson of the Board of Directors, if elected by the Board of Directors, shall have such powers and duties as may be prescribed by the Board of Directors. Such officers shall preside at all meetings of the stockholders and of the Board of Directors. Such officers may sign any deeds, bonds, mortgages, contracts, checks, notes, drafts or other instruments, the issuance or execution of which shall have been authorized by resolution of the Board of Directors, except in cases where the signing and execution thereof has been expressly delegated by these bylaws or by the Board of Directors to some other officer or agent of the corporation, or shall be required by law to be otherwise executed. The

Chairperson and Vice Chairperson of the Board shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or as may be provided in these bylaws.

4.2.2 President. The President shall be the chief executive officer of the corporation. The President shall, subject to the powers of the Board of Directors, have general charge of the business, affairs and property of the corporation, and control over its officers, agents and employees; and shall see that all orders and resolutions of the Board of Directors are carried into effect. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the corporation. The President shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or as may be provided in these bylaws.

4.2.3 Vice Presidents. The Vice President, or if there shall be more than one, the Vice Presidents in the order determined by the Board of Directors or by the President shall, in the absence or disability of the President, act with all of the powers and be subject to all the restrictions of the President. The Vice Presidents shall also perform such other duties and have such other powers as the Board of Directors, the President or these bylaws may, from time to time, prescribe.

4.2.4 Secretary and Assistant Secretary. The Secretary, or an Assistant Secretary, shall attend all meetings of the Board of Directors, all meetings of the committees thereof and all meetings of the stockholders and either the Secretary or the Assistant Secretary shall record all the proceedings of the meetings in a book or books to be kept for that purpose. Under the President's supervision, the Secretary shall give, or cause to be given, all notices required to be given by these bylaws or by law; shall have such powers and perform such duties as the Board of Directors, the President or these bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the corporation. The Secretary, or an Assistant Secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his or her signature. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board of Directors, shall, when requested to do so by the Board of Directors, President or Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board of Directors, the President or the Secretary may, from time to time, prescribe.

4.2.5 Treasurer and Assistant Treasurer. The Treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation; shall deposit all monies and other valuable effects in the name and to the credit of the corporation as may be ordered by the Board of Directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the President and the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the corporation; shall have such powers and perform such duties as the Board of Directors, the President or these bylaws may, from time to time, prescribe. If required by the Board of Directors, the Treasurer shall give the corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Treasurer and for

the restoration to the corporation, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in the possession or under the control of the Treasurer belonging to the corporation. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board of Directors, shall in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. The Assistant Treasurers shall perform such other duties and have such other powers as the Board of Directors, the President or the Treasurer may, from time to time, prescribe.

4.2.6 Other Officers, Assistant Officers and Agents. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

ARTICLE V

Stock

Section 5.1 ***Certificates***. The shares of the corporation shall be represented by certificates, provided that the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by or in the name of the corporation by the Chairperson or Vice Chairperson of the Board of Directors, if any, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, of the corporation certifying the number of shares owned by such holder in the corporation. Any of or all the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such person were such officer, transfer agent, or registrar at the date of issue.

Section 5.2 ***Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates***. The corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Indemnification and Advancement of Expenses

Section 6.1 ***Right to Indemnification***. The corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (a "Covered Person") who was or is made or is threatened to be made a

party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of the corporation or, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such Covered Person. Notwithstanding the preceding sentence, except as otherwise provided in Section 6.3, the corporation shall be required to indemnify a Covered Person in connection with a proceeding (or part thereof) initiated by such Covered Person only if the commencement of such proceeding (or part thereof) by the Covered Person was authorized in the specific case by the Board of Directors of the corporation.

Section 6.2 ***Prepayment of Expenses***. The corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by a Covered Person in defending any proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking by the Covered Person to repay all amounts advanced if it should be ultimately determined that the Covered Person is not entitled to be indemnified under this Article VI or otherwise.

Section 6.3 ***Claims***. If a claim for indemnification (following the final disposition of such action, suit or proceeding) or advancement of expenses under this Article VI is not paid in full within thirty days after a written claim therefor by the Covered Person has been received by the corporation, the Covered Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the corporation shall have the burden of proving that the Covered Person was not entitled to the requested indemnification or advancement of expenses under applicable law.

Section 6.4 ***Nonexclusivity of Rights***. The rights conferred on any Covered Person by this Article VI shall not be exclusive of any other rights which such Covered Person may have or hereafter acquire under any statute, provision of the certificate of incorporation, these bylaws, agreement, vote of stockholders or disinterested directors or otherwise.

Section 6.5 ***Other Sources***. The corporation's obligation, if any, to indemnify or to advance expenses to any Covered Person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount such Covered Person may collect as indemnification or advancement from such other corporation, partnership, joint venture, trust, enterprise or non-profit enterprise.

Section 6.6 ***Amendment or Repeal***. Any repeal or modification of the foregoing provisions of this Article VI shall not adversely affect any right or protection hereunder of any Covered Person in respect of any act or omission occurring prior to the time of such repeal or modification.

Section 6.7 ***Other Indemnification and Prepayment of Expenses.*** This Article VI shall not limit the right of the corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to person other than Covered Persons when and as authorized by appropriate corporate action.

ARTICLE VII

Miscellaneous

Section 7.1 ***Fiscal Year***. The fiscal year of the corporation shall be determined by resolution of the Board of Directors.

Section 7.2 ***Seal***. The corporate seal shall have the name of the corporation inscribed thereon and shall be in such form as may be approved from time to time by the Board of Directors.

Section 7.3 ***Manner of Notice.*** Except as otherwise provided herein or permitted by applicable law, notices to directors and stockholders shall be in writing and delivered personally or mailed to the director or stockholders at their addresses appearing on the books of the corporation. Without limiting the manner by which notice otherwise may be given effectively to stockholders, and except as prohibited by applicable law, any notice to stockholders given by the corporation under any provision of applicable law, the certificate of incorporation, or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholder at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice permitted under this Section 7.3, shall be deemed to have consented to receiving such single written notice. Notice to directors may be given by telecopier, telephone or other means of electronic transmission.

Section 7.4 ***Waiver of Notice of Meetings of Stockholders, Directors and Committees***. Any written waiver of notice, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 7.5 ***Form of Records***. Any records maintained by the corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device or method, provided that the records so kept can be converted into clearly legible form within a reasonable time.

Section 7.6 ***Amendment of Bylaws***. These bylaws may be altered, amended or repealed, and new bylaws made, by the Board of Directors, but the stockholders may make additional bylaws and may alter and repeal any bylaws whether adopted by them or otherwise.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into as of this 17th day of November, 2005 by and between MonoSol RX, LLC (the "Company") and Alexander Mark Schobel, an individual (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as its President and Chief Executive Officer, and Executive is willing to accept such employment by the Company, on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Company and the Executive desire that the terms of this Agreement begin at the discretion of Executive but no later than January 6, 2005 (the "Effective Date");

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment**. During the term of this Agreement, the Executive agrees to be employed by and to serve the Company as its President and Chief Executive Officer, and the Company agrees to employ and retain Executive in such capacity. The Executive shall report directly to Monosol Rx, LLC Genpar, the General Partner, as currently controlled by Doug Bratton (hereafter the "General Partner"). The Executive shall: (i) devote his entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of President and Chief Executive Officer, as well as any other duties consistent with the stature and responsibility, of the Executive's position as may from time to time be assigned by the General Partner of MonoSol RX, LLC; and (iii) diligently follow and implement all policies, practices, procedures, and rules of the Company. Notwithstanding any provision herein to the contrary, Executive shall not be precluded from devoting reasonable periods of time required for serving as a member of one or more advisory boards or boards of directors of companies or organizations or engaging in other minor business activities, so long as such memberships or activities do not interfere with the performance of Executive's duties hereunder and are not directly or indirectly competitive with, nor contrary to, the business or other interests of the Company, subject to prior approval by the General Partner, which approval shall be granted in the General Partner's reasonable sole discretion.

2. **Employment Term**. The Employment Term of the Executive under this Agreement shall be for a period of three (3) years. The Employment Term shall commence on the Effective Date of this Agreement and shall automatically renew for further successive twelve month terms (the "Renewal Terms"), provided either party may terminate the Agreement during the Renewal Terms pursuant to Section 5 of this Agreement.

3. **Compensation**.

A. Base Salary. As compensation for services rendered to the Company pursuant to this Agreement, the Company shall pay to Executive a base salary (the "Base Salary") at a rate of $350,000.00 per annum, payable at a rate of $29,166.67 per month. The

Base Salary will be paid in accordance with the standard payroll policies of the Company as from time to time are in effect, from which shall be deducted federal and, if applicable, state income taxes, social security taxes, and such other and similar payroll taxes and charges as may be required or appropriate under applicable law. The Base Salary shall be considered by the Board for increase based upon performance and other considerations as appropriately determined by the Board, including without limitation performance assessment, market assessment for comparable executive and employment terms and awards as may be deemed appropriate from time to time.

B. Bonus.

(1) Bonus Reimbursement. Within thirty (30) days of the Effective Date, the Company shall reimburse Executive $135,000.00, which represents Executive's 2005 bonus earned with his prior employer.

(2) Annual Bonus. In addition to the Base Salary, at the end of each twelve (12) month period under the Employment Term, Executive shall be eligible, if then employed with the Company, for a bonus of fifty percent (50%) of Executive's Base Salary, provided Company achieves established performance targets. Executive must be employed by the Company on the day any bonus payment is due and payable under this Agreement in order to receive said bonus payment. The bonus shall be paid fifty percent (50%) in cash and fifty percent (50%) either in cash or in Performance Units, in the General Partner's good faith determination and discretion based on Company's ability to determine reasonable valuation of the Performance Units. If the Company exceeds established performance targets, the Company may, in its sole discretion, increase the amount of the Annual Bonus.

C. Compensation. The Company shall compensate Executive for those stock options with Executive's prior employer. Said compensation shall be made in cash, in the amount of $88,000.00 within 30 days of the Effective Date.

D. Award of Performance Units. Executive shall be awarded Performance Units equal to four percent (4%) of the equity value of the Company struck as of the Effective Date. It is anticipated that the exercise price of the Performance Units shall be based on an equity value of twenty million dollars ($20,000,000.00). Executive shall be eligible for an award of additional Performance Units during the Employment Term at the times, and in the amounts, as the Company in its sole discretion shall determine. The award, valuation, vesting, and all other benefits, terms, and conditions of the Performance Units are governed by the terms and conditions of the award of Performance Units and by the MonoSol RX, LLC, Performance Units Plan, established January 22, 2004, and all amendments, supplements, and revisions thereto, attached hereto as Exhibit A and incorporated herein by reference as if fully set forth herein (the "Plan"). Notwithstanding anything to the contrary in the Plan, if during the Employment Term Company increases the maximum number of Performance Units, or issues membership interests, options, warrants or any other equity in the Company for less the "Market Value" of the Company (as currently defined in the Plan) (a "Dilution Event"), Executive shall be entitled to receive additional Performance Units so that the equity value of the Performance Units held by the Executive prior to the Dilution Event is the same as the equity value of the Performance Units held by the Executive after the Dilution Event. In addition, notwithstanding anything to the

contrary in the Plan, 1/3 of the Executive's initial 4% Performance Units shall become for each Target Year of Service.

4. **Additional Benefits**.

A. Executive Benefits. During the Employment Term, Executive shall receive such benefits and participate in such executive benefit plans as set forth in the MonoSol RX, LLC, Benefit Summary, attached hereto as Exhibit B and incorporated herein by reference.

B. Vacation; Sick Leave. The Executive shall, during the Employment Term, be allowed to take up to four (4) weeks of vacation each year, and shall be eligible for such sick leave each year as shall be established by the Company for senior executives of the Company.

5. **Termination**.

A. Termination for Cause. Notwithstanding anything to the contrary contained in this Agreement, Termination for Cause may be effected by the Company at any time during the term of this Agreement by written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, "Termination for Cause" shall mean:

(1) the willful and continued failure of such Executive to perform his duties, including, without limitation, such Executive's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Executive reports (other than any such failure resulting from his death or permanent disability); or

(2) the engaging by such Executive in willful, reckless or negligent conduct in connection with his employment or other relationship which is materially detrimental to the Company; or,

(3) the conviction of such Executive of any felony or any crime involving moral turpitude; or,

(4) such Executive's reporting to work impaired by or under the influence of alcohol or illegal drugs; or,

(5) such Executive's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises; or,

(6) such Executive's engaging in sexual harassment or other violation of any harassment or discrimination law; or,

(7) Executive's commission of fraud in connection with Executive's employment or theft, misappropriation or embezzlement of the Company's funds; or,

(8) the demonstrated use or disclosure by Executive of any confidential proprietary or trade secret information of Executive's former employer or that Executive learned or obtained through his former employer; or,

(9) the demonstrated use or disclosure by the Executive of any confidential information of the Company except when such disclosure is made pursuant to the directions of the Company or in accordance with Company policy; or,

(10) such Executive's engaging in competitive behavior against the Company, purposely aiding a competitor of the Company, or misappropriating or aiding in misappropriating a material opportunity of the Company.

All determinations of "Cause" shall be made by the General Partner. If the Company elects to terminate Executive's employment for Cause pursuant to clause (1) of the definition of "Cause" and the action or inaction prompting such termination is capable of cure, the Company shall first give Executive written notice thereof, including a description of the evidence upon which the General Partner has relied to support such finding and a period of thirty (30) days (the "Cause Notice Period") from the date of such notice to cure the action or inaction giving rise to the written notice, If such action or inaction is not cured by Executive by the end of the Cause Notice Period, as determined by the General Partner and communicated to the Executive in writing, such termination shall be effective upon the first day after the expiration of the Cause Notice Period.

B. Termination by Reason of Disability. In a manner consistent with the Americans with Disabilities Act and the Family and Medical Leave Act, this Agreement may be terminated at the Company's option immediately upon notice to Executive if Executive shall suffer a Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of his job under this Agreement, with or without reasonable accommodation, for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a board certified physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Voluntary Resignation. Executive may terminate this Agreement at any time, subject to providing sixty (60) days' written notice to the Company in accordance with Section 7(B) of this Agreement; provided, however, that Executive's covenants and obligations under Section 8 herein shall survive Executive's voluntary resignation.

E. Involuntary Termination. Notwithstanding anything to the contrary contained in this Agreement, after ninety (90) days of the Employment Term, involuntary termination may be effected by the Company by giving written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, the term "Involuntary Termination" shall mean termination by the Company of the Executive's employment with the Company other than: (1) Termination for Cause; (ii) Termination by Reason of Disability; or (iii) Termination by Reason of Death.

F. Termination for Good Reason. The Executive may terminate this Agreement for "Good Reason" at any time during the term of this Agreement by providing written notification to the Company in accordance with Section 7(B) of this Agreement. For purposes of this Agreement, "Good Reason" shall mean (1) any action by the Company which results in a substantial diminution in Executive's position, authority, duties or responsibilities (including status, offices, titles and reporting requirements contemplated by this Agreement), or (2) material breach by the Company of its obligations under this Agreement or (3) the Company's requiring the Executive to be based at any office or location other than the Company's offices in New Jersey, except for travel reasonably required in connection with the performance of the Executive's responsibilities hereunder, or (4) the request or dictate by the General Partner for the Executive to contemplate, direct or engage in any illegal activities on behalf of the Company or any subsidiary or affiliate of the Company.

6. **Obligations of the Company Upon Termination**.

A. Termination for Cause. In the event that the Executive's employment under this Agreement is terminated for Cause, the Company shall have no obligation to pay the salary or any other compensation provided under this Agreement, to or for the benefit of the Executive for any period after the date of such termination, or to pay any bonus for the fiscal year in which such termination occurs; provided, however, that the Company shall promptly pay: (1) all base salary earned by the Executive prior to the date of such termination; and (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan.

B. Termination by Reason of Disability. In the event that the Executive's employment under this Agreement is terminated in a Termination by Reason of Disability, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all base salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan; (iii) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days employed during the year of termination up to the date of termination; and (iv) accrued, unused vacation pay. In addition, notwithstanding anything to the contrary in the Plan, any Performance Units held by the Executive shall vest on a pro rata basis up to the date of termination and, at the option of the Executive, shall not be subject to repurchase.

C. Termination by Reason of Death. If the employment of the Executive hereunder shall terminate because of death of the Executive, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (1) all base salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive was a participant to the full extent of the Executive's rights under such plans; (iii) accrued, unused vacation pay; and (iv) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro rated for the number of days employed during the year of termination up to the date of termination. In addition, notwithstanding anything to the contrary in the Plan, any

Performance Units held by the Executive shall vest on a pro rata basis up to the date of termination and, at the option of the Executive, shall not be subject to repurchase.

D. Voluntary Resignation. In the event that the Executive voluntarily resigns from his employment with the Company, the Company may, at its discretion, continue the Executive's employment with the Company for the full amount of the notice period. In the event of said termination, the Company shall have no obligation to pay the base salary provided under this Agreement to or for the benefit of the Executive for any period after the end of said notice; provided, however, that the Company shall promptly pay: (i) all salary earned by the Executive prior to the date of such termination; and (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's rights under such plans (with the exception of any bonus and/or incentive compensation).

E. Involuntary Termination or Termination for Good Reason. In the event that the Executive's employment under this Agreement is involuntarily terminated as defined in Section 5(E) of this Agreement or Executive terminates this Agreement for Good Reason as defined in Section 5(F) of this Agreement, the Company shall: (i) continue to pay the Executive the Base Salary for the greater of (a) the twelve (12) month period following termination; or (b) the remainder of the Employment Term (for purposes of subparagraph 6.E. the time period described in either 6.E.(i)(a) or 6.E shall be known as the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company; and, (ii) pay any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plans for the remainder of the Severance Period; and (iii) reimburse Executive for his cost of purchasing medical benefits solely for Executive under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, provided COBRA is available and is elected, during the Severance Period but no longer than eighteen months or until such time as Executive is eligible to receive medical benefits from another person or entity comparable to those provided by Company immediately prior to his termination, If, during the Severance Period, the Executive materially breaches his obligations under Section 8 of this Agreement, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments to Executive. If Executive terminates this Agreement for Good Cause as defined in Section 5 of this Agreement, the Company shall pay a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days employed during the year of termination up to the date of termination. In addition, notwithstanding anything to the contrary in the Plan, any Performance Units held by the Executive shall vest on a pro rata basis up to the date of termination and, at the option of the Executive, shall not be subject to repurchase.

7. **Notice of Termination**.

A. The Company may effect a termination of this Agreement pursuant to the provisions of Section 5 of this Agreement upon giving thirty (30) days' written notice to the Executive of such termination; provided, however, that a Termination for Cause under Section 5(A) shall take effect immediately, at the option of the General Partner.

B. The Executive may effect a termination of this Agreement pursuant to the provisions of Section 5(D) or 5(F) of this Agreement upon giving sixty (60) days' written notice to the Company.

8. **Covenants of the Executive**.

In order to induce the Company to enter into this Agreement and employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 8 herein, the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems.

A. Non-Competition. During the Employment Term, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company, engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise, with the operation, management, or conduct of any business that competes with Company. Executive shall not in any manner disrupt or attempt to disrupt any relationships which Company may have with any of its employees, suppliers, customers, lessors, banks, consultants, or other persons or entities with whom business dealings or ongoing relationships exist, nor induce any such parties to terminate or otherwise alter the manner in which such relationships are being conducted with Company.

B. Confidentiality. During the Employment Term, and following the termination of this Agreement for any reason for as long as the information remains confidential, Executive shall not make any use, for his own benefit or for the benefit of a business or entity other than Company, of any verbal or written secret or confidential information. Such confidential information shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer print-outs, or any other data of or pertaining to Company, its business, customers and financial affairs, or its services not generally known within Company's trade and which was acquired by him during his affiliation with Company. Executive shall not remove from Company premises or retain without the Company's written consent any of Company's confidential information as defined herein, or copies of or extracts therefrom. Executive shall hold in a fiduciary capacity for the benefit of Company all secret or confidential information, knowledge, or data of Company or its business or production operations obtained by Executive during his employment by Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Executive) and shall not, during his employment hereunder or after the termination of such employment, communicate or divulge any such information, knowledge or data to any person, firm or corporation other than Company or persons, firms or corporations designated by Company. Executive acknowledges that this information is treated as confidential by Company, that Company takes meaningful steps to protect the confidentiality of this information, and that Company has at all times directed Executive to maintain the confidentiality of this information. Immediately upon termination of this Agreement, Executive shall return all of Company's property to it, including any and all copies of said property.

C. Ownership of Work Product. Executive agrees that Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to Company's business that Executive conceives, develops during the Employment Term or delivers to the Company while performing services pursuant to this Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law. All Work Product shall be considered a work made for hire by Executive and owned by Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for Company, or if ownership of all right, title and interest of the intellectual property rights therein shall not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to Company, its successors and assigns. Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof, a "trade secret" shall mean any information, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable): (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance; (b) obtain and aid in the enforcement of copyright and, if applicable, patents with respect to the Work Product in any countries; (c) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Company. Executive shall immediately disclose to Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by Company to perfect Company's title thereto, or to the patents issued thereon, or to

otherwise secure and protect Company's property rights therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed or made by Executive during employment with Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of Company or to Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for Company.

E. Competition Following Termination. Within the twelve (12) month period immediately following termination of this Agreement, regardless of the cause therefor, except as provided herein, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company: (a) engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise with the operation, management, or conduct of any business in the United States that is or was a customer of Company, or that competes with the business of Company being conducted at the time of such termination; (b) solicit, contact, interfere with, or divert any customer served by Company or potential customer identified by Company during the period of Executive's employment hereunder; or (c) solicit any person then or previously employed by Company to join Executive, whether as a partner, agent, employee, or otherwise, in any enterprise engaged in a business that competes with business of the Company at the time of such termination, Provided, however, that Executive shall not be bound by the Covenant set forth in this paragraph 8(E) in the event that the Company breaches any of its obligations to the Executive hereunder or in the event of the cessation or dissolution of the Company's business. As used herein, "cessation or dissolution" means total liquidation of the Company and does not include a cessation of business due to any change in control.

F. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope and essential to the preservation of Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with Company, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect.

G. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Agreement or with the performing of any duties for Company, or any other rights of Company; (b) neither Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

H. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

I. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 8 in particular, and this Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any such breach. Accordingly, if Executive breaches any covenant in this Section 8, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Agreement shall be construed as precluding the Company from seeking such equitable or injunctive relief in a court of competent jurisdiction for Executive's violations of Section 8. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may have resulted from a breach of the covenants of this Agreement. Any waiver or failure to seek enforcement or remedy for any breach or suspected breach of any covenant of Executive in this Agreement shall not be deemed a waiver of such provision in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Agreement or otherwise, shall not operate as a defense to the Company's enforcement of any provision of this Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 8 may be brought in any court of competent jurisdiction.

9. **Attorneys' Fees**. In any action brought by any party under this Agreement to enforce any of its terms, or any appeal therefrom the prevailing party shall be entitled to an award of its reasonable attorneys' fees.

10. **Executive Offices**. The executive offices for MonoSol Rx LLC shall reside in the state of New Jersey.

11. **Executive Employment Agreement Guarantee**. If any time during the initial two year period of the Employment Term the Company is unable to fulfill its obligations as set forth in this Agreement, the General Partner (MonoSol Rx, LLC Gen Par) shall guarantee payment of the Base Salary for a period of one (1) year, payable in twelve equal monthly installments, less applicable deductions and withholdings.

12. **Travel Restrictions**. As is reasonable, Executive has the right to refuse travel to destinations deemed politically unstable or otherwise hostile and/or those that may represent a danger to the Executive's health and well-being.

13. **Notices**. Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the following address:

If to the Company:	Doug Bratton 201 Main Street, Suite 1900 Fort Worth, Texas 76102
with a copy to:	John Cochran 201 Main Street, Suite 1900 Fort Worth, Texas 76102
If to the Executive:	Alexander Mark Schobel

6 Demott Drive
Whitehouse Station, NJ 08889

Either party nay change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto.

14. **Venue; Jurisdiction**. Any suit concerning this Agreement shall be filed solely in the courts of Tarrant County, Texas. In any action brought concerning or arising from this Agreement, Executive hereby agrees that he shall be subject to the jurisdiction of the state and federal courts of Texas.

15. **Binding Effect; Assignment**. Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Agreement, or any right or interest herein. This Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

16. **Entire Agreement**. This Agreement, and the Monosol Rx, LLC, Performance Units Plan, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter. This Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; any waiver by either party with respect to any provision hereof, or the breach of any provision hereof by the other party, need be signed only by the party waiving such provision or breach; provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

17. **Severability**. In case any one or more of the provisions of this Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not be affected thereby.

18. **Section Headings**. The section headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

19. **Counterparts**. This Agreement may he executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. **Survival**. The provisions of Section 8 of this Agreement shall survive any termination of this Agreement and the termination of Executive's employment.

21. **Press Release**. Any press release or other public statement regarding Executive's employment with MonoSol Rx, LLC shall take place no earlier than January 6, 2006 and shall be subject to the Executive's prior review and consent.

[Signature Page to Follow]

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

MonoSol RX, LLC

By: /s/ Douglas Bratton

Date: 11/17/05 Title: MANAGER

Alexander Mark Schobel, Individually

Date: 11/19/05 /s/ Alexander Mark Schobel

MonoSol RX, LLC GenPar

By: /s/ Douglas Bratton

Date: 11/17/05 Title: PRESIDENT

EXHIBIT A

Performance Units Plan

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

Amended and Restated Effective September 18, 2006

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MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

Amended and Restated Effective September 18, 2006

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan (hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan B established by the Company effective as of January 22, 2004.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $12,500,000.00, the Base Value determined by the Advisory Board on January 22, 2004.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful, reckless or negligent conduct by such Participant in connection with his employment with, or provision of services to, the Company, (ii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iii) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (iv) such Participant's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises, (v) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vi) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the

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interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"Company" shall mean Monosol RX, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the

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Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to the following individuals: Richard C. Fuisz, Joe Fuisz, Garry Myers and Robert Yang.

3.02 Performance Units. On January 22, 2004, Performance Units were granted under this Plan to the Participants as follows:

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	125,000

The grant of Performance Units to a Participant does not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein. The 2,500,000 Performance Units granted to the Participants listed above equaled the maximum number of Performance Units available under the Plan on January 22, 2004 (with such number subject to adjustment pursuant to the provisions of Section 3.04). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may not be granted again under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his Performance Units except to the extent the Participant is Vested in his Performance Units. Based upon the number of Performance Units granted on January 22, 2004, the Participants hold the following unadjusted number of Vested Performance Units (with such number subject to adjustment pursuant to the provisions of Section 3.04 to reflect the changes made to the Outstanding Unit Amount since January 22, 2004). The Participants' Vested Performance Units remain subject to the forfeiture provisions of Section 4.02.

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	62,500

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion, spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, the Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units or the

authorization and issuance of additional performance units under the Additional Performance Units Plan. Additionally, in the event of an adjustment under Section 3.2 of the Acquisition Agreement dated effective as of January 22, 2004 by and between Kosmos Pharma Limited, the Company, and Monosol LLC, the number of Vested Performance Units held by each Participant shall be reduced by one-half while the total Outstanding Unit Amount shall not be changed.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Change in Control. Following a Change in Control, each Participant shall receive payments in an amount equal to the following:

Number of such Participant's Vested Performance Units Outstanding Unit Amount	**X**	(Market Value minus Base Value)	=	Total Payments

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control.

Amounts payable under this Section 4.01 shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if the Participant's employment or other service-

providing relationship with the Company is terminated for Cause, as defined for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a majority vote, shall be final as to the whether the Participant has been terminated for Cause.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his death prior to complete distribution to the Participant of the benefits due him under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his Beneficiary.

6.02 Termination. The Company may not terminate this Plan without the consent of all Participants.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;
(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his Claim; and
(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;
(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and
(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld

such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Plan to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: MONOSOL RX GENPAR, a Texas limited partnership

By: BRATTON CAPITAL, INC., its general partner

By: /s/ John Cochran
Name: John Cochran
Title: Vice President

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

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MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan B (newly designated as Performance Units Plan B and hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan established by the Company effective as of January 22, 2004 for the following participants: Richard C. Fuisz, Joe Fuisz, Garry Myers, and Robert Yang.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $100,000,000.00 as of September 18, 2006. The Base Value is determined by the Advisory Board as of the date of grant of Performance Units and separate Base Values may apply to blocks of Performance Units based upon the date of grant.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful and continued failure of such Participant to perform his or her duties, including, without limitation, such Participant's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Participant reports (other than any such failure resulting from his or her death or permanent disability), (ii) willful, reckless or negligent conduct by such Participant in connection with his or her employment with, or provision of services to, the Company, (iii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iv) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (v) such Participant's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises, (vi) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vii) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Company" shall mean MonoSol Rx, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business. In the absence of an actual sale or other transaction resulting in a Change in Control of the Company, the fair market value of the Company's business shall be the Advisory Board's most recent determination thereof (unless otherwise determined by mutual agreement between the Advisory Board and the Participant);

provided, however, that if the Participant objects to the Advisory Board's most recent determination of the fair market value of the Company's business, or if the Advisory Board and the Participant are unable to agree on the fair market value of the Company's business, within 30 days following the Participant's retirement or termination of employment or a Change in Control, as the case may be, the Participant may retain, at his or her own expense, a qualified, independent appraiser to perform an appraisal of the Company's business. If the fair market value determined by the appraisal commissioned by the Participant is not greater than 110% of the most recent fair market value determined by the Advisory Board, then the most recent fair market value determined by the Advisory Board shall be determinative. If the fair market value determined by the appraisal commissioned by the Participant is more than 110% of the most recent fair market value determined by the Advisory Board, then the Advisory Board may, in its sole discretion, (i) select another appraiser jointly with the Participant whose appraisal shall conclusively bind the parties or (ii) use the average value based on the most recent fair market value determined by the Advisory Board and the appraised value based on the appraisal commissioned by the Participant. In determining the fair market value, the appraiser(s) shall be instructed to ignore any liability recorded on the books of the Company which represents the liability under the Plan to the Participant in question. The Advisory Board may determine the fair market value of the Company's business at any time; provided, however, that it is anticipated that such determination will be made at least once each fiscal year of the Company.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Target Year of Service" shall mean a one-year period established by the Advisory Board for a particular Participant on the last day of which such Participant is employed by the Company.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his or her Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

Subject to the provisions of the Plan, the Advisory Board shall have exclusive power to (a) designate the employees and/or other service providers to become Participants and be granted Performance Units; (b) determine the number of Performance Units to be granted and/or criteria for granting Performance Units to each Participant; (c) determine the time or times when Performance Units will be granted; (d) determine whether Participants shall be of a single class or in different classes; and (e) determine the one-year periods for Target Years of Service. The one-year period for Target Years of Service may vary from Participant to Participant.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to a select group of key employees and/or other service providers of the Company designated by the Advisory Board. The Advisory Board shall notify all employees and/or other service providers who are designated to participate in the Plan of their designation and of their grant of Performance Units within 30 days of their designation and/or grant.

3.02 Performance Units. Performance Units granted by the Advisory Board to Participants shall be credited to a Performance Unit account to be maintained by the Advisory Board for each Participant. The grant of Performance Units to a Participant shall not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein.

Following the adjustments described below, the maximum number of Performance Units that may be granted under the Plan shall be 2,500,000 in the aggregate (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). Initially, 3,750,000 Performance Units could be granted under the Plan and such number was increased by amendment to 5,000,000. Pursuant to the establishment of the Additional Performance Units Plan, 2,500,000 Performance Units were transferred to, and granted pursuant to, the Additional Performance Units Plan leaving 2,500,000 Performance Units for issuance under the Plan (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may again be granted under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his or her Performance Units except to the extent the Participant is Vested in his or her Performance Units.

For purposes of benefit payments under the Plan, a Participant shall become Vested in his or her Performance Units based on the following schedule:

Target Years of Service	Percent Vested
0	0%
1	25%
2	50%
3	100%

A Participant shall be credited with a Target Year of Service only if the Participant is employed by, or providing services to, the Company on the last day of such one-year period. Anything else to the contrary notwithstanding, the Advisory Board may grant Vested status to a Participant with respect to all of such Participant's Performance Units who would not otherwise be Vested under this Section 3.03 in all granted Performance Units (including all previously granted Performance Units). A Change in Control will accelerate vesting of Performance Units so that a Participant will become Vested in all of his or her Performance Units as of the date of such Change in Control.

Certain Participants (the "MonoSol Participants") were employees of MonoSol, LLC, a Delaware limited liability company and member of the Company ("MonoSol"), and they were granted Performance Units in recognition of their services, as key employees of MonoSol, to the Company in connection with its formation and acquisition of business assets from Kosmos Pharma Limited and their continuing provision of administrative services on behalf of MonoSol to the Company. Notwithstanding anything to the contrary contained in this Plan, the MonoSol Participants shall be credited with a Target Year of Service only if the MonoSol Participant is employed by MonoSol (or its successors or assigns) on the last day of such one-year period.

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion,

spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Retirement, Termination or Change in Control. If the Advisory Board so elects in its sole discretion within 12 months following a Participant's retirement or termination of employment or other service-providing relationship for any reason, including an involuntary termination by reason of death or permanent disability (subject to the forfeiture provisions of Section 4.02) with the Company, the Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \textbf{ X } \text{(Market Value minus Base Value) = Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Participant's retirement or termination of employment or other service-providing relationship. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value. If the Advisory Board does not so elect within 12 months following a Participant's retirement or termination of employment or other relationship, the Participant or his or her estate or heirs shall continue to be eligible for benefit payments upon a Change in Control.

If the Advisory Board so elects, amounts payable under this Section 4.01 following a Participant's retirement or termination of employment or other service-providing relationship shall be paid at the sole discretion of the Advisory Board either (a) in a single, lump sum or (b) in 24 equal monthly installments, together with interest on the unpaid balance at the minimum rate of interest required to be charged on such obligation at the date of the Participant's retirement or termination of employment or other service-providing relationship to avoid the imputation of interest for federal income tax purposes under the Internal Revenue Code of 1986, as amended, but in no event shall such interest rate exceed the applicable legal maximum interest rate then prevailing. Benefits payable under this Section 4.01 shall be paid or commenced no later than 12 months following the date of the retirement or termination of the Participant's employment or other service-providing relationship (other than for Cause) with the Company. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of such Participant's Performance Units.

Following a Change in Control, each Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \textbf{ X } \text{(Market Value minus Base Value) = Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value.

Amounts payable under this Section 4.01 with respect to a Change in Control shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his or her Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if any of the following events occur:

(a) The Participant's employment or other service-providing relationship with the Company is terminated for Cause, as defined either in such Participant's employment agreement with the Company or, if none, for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a

majority vote, shall be final as to the whether the Participant has been terminated for Cause.

(b) While employed by, or otherwise retained to provide services to, the Company or during the 12-month period following the Participant's retirement or other termination of employment or other service-providing relationship with the Company for

any reason, the Participant directly or indirectly (1) induces, requests or advises any person or entity to withdraw, curtail, or cancel that person's or entity's business with the Company, or to obtain services from any person or entity that competes with the Company, or (2) solicits or induces any employee of the Company to leave the employ of the Company.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his or her Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his or her death prior to complete distribution to the Participant of the benefits due him or her under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his or her Beneficiary with respect to benefits which have accrued under the Plan prior to such amendment.

6.02 Termination. The Company reserves the right at any time and at its sole discretion to terminate the Plan; provided, any termination of the Plan shall not affect any benefits previously accrued hereunder; provided further, any termination of the Plan must be structured to comply with the requirements of Code Section 409A regarding the permissible acceleration of payments upon the termination of an arrangement to defer compensation.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;

(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his or her Claim; and

(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;

(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and

(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his or her Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him or her to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his or her award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Performance Units Plan B to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: /s/ John Cochran
Name: John Cochran
Title: V.P.

SCHEDULE I

One-Year Periods

(To be determined by Advisory Board)

EXHIBIT B

Benefits Summary

New Hire
Benefits Summary
Effective 2/1/07

Medical Dental and Vision Care

- **Medical & Dental Care Plan**
  - Network Provider is Great West Healthcare
  - Coverage starts on first day of the month, following hire date
- **Vision Care Plan**
  - Coverage is bundled with Medical and Dental Plans (no additional premiums)
  - Network Provider is VSP
  - Coverage starts on first day of the month, following hire date

Life Insurance, Accidental Death & Dismemberment (AD&D), Short & Long Term Disability Coverage

- Company covers employee at 1.5x annual salary for Life and AD&D ($500,000 max)
- Short - term disability is company paid (60% of weekly earnings, $500 per week max)
- Long-term disability is company paid (60% of monthly earnings, $6000 max)
- Voluntary term life coverage is available at employee expense. Coverage can include:
  - Employee — up to 5x annual salary, $250k max;
  - Spouse — up to 50% of employee benefit/$50k max;
  - Dependent child(ren) — up to 50% of employee benefit/$10k max
- Program is administered through Mutual of Omaha

Paid vacation

- 20 days vacation annually, prorated based on hire date

401k

- Eligibility begins immediately
- Company matches 100% of employee contribution up to 6%

Administered through John Hancock

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into as of this 16th day of June, 2006 (the "Effective Date"), by and between MonoSol RX, LLC (the "Company"), and Keith J. Kendall an individual (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as its Senior Vice President and Chief Financial Officer, and Executive is willing to accept such employment by the Company, on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Company and the Executive desire that the terms of this Agreement begin on the Effective Date;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment**. During the term of this Agreement, the Executive agrees to be employed by and to serve the Company as its Senior Vice President and Chief Financial Officer, and the Company agrees to employ and retain Executive in such capacity. The Executive shall report directly to the President and CEO (hereafter the "CEO"). The Executive shall: (i) devote his entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of Senior Vice President and Chief Financial Officer, as well as any other duties consistent with the stature and responsibility of the Executive's position as may from time to time be assigned by the CEO of MonoSol RX, LLC; and (iii) diligently follow and implement all policies, practices, procedures, and rules of the Company.

2. **Employment Term**. The employment term (the "Employment Term") of the Executive under this Agreement shall be for a period of three (3) years. The Employment Term shall commence on the Effective Date and shall automatically renew for further successive twelve month terms (the "Renewal Terms"), provided either party may terminate the Agreement during the Renewal Terms pursuant to Section 5 of this Agreement.

3. **Compensation**.

A. Base Salary. As compensation for services rendered to the Company pursuant to this Agreement, the Company shall pay to Executive a base salary (the "Base Salary") at a rate of $325,000.00 per annum, payable at a rate of $27,083.34 per month. The Base Salary will be paid in accordance with the standard payroll policies of the Company as from time to time are in effect, from which shall be deducted federal and, if applicable, state income taxes, social security taxes, and such other and similar payroll taxes and charges as may be required or appropriate under applicable law. The Base Salary shall be considered by the CEO for increase based upon performance and other considerations as appropriately determined by the CEO, including without limitation, performance assessment, market assessment for comparable executive and employment terms and awards as may be deemed appropriate from time to time.

B. Bonus.

(i) Bonus Reimbursement. Within thirty (30) days of the Effective Date, the Company shall reimburse Executive $200,000.00, which represents Executive's 2006 pro-rated bonus earned with his prior employer. Executive shall also be eligible for a pro-rated bonus for the remainder of 2006, if applicable.

(ii) Annual Bonus. In addition to the Base Salary, at the end of each twelve (12) month period under the Employment Term, Executive shall be eligible, if then employed with the Company, for a bonus of seventy five percent (75%) of Executive's Base Salary, provided Company achieves established performance targets. Executive must be employed by the Company on the day any bonus payment is due and payable under this Agreement in order to receive said bonus payment. The bonus shall be paid sixty six percent (66%) in cash and thirty four percent (34%) either in cash or in Performance Units, in the CEO's good faith determination and discretion based on Company's ability to determine reasonable valuation of the Performance Units. If the Company exceeds established performance targets, the Company may, in its sole discretion, increase the amount of the Annual Bonus.

C. Award of Performance Units. The award of Performance Units (as defined in the Plan) shall be structured so as to provide Executive with notional equity participation of three percent (3%) of the equity value of the Company as of the Effective Date in excess of a notional exercise price of eighty-seven million six hundred thousand dollars ($87,600,000.00). In accordance with the provisions of the Plan, the number of Performance Units awarded to Executive on the Effective Date (the "Initial Performance Units") shall equal three percent (3%) of the Outstanding Unit Amount (as defined in the Plan) as of the Effective Date, with amounts payable with respect to such Performance Units under the Plan on the basis of a Base Value (as defined in the Plan) of eighty-seven million six hundred thousand dollars ($87,600,000.00) as of the Effective Date. Executive shall be eligible for an award of additional Performance Units during the Employment Term at the times, and in the amounts, as the Company in its sole discretion shall determine; provided, however that any such award of additional Performance Units will not be entitled to the anti-dilution protection afforded below to the Initial Performance Units. The award, valuation, vesting, and all other benefits, terms, and conditions of the Performance Units are governed by the terms and conditions of the award of Performance Units and by the MonoSol RX, LLC, Performance Units Plan, established January 22, 2004, and all amendments, supplements, and revisions thereto, attached hereto as Exhibit A and incorporated herein by reference as if fully set forth herein (the "Plan"); provided, however, that 1/6 of the Initial Performance Units shall become Vested for each six (6) months of service by dividing each Target Year of Service (as defined in the Plan) into two (2) six month vesting periods. Notwithstanding anything to the contrary in the Plan, if during the Employment Term the Company increases the Outstanding Unit Amount in connection with any of the following: (i) the grant of Performance Units at a Base Value of at least eighty-seven million six hundred thousand dollars ($87,600,000.00) and (ii) the issuance of membership interests, options, warrants or any other equity in the Company based upon a Market Value (as defined in the Plan) of the Company of at least eighty-seven million six hundred thousand dollars ($87,600,000.00) (a "Dilution Event"), Executive shall be entitled to receive additional Performance Units so that the aggregate of such additional Performance Units and the number of Initial Performance Units held prior to the Dilution Event equal three percent (3%) of the adjusted Outstanding Unit

Amount after such Dilution Event. Additional performance units will only be granted in response to a Dilution Event occurring on or prior to January 1, 2007, including, without limitation, any Dilution Event occurring in connection with the execution of an initial public offering of any equity interests of the Company (or successor thereto) ("IPO") taking place no later than January 1, 2007. In the event of an IPO, your Performance Units shall become fully vested. It is the intent of the parties hereto that if an IPO occurs, either (1) Executive will be awarded, in exchange for cancellation of Executive's Performance Units, a number of shares in the post-IPO successor entity to the Company that equate to participation in three percent (3%) of the equity value in excess of eighty-seven million six hundred thousand dollars ($87,600,000.00) or (2) the post-IPO successor entity will continue the Plan. The Company hereby acknowledges that the Plan will be amended to effect such intent.

4. **Additional Benefits**.

A. Executive Benefits. During the Employment Term, Executive shall receive such benefits and participate in such executive benefit plans as set forth in the MonoSol RX, LLC, Benefit Summary, attached hereto as Exhibit B and incorporated herein by reference.

B. Vacation; Sick Leave. The Executive shall, during the Employment Term, be allowed to take up to four (4) weeks of vacation each year, and shall be eligible for such sick leave each year as shall be established by the Company for senior executives of the Company.

C. Expense Reimbursement. Subject to any maximum monthly or other ceiling established by the Company from time to time on at least 60 days' prior written notice to Executive, the Company shall pay directly, or reimburse Executive for, any and all reasonable costs and expenses incurred by Executive in connection with his performance of his duties under this Agreement. Executive will submit expense reimbursements or payment requests to the Company from time to time for the items referred to in this Section 4(C) in accordance with expense reimbursement or payment policies and procedures established from time to time by the Company.

5. **Termination**.

A. Termination for Cause. Notwithstanding anything to the contrary contained in this Agreement, Termination for Cause may be effected by the Company at any time during the term of this Agreement by written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, "Termination for Cause" shall mean:

(1) the willful and continued failure of such Executive to perform his duties, including, without limitation, such Executive's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Executive reports (other than any such failure resulting from his death or permanent disability); or

(2) the engaging by such Executive in willful, reckless or negligent conduct in connection with his employment or other relationship which is materially detrimental to the Company; or,

(3) the conviction of such Executive of any felony or any crime involving moral turpitude; or,

(4) such Executive's reporting to work impaired by or under the influence of alcohol or illegal drugs; or,

(5) such Executive's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises; or,

(6) such Executive's engaging in sexual harassment or other violation of any harassment or discrimination law; or,

(7) Executive's commission of fraud in connection with Executive's employment or theft, misappropriation or embezzlement of the Company's funds; or,

(8) the demonstrated use or disclosure by Executive of any confidential proprietary or trade secret information of Executive's former employer or that Executive learned or obtained through his former employer; or,

(9) the demonstrated use or disclosure by the Executive of any confidential information of the Company except when such disclosure is made pursuant to the directions of the Company or in accordance with Company policy; or,

(10) such Executive's engaging in competitive behavior against the Company, purposely aiding a competitor of the Company, or misappropriating or aiding in misappropriating a material opportunity of the Company.

All determinations of "Cause" shall be made by the Board of Managers of the Company (the "Board"). If the Company elects to terminate Executive's employment for Cause pursuant to clause (1) of the definition of "Cause" and the action or inaction prompting such termination is capable of cure, the Company shall first give Executive written notice thereof, including a description of the evidence upon which the Board has relied to support such finding and a period of thirty (30) days (the "Cause Notice Period") from the date of such notice to cure the action or inaction giving rise to the written notice. If such action or inaction is not cured by Executive by the end of the Cause Notice Period, as determined by the Board and communicated to the Executive in writing, such termination shall be effective upon the first day after the expiration of the Cause Notice Period.

B. Termination by Reason of Disability. In a manner consistent with the Americans with Disabilities Act and the Family and Medical Leave Act, this Agreement may be terminated at the Company's option immediately upon notice to Executive if Executive shall suffer a Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of his job under this Agreement, with or without reasonable accommodation, for a period of one hundred twenty (120) consecutive days or for an aggregate of one hundred eighty (180) days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a board certified physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Voluntary Resignation. Executive may terminate this Agreement at any time, subject to providing sixty (60) days' written notice to the Company in accordance with Section 7(B) of this Agreement; provided, however, that Executive's covenants and obligations under Section 8 herein shall survive Executive's voluntary resignation.

E. Involuntary Termination. Notwithstanding anything to the contrary contained in this Agreement, after ninety (90) days of the commencement of the Employment Term, involuntary termination may be effected by the Company by giving written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, the term "Involuntary Termination" shall mean termination by the Company of the Executive's employment with the Company other than: (i) Termination for Cause; (ii) Termination by Reason of Disability; or (iii) Termination by Reason of Death.

F. Termination for Good Reason. The Executive may terminate this Agreement for "Good Reason" at any time during the term of this Agreement by providing written notification to the Company in accordance with Section 7(B) of this Agreement. For purposes of this Agreement, "Good Reason" shall mean (1) any action by the Company which results in a diminution in Executive's position, authority, duties or responsibilities (including status, offices, titles and reporting requirements contemplated by this Agreement), (2) any reduction in Executive's Base Salary or bonus opportunity. (3) any change, in any employee benefit plan, compensation plan, welfare benefit plan or fringe benefit plan in which the Executive participates that would adversely affect Executive's benefits thereunder, unless such change occurs pursuant to a program or a plan amendment or termination that is applicable to all executives of the Company and does not result in a proportionately greater reduction in the benefits to the Executive as compared to any other executive of the Company, (4) material breach by the Company of its obligations under this Agreement, or (5) without his prior concurrence, Executive is assigned to a Company location which is more than fifty (50) miles from its current headquarters in Warren, New Jersey.

6. **Obligations of the Company Upon Termination**.

A. Termination for Cause. In the event that the Executive's employment under this Agreement is terminated for Cause, the Company shall have no obligation to pay the salary or any other compensation provided under this Agreement, to or for the benefit of the Executive for any period after the date of such termination, or to pay any bonus for the fiscal in which such termination occurs; provided, however, that the Company shall promptly pay: (1) all Base Salary earned by the Executive prior to the date of such termination and (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan.

B. Termination by Reason of Disability. In the event that the Executive's employment under this Agreement is terminated in a Termination by Reason of Disability, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or

for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan; (iii) accrued, unused vacation pay; and (iv) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days employed during the year of termination up to the date of termination.

C. Termination by Reason of Death. If the employment of the Executive hereunder shall terminate because of death of the Executive, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive was a participant to the fill extent of the Executive's rights under such plans; (iii) accrued, unused vacation pay; and (iv) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro rated for the number of days employed during the year of termination up to the date of termination.

D. Voluntary Resignation. In the event that the Executive voluntarily resigns from his employment with the Company, the Company may, at its discretion, continue the Executive's employment with the Company for the full amount of the notice period. In the event of said termination, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the end of said notice; provided, however, that the Company shall promptly pay: (i) all salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's rights under such plans (with the exception of any bonus and/or incentive compensation); and (iii) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days employed during the year of termination up to the date of termination.

E. Involuntary Termination or Termination for Good Reason. In the event that the Executive's employment under this Agreement is involuntarily terminated as defined in Section 5(E) of this Agreement or Employee terminates this Agreement for Good Reason as defined in Section 5(F) of this Agreement, the Company shall: (i) continue to pay the Executive the Base Salary for a period equal to the greater of (A) eighteen (18) months from the date of termination or (B) the remainder of the Employment Term (the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company; (ii) pay during each month of the Severance Period a cash payment equal to one-twelfth of the Annual Bonus received by the Executive for the previous year (such amount to be pro-rated for any partial months during the Severance Period); and (iii) pay any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plans for a period of one year. If a determination has been made (by final, nonappealable order of a court of competent jurisdiction) that the Executive has materially breached his obligations under Section 8 of this Agreement, the Company may terminate the Severance Period and cease to make any further payments to Executive.

F. 401(k) Make-Whole Payment. In the event that Executive terminates employment with the Company at a time when Executive has not become entitled to a fully vested benefit under the Company's defined contribution plan, the Company shall, regardless of the reason for Executive's

termination of employment, pay Executive (or Executive's estate in the event of his death) a lump sum amount equal to the amount of Executive's account under the plan that was not vested as of his termination of employment. Subject to Paragraph G below, such payment shall be made within five (5) business days following the last day of Executive's employment with the Company.

G. 409A Compliance. The Company shall take all reasonable actions to ensure that none of the amounts earned or payable under this Agreement and the Plan will violate Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent necessary to comply with the restriction in Section 409A(a)(2)(B) of the Code concerning payments to "specified employees", any amounts payable on account of the Executive's separation from service shall be paid (or commence to be paid in the case of any payments to be made in installments) on the first business day of the seventh month following Executive's date of termination (or death, if earlier) and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction, together with interest on such cumulative amount during the period of such restriction at a rate, per annum, equal to the applicable federal short-term rate (compounded monthly) in effect under Section 1274(d) of the Code on the date of Executive's termination of employment.

7. **Notice of Termination**.

A. The Company may effect a termination of this Agreement pursuant to the provisions of Section 5 of this Agreement upon giving thirty (30) days' written notice to the Executive of such termination; provided, however, that a Termination for Cause under Section 5(A) shall take effect immediately, at the option of the CEO.

B. The Executive may effect a termination of this Agreement pursuant to the provisions of Section 5(D) or 5(F) of this Agreement upon giving sixty (60) days' written notice to the Company.

8. **Covenants of the Executive.**

In order to induce the Company to enter into this Agreement and employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 8 herein, the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems.

A. Non-Competition. During the Employment Term or the Severance Period, if applicable, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company, engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise, with the operation, management, or conduct of any business that competes with Company. Executive shall not in any manner disrupt or attempt to

disrupt any relationships which Company may have with any of its employees, suppliers, customers, lessors, banks, consultants, or other persons or entities with whom business dealings or ongoing relationships exist, nor induce any such parties to terminate or otherwise alter the manner in which such relationships are being conducted with Company.

B. Confidentiality. During the Employment Term or the Severance Period, if applicable, and following the termination of this Agreement for any reason for as long as the information remains confidential, Executive shall not make any use, for his own benefit or for the benefit of a business or entity other than Company, of any verbal or written secret or confidential information. Such confidential information shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer print-outs, or any other data of or pertaining to Company, its business, customers and financial affairs, or its services not generally known within Company's trade and which was acquired by him during his affiliation with Company. Executive shall not remove from Company premises or retain without the Company's written consent any of Company's confidential information as defined herein, or copies of or extracts therefrom. Executive shall hold in a fiduciary capacity for the benefit of Company all secret or confidential information, knowledge, or data of Company or its business or production operations obtained by Executive during his employment by Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Executive) and shall not, during his employment hereunder or after the termination of such employment, communicate or divulge any such information, knowledge or data to any person, firm or corporation other than Company or persons, firms or corporations designated by Company. Executive acknowledges that this information is treated as confidential by Company, that Company takes meaningful steps to protect the confidentiality of this information, and that Company has at all times directed Executive to maintain the confidentiality of this information. Immediately upon termination of this Agreement, Executive shall return all of Company's property to it, including any and all copies of said property.

C. Ownership of Work Product. Executive agrees that Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to Company's business that Executive conceives, develops during the Employment Term or delivers to the Company while performing services pursuant to this Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law. All Work Product shall be considered a work made for hire by Executive and owned by Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for Company, or if ownership of all right, title and interest of the intellectual property rights therein shall, not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to

Company, its successors and assigns. Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof, a "trade secret" shall mean any information, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are

reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable): (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance; (b) obtain and aid in the enforcement of copyright and, if applicable, patents with respect to the Work Product in any countries; (e) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Company. Executive shall immediately disclose to Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by Company to perfect Company's title thereto, or to the patents issued thereon, or to otherwise secure and protect Company's property rights therein. These obligations shall continue beyond the termination of Executive employment with respect to Inventions conceived, developed or made by Executive during employment with Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of Company or to Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for Company.

E. Competition Following Termination. During the Severance Period, except as provided herein, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company: (a) engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise with the operation, management, or conduct of any business in the United States that is or was a customer of Company, or that

competes with the business of Company being conducted at the time of such termination; (b) solicit, contact, interfere with, or divert any customer served by Company or potential customer identified by Company during the period of Executive's employment hereunder; or (c) solicit any person then or previously employed by Company to join Executive, whether as a partner, agent, employee, or otherwise, in any enterprise engaged in a business that competes with business of the Company at the time of such termination. Provided, however, that Executive shall not be bound by the Covenant set forth in this paragraph 8(E) in the event that the Company breaches any of its obligations to the Executive hereunder or in the event of the cessation or dissolution of the Company's business. As used herein, "cessation or dissolution" means total liquidation of the Company and does not include a cessation of business due to any change in control.

F. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope and essential to the preservation of Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with Company, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect.

G. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Agreement or with the performing of any duties for Company, or any other rights of Company; (b) neither Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

H. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

I. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 8 in particular, and this Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any such breach. Accordingly, if Executive breaches any covenant in this Section 8, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Agreement shall be construed as precluding the Company from seeking such equitable or injunctive relief in a court of competent jurisdiction for Executive's violations of Section 8. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may have resulted from a breach of the covenants of this Agreement. Any waiver or failure to seek enforcement or remedy for any breach or suspected breach of any covenant of Executive in this Agreement shall not he deemed a waiver of such provision in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Agreement or otherwise, shall not operate as a defense to the Company's enforcement of any provision of this Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 8 may be brought in any court of competent jurisdiction.

9. **Indemnification**. To the fullest extent allowed or permitted under any provision of applicable law, the Company shall indemnify Executive against any losses, claims, damages or liabilities incurred by Executive arising out of any claim based upon acts performed or omitted to be performed by

Executive in connection with his employment with the Company.

10. **Attorneys' Fees**. In any action brought by any party under this Agreement to enforce any of its terms, or any appeal therefrom each party shall be responsible for its own attorneys' fees.

11. **Travel Restrictions**. As is reasonable, Executive has the right to refuse travel to destinations deemed politically unstable or otherwise hostile and/or those that may represent a danger to the Executive's health and well-being.

12. **Notices**. Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the following address:

If to the Company:	Alexander Mark Schobel 30 Technology Drive Warren Township, NJ 07059
with a copy to:	Doug Bratton 201 Main Street, Suite 1900 Fort Worth, Texas 76102
If to the Executive:	Keith J. Kendall 195 Beaumonte Way Bridgewater, NJ 08807

Either party may change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto.

13. **Venue; Jurisdiction**. Any suit concerning this Agreement shall be filed solely in the courts of Tarrant County, Texas. In any action brought concerning or arising from this Agreement, Executive hereby agrees that he shall be subject to the jurisdiction of the state and federal courts of Texas.

14. **Binding Effect; Assignment**. Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Agreement, or any right or interest herein. This Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

15. **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter. This Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; any waiver by either party with respect to any provision hereof, or the breach of any provision hereof by the other party, need be signed only by the party waiving such provision or breach; provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

16. **Severability**. In ease any one or more of the provisions of this Agreement shall he held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not be affected thereby.

17. **Section Headings**. The section headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

18. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

19. **Survival**. The provisions of Sections 8 and 9 of this Agreement shall survive any termination of this Agreement and the termination of Executive's employment.

[Signature Page to Follow]

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

MonoSol RX, LLC

By: /s/ Alexander M. Schobel

Date: 6/16/06 Title: President & CEO

Keith J. Kendall, Individually

EXHIBIT A

Performance Units Plan

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

Amended and Restated Effective September 18, 2006

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MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

Amended and Restated Effective September 18, 2006

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan (hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan B established by the Company effective as of January 22, 2004.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $12,500,000.00, the Base Value determined by the Advisory Board on January 22, 2004.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful, reckless or negligent conduct by such Participant in connection with his employment with, or provision of services to, the Company, (ii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iii) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (iv) such Participant's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises, (v) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vi) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the

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interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"Company" shall mean Monosol RX, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the

Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to the following individuals: Richard C. Fuisz, Joe Fuisz, Garry Myers and Robert Yang.

3.02 Performance Units. On January 22, 2004, Performance Units were granted under this Plan to the Participants as follows:

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	125,000

The grant of Performance Units to a Participant does not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein. The 2,500,000 Performance Units granted to the Participants listed above equaled the maximum number of Performance Units available under the Plan on January 22, 2004 (with such number subject to adjustment pursuant to the provisions of Section 3.04). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may not be granted again under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his Performance Units except to the extent the Participant is Vested in his Performance Units. Based upon the number of Performance Units granted on January 22, 2004, the Participants hold the following unadjusted number of Vested Performance Units (with such number subject to adjustment pursuant to the provisions of Section 3.04 to reflect the changes made to the Outstanding Unit Amount since January 22, 2004). The Participants' Vested Performance Units remain subject to the forfeiture provisions of Section 4.02.

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	62,500

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion, spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, the Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units or the

authorization and issuance of additional performance units under the Additional Performance Units Plan. Additionally, in the event of an adjustment under Section 3.2 of the Acquisition Agreement dated effective as of January 22, 2004 by and between Kosmos Pharma Limited, the Company, and Monosol LLC, the number of Vested Performance Units held by each Participant shall be reduced by one-half while the total Outstanding Unit Amount shall not be changed.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Change in Control. Following a Change in Control, each Participant shall receive payments in an amount equal to the following:

Number of such Participant's Vested Performance Units Outstanding Unit Amount	**X**	(Market Value minus Base Value)	=	Total Payments

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control.

Amounts payable under this Section 4.01 shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if the Participant's employment or other service-

providing relationship with the Company is terminated for Cause, as defined for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a majority vote, shall be final as to the whether the Participant has been terminated for Cause.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his death prior to complete distribution to the Participant of the benefits due him under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his Beneficiary.

6.02 Termination. The Company may not terminate this Plan without the consent of all Participants.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;
(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his Claim; and
(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;
(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and
(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld

such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Plan to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: MONOSOL RX GENPAR, a Texas limited partnership

By: BRATTON CAPITAL, INC., its general partner

By: /s/ John Cochran
Name: John Cochran
Title: Vice President

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

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MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan B (newly designated as Performance Units Plan B and hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan established by the Company effective as of January 22, 2004 for the following participants: Richard C. Fuisz, Joe Fuisz, Garry Myers, and Robert Yang.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $100,000,000.00 as of September 18, 2006. The Base Value is determined by the Advisory Board as of the date of grant of Performance Units and separate Base Values may apply to blocks of Performance Units based upon the date of grant.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful and continued failure of such Participant to perform his or her duties, including, without limitation, such Participant's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Participant reports (other than any such failure resulting from his or her death or permanent disability), (ii) willful, reckless or negligent conduct by such Participant in connection with his or her employment with, or provision of services to, the Company, (iii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iv) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (v) such Participant's engaging in the unlawful use (including being under the influence) or possession of

illegal drugs on the Company's premises, (vi) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vii) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Company" shall mean MonoSol Rx, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business. In the absence of an actual sale or other transaction resulting in a Change in Control of the Company, the fair market value of the Company's business shall be the Advisory Board's most recent determination thereof (unless otherwise determined by mutual agreement between the Advisory Board and the Participant);

provided, however, that if the Participant objects to the Advisory Board's most recent determination of the fair market value of the Company's business, or if the Advisory Board and the Participant are unable to agree on the fair market value of the Company's business, within 30 days following the Participant's retirement or termination of employment or a Change in Control, as the case may be, the Participant may retain, at his or her own expense, a qualified, independent appraiser to perform an appraisal of the Company's business. If the fair market value determined by the appraisal commissioned by the Participant is not greater than 110% of the most recent fair market value determined by the Advisory Board, then the most recent fair market value determined by the Advisory Board shall be determinative. If the fair market value determined by the appraisal commissioned by the Participant is more than 110% of the most recent fair market value determined by the Advisory Board, then the Advisory Board may, in its sole discretion, (i) select another appraiser jointly with the Participant whose appraisal shall conclusively bind the parties or (ii) use the average value based on the most recent fair market value determined by the Advisory Board and the appraised value based on the appraisal commissioned by the Participant. In determining the fair market value, the appraiser(s) shall be instructed to ignore any liability recorded on the books of the Company which represents the liability under the Plan to the Participant in question. The Advisory Board may determine the fair market value of the Company's business at any time; provided, however, that it is anticipated that such determination will be made at least once each fiscal year of the Company.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Target Year of Service" shall mean a one-year period established by the Advisory Board for a particular Participant on the last day of which such Participant is employed by the Company.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his or her Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

Subject to the provisions of the Plan, the Advisory Board shall have exclusive power to (a) designate the employees and/or other service providers to become Participants and be granted Performance Units; (b) determine the number of Performance Units to be granted and/or criteria for granting Performance Units to each Participant; (c) determine the time or times when Performance Units will be granted; (d) determine whether Participants shall be of a single class or in different classes; and (e) determine the one-year periods for Target Years of Service. The one-year period for Target Years of Service may vary from Participant to Participant.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to a select group of key employees and/or other service providers of the Company designated by the Advisory Board. The Advisory Board shall notify all employees and/or other service providers who are designated to participate in the Plan of their designation and of their grant of Performance Units within 30 days of their designation and/or grant.

3.02 Performance Units. Performance Units granted by the Advisory Board to Participants shall be credited to a Performance Unit account to be maintained by the Advisory Board for each Participant. The grant of Performance Units to a Participant shall not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein.

Following the adjustments described below, the maximum number of Performance Units that may be granted under the Plan shall be 2,500,000 in the aggregate (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). Initially, 3,750,000 Performance Units could be granted under the Plan and such number was increased by amendment to 5,000,000. Pursuant to the establishment of the Additional Performance Units Plan, 2,500,000 Performance Units were transferred to, and granted pursuant to, the Additional Performance Units Plan leaving 2,500,000 Performance Units for issuance under the Plan (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may again be granted under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his or her Performance Units except to the extent the Participant is Vested in his or her Performance Units.

For purposes of benefit payments under the Plan, a Participant shall become Vested in his or her Performance Units based on the following schedule:

Target Years of Service	Percent Vested
0	0%
1	25%
2	50%
3	100%

A Participant shall be credited with a Target Year of Service only if the Participant is employed by, or providing services to, the Company on the last day of such one-year period. Anything else to the contrary notwithstanding, the Advisory Board may grant Vested status to a Participant with respect to all of such Participant's Performance Units who would not otherwise be Vested under this Section 3.03 in all granted Performance Units (including all previously granted Performance Units). A Change in Control will accelerate vesting of Performance Units so that a Participant will become Vested in all of his or her Performance Units as of the date of such Change in Control.

Certain Participants (the "MonoSol Participants") were employees of MonoSol, LLC, a Delaware limited liability company and member of the Company ("MonoSol"), and they were granted Performance Units in recognition of their services, as key employees of MonoSol, to the Company in connection with its formation and acquisition of business assets from Kosmos Pharma Limited and their continuing provision of administrative services on behalf of MonoSol to the Company. Notwithstanding anything to the contrary contained in this Plan, the MonoSol Participants shall be credited with a Target Year of Service only if the MonoSol Participant is employed by MonoSol (or its successors or assigns) on the last day of such one-year period.

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion,

spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Retirement, Termination or Change in Control. If the Advisory Board so elects in its sole discretion within 12 months following a Participant's retirement or termination of employment or other service-providing relationship for any reason, including an involuntary termination by reason of death or permanent disability (subject to the forfeiture provisions of Section 4.02) with the Company, the Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \textbf{ X } \text{(Market Value minus Base Value) = Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Participant's retirement or termination of employment or other service-providing relationship. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value. If the Advisory Board does not so elect within 12 months following a Participant's retirement or termination of employment or other relationship, the Participant or his or her estate or heirs shall continue to be eligible for benefit payments upon a Change in Control.

If the Advisory Board so elects, amounts payable under this Section 4.01 following a Participant's retirement or termination of employment or other service-providing relationship shall be paid at the sole discretion of the Advisory Board either (a) in a single, lump sum or (b) in 24 equal monthly installments, together with interest on the unpaid balance at the minimum rate of interest required to be charged on such obligation at the date of the Participant's retirement or termination of employment or other service-providing relationship to avoid the imputation of interest for federal income tax purposes under the Internal Revenue Code of 1986, as amended, but in no event shall such interest rate exceed the applicable legal maximum interest rate then prevailing. Benefits payable under this Section 4.01 shall be paid or commenced no later than 12 months following the date of the retirement or termination of the Participant's employment or other service-providing relationship (other than for Cause) with the Company. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of such Participant's Performance Units.

Following a Change in Control, each Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \textbf{ X } \text{(Market Value minus Base Value) = Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value.

Amounts payable under this Section 4.01 with respect to a Change in Control shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his or her Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later

than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if any of the following events occur:

(a) The Participant's employment or other service-providing relationship with the Company is terminated for Cause, as defined either in such Participant's employment agreement with the Company or, if none, for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a majority vote, shall be final as to the whether the Participant has been terminated for Cause.

(b) While employed by, or otherwise retained to provide services to, the Company or during the 12-month period following the Participant's retirement or other termination of employment or other service-providing relationship with the Company for

any reason, the Participant directly or indirectly (1) induces, requests or advises any person or entity to withdraw, curtail, or cancel that person's or entity's business with the Company, or to obtain services from any person or entity that competes with the Company, or (2) solicits or induces any employee of the Company to leave the employ of the Company.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his or her Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his or her death prior to complete distribution to the Participant of the benefits due him or her under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his or her Beneficiary with respect to benefits which have accrued under the Plan prior to such amendment.

6.02 Termination. The Company reserves the right at any time and at its sole discretion to terminate the Plan; provided, any termination of the Plan shall not affect any benefits previously accrued hereunder; provided further, any termination of the Plan must be structured to comply with the requirements of Code Section 409A regarding the permissible acceleration of payments upon the termination of an arrangement to defer compensation.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;

(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his or her Claim; and

(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;

(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and

(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his or her Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him or her to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his or her award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or

other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Performance Units Plan B to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: /s/ John Cochran
Name: John Cochran
Title: V.P.

SCHEDULE I

One-Year Periods

(To be determined by Advisory Board)

EXHIBIT B

Benefits Summary

New Hire
Benefits Summary
Effective 2/1/07

Medical Dental and Vision Care

- **Medical & Dental Care Plan**
  - Network Provider is Great West Healthcare
  - Coverage starts on first day of the month, following hire date
- **Vision Care Plan**
  - Coverage is bundled with Medical and Dental Plans (no additional premiums)
  - Network Provider is VSP
  - Coverage starts on first day of the month, following hire date

Life Insurance, Accidental Death & Dismemberment (AD&D), Short & Long Term Disability Coverage

- Company covers employee at 1.5x annual salary for Life and AD&D ($500,000 max)
- Short - term disability is company paid (60% of weekly earnings, $500 per week max)
- Long-term disability is company paid (60% of monthly earnings, $6000 max)
- Voluntary term life coverage is available at employee expense. Coverage can include:
  - Employee — up to 5x annual salary, $250k max;

        - Spouse — up to 50% of employee benefit/$50k max;
        - Dependent child(ren) — up to 50% of employee benefit/$10k max
    - Program is administered through Mutual of Omaha

Paid vacation

- 20 days vacation annually, prorated based on hire date

401k

- Eligibility begins immediately
- Company matches 100% of employee contribution up to 6%

Administered through John Hancock

Exhibit 10.3

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement ("Amended Agreement"), made and entered into as of this 12th day of May, 2007 ("Effective Date"), constitutes a voluntary and negotiated modification of the September 14, 2006 Executive Employment Agreement by and between MonoSol RX, LLC (the "Company") and Joseph M. Fuisz, Esq., an individual (the "Executive") (the "September 14th Agreement").

WITNESSETH:

WHEREAS, the Company desires to continue to employ the Executive as its Senior Vice President of Business Development and Licensing, and Executive is willing to accept such employment by the Company, on the terms and subject to the conditions set forth in this Amended Agreement;

WHEREAS, the September 14th Agreement replaced and superseded the prior consulting agreement between the Company and the Executive;

WHEREAS, the September 14th Agreement shall be replaced and superseded by this Amended Agreement as of the Effective Date;

WHEREAS, the parties agree that this Amended Agreement constitutes a written instrument signed by them, as required by Section 13 hereof, which is sufficient to effectuate the modifications set forth herein; and

WHEREAS, the parties understand that the Company, through its successor by merger, Monosol Rx Inc., intends to file a registration statement with the Securities and Exchange Commission and to become a publicly held company pursuant to U.S. securities laws. This Amended Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, legatees, personal representatives, successors, and assigns. In the event of any merger of the Company with and into Monosol Rx Inc., all rights of the Company under this Amended Amendment shall survive such merger and shall become the rights of Monosol Rx Inc.

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein set forth, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment.** During the term of this Amended Agreement, the Executive agrees to be employed by and to serve the Company as its Senior Vice President of Business Development and Licensing, and the Company agrees to employ and retain Executive in such capacity. The Executive shall report directly to the President and CEO (hereafter the "CEO"). The Executive shall: (i) devote his entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of Senior Vice President of Business Development and Licensing, as well as any other duties consistent with the stature and responsibility of the Executive's position as may from time to time be assigned by the CEO of MonoSol RX, LLC; and (iii) diligently follow and implement all policies, practices, procedures, and rules of the Company. The Executive shall be based in Washington, D.C.

2. **Employment Term.** The employment term (the "Employment Term") of the Executive

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under this Amended Agreement shall be for a period of eight (8) months, concluding December 31, 2007. The Employment Term shall commence on the Effective Date and shall not extend beyond December 31, 2007 for any reason.

Upon conclusion of the Employment Term, the Executive shall continue to provide services to the Company as an independent contractor pursuant to the Consulting Agreement attached hereto as Exhibit A, provided that the Executive's employment is not otherwise terminated in 2007 pursuant to Section 5(A) or 5(D) hereof. In the event the Executive's employment is terminated during the Employment Term pursuant to Section 5(A) or 5(D) hereof, the Consulting Agreement attached as Exhibit A shall immediately become null and void and shall have no further force or effect, even if signed by the parties, and the terms of this Agreement shall remain valid and enforceable. If, however, the Consulting Agreement commences on its effective date of January 1, 2008, the Consulting Agreement shall supersede this Amended Agreement, with the exception of Section 8 hereof which shall survive any termination of this Amended Agreement or the Executive's employment or consultancy. The term of the Consulting Agreement shall be for a one (1) year period, from January 1, 2008 through December 31, 2008, provided the Consulting Agreement is not revoked, rescinded or otherwise terminated pursuant to the terms of that Agreement.

If, during the Employment Term, the Executive's employment is terminated pursuant to Section 5(A) or 5(D) hereof, the Executive understands and agrees that such termination shall extinguish all of his rights to or interests in any Consulting Agreement with the Company, including those set forth in the Consulting Agreement attached hereto as Exhibit A. The Executive further understands and agrees that he shall not be entitled to any payments, compensation, or benefits other than those set forth in Section 6(A) or 6(D), whichever may be applicable.

If, during the Employment Term, the Executive's employment is terminated for any reason other than those set forth in Section 5(A) or 5(D) hereof, the Executive shall remain eligible for the applicable payments and benefits set forth in Section 6 for the duration of the Employment Term, which ends on December 31, 2007. The Executive shall also remain eligible to return to the Company on January 1, 2008 to provide services as an independent contractor pursuant to the Consulting Agreement attached hereto as Exhibit A. The Executive understands that, under those circumstances, health care coverage following his termination of employment with the Company would be through COBRA, if elected by the Executive, and that the Company would reimburse the Executive for the COBRA premiums required to maintain the same level and type of health care coverage he had during his employment with MonoSol RX, LLC. The Executive understands and agrees that COBRA coverage is usually limited to a maximum of eighteen (18) months and that, therefore, his COBRA coverage may be exhausted prior to or shortly after completion of his one (1) year assignment as a consultant and that the Company shall have no further obligation once COBRA is exhausted. A termination of employment during the Employment Term for any reason other than those set forth in Section 5(A) or 5(D) hereof shall not effect the vesting schedule of Executive's Performance Units pursuant to the Performance Unit Plan. The Company agrees that a such a break in service shall be bridged for purposes of the Executive's Performance Units. This bridging will not occur if the termination is pursuant to Section 5(A) or 5(D) hereof.

3. **Compensation.**

A. Base Salary. As compensation for services rendered to the Company pursuant to this

Amended Agreement, the Company shall pay to Executive a base salary (the "Base Salary") at a rate of $280,000.00 per annum, payable at a rate of $23,333.33 per month. The Base Salary will be paid in accordance with the standard payroll policies of the Company as from time to time are in effect, from which shall be deducted federal and, if applicable, state income taxes, social security taxes, and such other and similar payroll taxes and charges as may be required or appropriate under applicable law. The Base Salary shall be considered by the CEO for increase based upon performance and other considerations as appropriately determined by the CEO, including without limitation performance assessment, market assessment for comparable executive and employment terms and awards as may be deemed appropriate from time to time.

B. Annual Bonus. In addition to the Base Salary, on December 31, 2007, Executive shall become eligible, if then employed with the Company, for a bonus (the "Annual Bonus") of fifty percent (50%) of Executive's Base Salary, provided Company achieves established performance targets. Executive must be employed by the Company on the day any bonus payment is due and payable under this Amended Agreement in order to receive said bonus payment. The bonus shall be paid in cash and/or performance units (or other form of equity in the event of any merger of the Company with and into Monosol Rx Inc.), as determined by the Company. If the Company exceeds established performance targets, the Company may, in its sole discretion, increase the amount of the Annual Bonus.

4. **Additional Benefits.**

A. Executive Benefits. During the Employment Term, Executive shall receive such benefits and participate in such executive benefit plans as set forth in the MonoSol RX, LLC, Benefit Summary, attached hereto as Exhibit B and incorporated herein by reference.

B. Vacation: Sick Leave. The Executive shall, during the Employment Term, be allowed to take up to four (4) weeks of vacation (minus any vacation time already taken in 2007), and shall be eligible for such sick leave each year as shall be established by the Company for senior executives of the Company.

5. **Termination.**

A. Termination for Cause. Notwithstanding anything to the contrary contained in this Amended Agreement, Termination for Cause may be effected by the Company at any time during the term of this Amended Agreement by written notification to the Executive in accordance with Section 7(A) of this Amended Agreement. For purposes of this Amended Agreement, "Termination for Cause" shall mean:

(1) the willful and continued failure of such Executive to perform his duties, including, without limitation, such Executive's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Executive reports (other than any such failure resulting from his death or permanent disability); or

(2) the engaging by such Executive in willful, reckless or negligent conduct in connection with his employment or other relationship which is materially detrimental to the Company; or,

(3) the conviction of such Executive of any felony or any crime involving

moral turpitude; or,

(4) such Executive's reporting to work impaired by or under the influence of alcohol or illegal drugs; or,

(5) such Executive's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises; or,

(6) such Executive's engaging in sexual harassment or other violation of any harassment or discrimination law; or,

(7) Executive's commission of fraud in connection with Executive's employment or theft, misappropriation or embezzlement of the Company's funds; or,

(8) the demonstrated use or disclosure by Executive of any confidential proprietary or trade secret information of Executive's former employer or that Executive learned or obtained through his former employer; or,

(9) the demonstrated use or disclosure by the Executive of any confidential information of the Company except when such disclosure is made pursuant to the directions of the Company or in accordance with Company policy; or,

(10) such Executive's engaging in competitive behavior against the Company, purposely aiding a competitor of the Company, or misappropriating or aiding in misappropriating a material opportunity of the Company.

All determinations of "Cause" shall be made by the Board of Managers of the Company (the "Board"). If the Company elects to terminate Executive's employment for Cause pursuant to clause (1) of the definition of "Cause" and the action or inaction prompting such termination is capable of cure, the Company shall first give Executive written notice thereof, including a description of the evidence upon which the Board has relied to support such finding and a period of

thirty (30) days (the "Cause Notice Period") from the date of such notice to cure the action or inaction giving rise to the written notice. If such action or inaction is not cured by Executive by the end of the Cause Notice Period, as determined by the Board and communicated to the Executive in writing, such termination shall be effective upon the first day after the expiration of the Cause Notice Period.

B. Termination by Reason of Disability. In a manner consistent with the Americans with Disabilities Act and the Family and Medical Leave Act, this Amended Agreement may be terminated at the Company's option immediately upon notice to Executive if Executive shall suffer a Permanent Disability. For purposes of this Amended Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of his job under this Amended Agreement, with or without reasonable accommodation, for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a board certified physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Voluntary Resignation. Executive may terminate this Amended Agreement at any

time, subject to providing sixty (60) days' written notice to the Company in accordance with Section 7(B) of this Amended Agreement; provided, however, that Executive's covenants and obligations under Section 8 herein shall survive Executive's voluntary resignation.

E. Involuntary Termination. Notwithstanding anything to the contrary contained in this Amended Agreement, involuntary termination may be effected by the Company by giving written notification to the Executive in accordance with Section 7(A) of this Amended Agreement. For purposes of this Amended Agreement, the term "Involuntary Termination" shall mean termination by the Company of the Executive's employment with the Company other than: (i) Termination for Cause; (ii) Termination by Reason of Disability; or (iii) Termination by Reason of Death.

F. Termination for Good Reason. The Executive may terminate this Amended Agreement for "Good Reason" at any time during the term of this Amended Agreement by providing written notification to the Company in accordance with Section 7(B) of this Amended Agreement. For purposes of this Amended Agreement, "Good Reason" shall mean (l) any action by the Company which results in a substantial diminution in Executive's position, authority, duties or responsibilities (including status, offices, titles and reporting requirements contemplated by this Amended Agreement), or (2) material breach by the Company of its obligations under this Amended Agreement.

6. **Obligations of the Company Upon Termination.**

A. Termination for Cause. In the event that the Executive's employment under this Amended Agreement is terminated for Cause, the Company shall have no obligation to pay the salary or any other compensation provided under this Amended Agreement, to or for the benefit of the Executive for any period after the date of such termination, or to pay any bonus for the fiscal year in which such termination occurs; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; and (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan.

B. Termination by Reason of Disability. In the event that the Executive's employment under this Amended Agreement is terminated by Reason of Disability, the Company shall have no obligation to pay the Base Salary provided under this Amended Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan; (iii) a cash payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days employed during the year of termination up to the date of termination; and (iv) accrued, unused vacation pay.

C. Termination by Reason of Death. If the employment of the Executive hereunder shall terminate because of death of the Executive, the Company shall have no obligation to pay the Base Salary provided under this Amended Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive was a participant to the full extent of the Executive's rights under such plans; (iii) accrued, unused vacation pay; and (iv) a cash payment equal to the Annual Bonus received by the Executive for the previous year, prorated for the

number of days employed during the year of termination up to the date of termination.

D. Voluntary Resignation. In the event that the Executive voluntarily resigns from his employment with the Company, the Company may, at its discretion, continue the Executive's employment with the Company for the full amount of the notice period. In the event of said termination, the Company shall have no obligation to pay the Base Salary provided under this Amended Agreement to or for the benefit of the Executive for any period after the end of said notice period; provided, however, that the Company shall promptly pay: (i) all salary earned by the Executive prior to the date of such termination as well as Base Salary for the notice period; and (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's rights under such plans (with the exception of any bonus and/or incentive compensation).

E. Involuntary Termination or Termination for Good Reason. In the event that the Executive's employment under this Amended Agreement is involuntarily terminated as defined in Section 5(E) of this Amended Agreement, the Company shall: (i) continue to pay the Executive the Base Salary for the remainder of the Employment Term (the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company; and (ii) pay any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plans for the remainder of the Severance Period. If, during the Severance Period, the Executive materially breaches his obligations under

Section 8 of this Amended Agreement, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments to Executive.

7. **Notice of Termination.**

A. The Company may effect a termination of this Amended Agreement pursuant to the provisions of Section 5 of this Amended Agreement upon giving thirty (30) days' written notice to the Executive of such termination; provided, however, that a Termination for Cause under Section 5(A) shall take effect immediately, at the option of the CEO.

B. The Executive may effect a termination of this Amended Agreement pursuant to the provisions of Section 5(D) of this Amended Agreement upon giving sixty (60) days' written notice to the Company.

8. **Covenants of the Executive.**

In order to induce the Company to enter into this Amended Agreement and employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 8 herein, the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems.

A. Non-Competition. During the Employment Term, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company, engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise, with the operation, management, or conduct of any business that competes with Company. Executive shall not in any manner disrupt or attempt to disrupt any relationships which Company may have with any of its

employees, suppliers, customers, lessors, banks, consultants, or other persons or entities with whom business dealings or ongoing relationships exist, nor induce any such parties to terminate or otherwise alter the manner in which such relationships are being conducted with Company.

B. Confidentiality. During the Employment Term, and following the termination of this Amended Agreement for any reason for as long as the information remains confidential, Executive shall not make any use, for his own benefit or for the benefit of a business or entity other than Company, of any verbal or written secret or confidential information. Such confidential information shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer print-outs, or any other data of or pertaining to Company, its business, customers and financial affairs, or its services not generally known within Company's trade and which was acquired by him during his affiliation with Company. Executive shall not remove from Company premises or retain without the Company's written consent any of Company's confidential information as defined herein, or copies of or extracts therefrom. Executive shall hold in a fiduciary capacity for the benefit of Company all secret or confidential information, knowledge, or data of Company or its business or production operations obtained by Executive during his employment by Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Executive) and shall not, during his employment hereunder or after the termination of such employment, communicate or divulge any such information, knowledge or data to any person, firm or corporation other than Company or persons, firms or corporations designated by Company. Executive acknowledges that this information is treated as confidential by Company, that Company takes meaningful steps to protect the confidentiality of this information, and that Company has at all times directed Executive to maintain the confidentiality of this information. Immediately upon termination of this Amended Agreement, Executive shall return all of Company's property to it, including any and all copies of said property.

C. Ownership of Work Product. Executive agrees that Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to Company's business that Executive conceives, develops during the Employment Term or delivers to the Company while performing services pursuant to this Amended Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law. All Work Product shall be considered a work made for hire by Executive and owned by Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for Company, or if ownership of all right, title and interest of the intellectual property rights therein shall not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to Company, its successors and assigns. Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof, a "trade secret" shall mean any information, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product

plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Amended Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable): (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance; (b) obtain and aid in the enforcement of copyright and, if

applicable, patents with respect to the Work Product in any countries; (c) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Amended Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Company. Executive shall immediately disclose to Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by Company to perfect Company's title thereto, or to the patents issued thereon, or to otherwise secure and protect Company's property rights therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed or made by Executive during employment with Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of Company or to Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for Company.

E. Intellectual Property Rights Agreement. The terms of the Company's Intellectual Property Rights Agreement are hereby incorporated into this Amended Agreement and any subsequent Consulting Agreement. Executive agrees to voluntarily execute and deliver to the Company the Intellectual Property Rights Agreement as a condition of his continued employment and in exchange for the offer to continue to provide services to the Company as a consultant after the conclusion of the Employment Term. To the extent the terms of the Intellectual Property Rights Agreement conflict with this Amended Agreement or any Consulting Agreement, the terms of the Intellectual Property Rights Agreement shall govern on any issues involving or affecting intellectual property rights.

F. Competition Following Termination. Within the two (2) year period immediately following termination of this Amended Agreement, regardless of the cause therefor, except as provided herein, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company: (a) engage in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner,

employee, advisor, creditor, or otherwise with the operation, management, or conduct of any business in the United States that is or was a customer of Company, or that competes with the business of Company being conducted at the time of such termination; (b) solicit, contact, interfere with, or divert any customer served by Company or potential customer identified by Company during the period of Executive's employment hereunder; or (c) solicit any person then or previously employed by Company to join Executive, whether as a partner, agent, employee, or otherwise, in any enterprise engaged in a business that competes with business of the Company at the time of such termination. Provided, however, that Executive shall not be bound by the Covenant set forth in this paragraph 8(E) in the event that the Company breaches any of its obligations to the Executive hereunder or in the event of the cessation or dissolution of the Company's business. As used herein, "cessation or dissolution" means total liquidation of the Company and does not include a cessation of business due to any change in control.

G. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope and essential to the preservation of Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with Company, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect.

H. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Amended Agreement or with the performing of any duties for Company, or any other rights of Company; (b) neither Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

I. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Amended Agreement, and the existence of any claim or cause of action of Executive against Company, whether predicated on this Amended Agreement or otherwise, shall not constitute a defense to the enforcement by Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or combination of the same of this Amended Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Amended Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Amended Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

J. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 8 in particular, and this Amended Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any

such breach. Accordingly, if Executive breaches any covenant in this Section 8, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Amended Agreement shall be construed as precluding the Company from seeking such equitable or injunctive

relief in a court of competent jurisdiction for Executive's violations of Section 8. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may have resulted from a breach of the covenants of this Amended Agreement. Any waiver or failure to seek enforcement or remedy for any breach or suspected breach of any covenant of Executive in this Amended Agreement shall not be deemed a waiver of such provision in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Amended Agreement or otherwise, shall not operate as a defense to the Company's enforcement of any provision of this Amended Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 8 may be brought in any court of competent jurisdiction.

In the event that, on or before September 30, 2009, (i) the Executive breaches any of his obligations under this Amended Agreement, any Consulting Agreement, or any other agreement between Executive and the Company, Bios-Pharma, LLC or Monosol Rx Inc., or (ii) the Executive's father, Dr. Richard Fuisz, breaches any of his obligations under the father's May 2007 Agreement, the Company's or Bios-Pharma, LLC's Limited Liability Company Agreement, his Consulting Agreement, or any other agreement between Dr. Fuisz and the Company, Bios-Pharma, LLC or Monosol Rx Inc., then, in addition to any other remedies specifically enumerated herein or therein or otherwise provided by law, the Executive shall immediately forfeit, and shall immediately assign, transfer and convey to the Company or its designees, all of the portion of his father's initial 55% membership interest in Bios-Pharma, LLC that was issued or transferred to him, without any recourse whatsoever; and the Executive shall also cause his father, Dr. Fuisz, to immediately forfeit, and to immediately assign, transfer and convey to the Company or its designees all of Dr. Fuisz's initial 55% membership interest in Bios-Pharma, LLC, without any recourse whatsoever.

In the event that, after September 30, 2009 but on or prior to September 30, 2010, (i) the Executive breaches any of his obligations under this Amended Agreement, any Consulting Agreement, or any other agreement between Executive and the Company, Bios-Pharma, LLC or Monosol Rx Inc., or (ii) the Executive's father, Dr. Richard Fuisz, breaches any of his obligations under the father's May 2007 Agreement, the Company's or Bios-Pharma, LLC's Limited Liability Company Agreement, his Consulting Agreement, or any other agreement between Dr. Fuisz and the Company, Bios-Pharma, LLC or Monosol Rx Inc., then, in addition to any other remedies specifically enumerated herein or therein or otherwise provided by law, the Executive shall immediately forfeit, and shall immediately assign, transfer and convey to the Company or its designees, 50% of the portion of his father's initial 55% membership interest in Bios-Pharma, LLC that was issued or transferred to him, without any recourse whatsoever; and the Executive shall also cause his father, Dr. Fuisz, to immediately forfeit, and to immediately assign, transfer and convey to the Company or its designees 50% of Dr. Fuisz's initial 55% membership interest in Bios-Pharma, LLC, without any recourse whatsoever. For the avoidance of doubt, the Executive and Dr. Fuisz shall retain the non-forfeited portion (i.e., 50%) of Dr. Fuisz's initial 55% membership interest in Bios-Pharma, LLC in such event, subject to the option to purchase set forth in Exhibit B to Dr. Fuisz's May 2007 Agreement.

In the event that, after September 30, 2010 but on or prior to September 30, 2011, (i)

the Executive breaches any of his obligations under this Amended Agreement, any Consulting Agreement, or any other agreement between Executive and the Company, Bios-Pharma, LLC or Monosol Rx Inc., or (ii) the Executive's father, Dr. Richard Fuisz, breaches any of his obligations under the father's May 2007 Agreement, the Company's or Bios-Pharma, LLC's Limited Liability Company Agreement, his Consulting Agreement, or any other agreement between Dr. Fuisz and the Company, Bios-Pharma, LLC or Monosol Rx Inc., then, in addition to any other remedies specifically enumerated herein or therein or otherwise provided by law, the Executive shall immediately forfeit, and shall immediately assign, transfer and convey to the Company or its designees, 25% of the portion of his father's initial 55% membership interest in Bios-Pharma, LLC that was issued or transferred to him, without any recourse whatsoever; and the Executive shall also cause his father, Dr. Fuisz, to immediately forfeit, and to immediately assign, transfer and convey to the Company or its designees 25% of Dr. Fuisz's initial 55% membership interest in Bios-Pharma, LLC, without any recourse whatsoever. For the avoidance of doubt, the Executive and Dr. Fuisz shall retain the non-forfeited portion (i.e., 75%) of Dr. Fuisz's initial 55% membership interest in Bios-Pharma, LLC in such event, subject to the option to purchase set forth in Exhibit B to Dr. Fuisz's May 2007 Agreement.

In addition, in the event that the Executive breaches any of his obligations under this Amended Agreement, any Consulting Agreement, or any other agreement between Executive and the Company, Bios-Pharma, LLC or Monosol Rx Inc., then, in addition to any of the other remedies specifically enumerated herein or therein or otherwise provided by law, this Amended Agreement, any Consulting Agreement, and/or any other agreement between the Executive and the Company, Bios-Pharma, LLC or Monosol Rx Inc. shall be immediately terminated and shall have no further force or effect (provided, however, that the Executive's surviving obligations under those agreements shall remain in full force and effect and shall survive such termination indefinitely) and the Company shall have no further obligations thereunder.

9. **Attorneys' Fees.** In any action brought by any party under this Amended Agreement to enforce any of its terms, or any appeal therefrom the prevailing party shall be entitled to an award of its reasonable attorneys' fees.

10. **Notices.** Any notices permitted or required under this Amended Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the following address:

If to the Company:	MonoSol Rx LLC 30 Technology Drive Warren Township, NJ 07059
with a copy to:	Doug Bratton 201 Main Street, Suite 1900 Fort Worth, Texas 76102
If to the Executive:	Joseph M. Fuisz, Esq. 1100 Connecticut Avenue, Suite 440 Washington, D.C.

Either party may change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto.

11. **Venue: Jurisdiction.** Any suit concerning this Amended Agreement shall be filed solely in the courts of Somerset County, New Jersey. In any action brought concerning or arising from this Amended Agreement, Executive hereby agrees that he shall be subject to the jurisdiction of the state and federal courts of New Jersey. This Amended Agreement and all matters relating to the meaning, validity or enforceability thereof and the performance of the services hereunder shall be governed by the laws of the State of New Jersey, exclusive of its conflict of laws rules.

12. **Binding Effect: Assignment.** Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Amended Agreement, or any right or interest herein. This Amended Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

It is expressly understood by the parties that in the event of any merger of the Company with and into Monosol Rx Inc., all rights of the Company under this Amended Amendment shall survive such merger and shall become the rights of Monosol Rx Inc.

13. **Entire Agreement.** This Amended Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter, with the exception of the Intellectual Property Rights Agreement. This Amended Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; any waiver by either party with respect to any provision hereof, or the breach of any provision hereof by the other party, need be signed only by the party waiving such provision or breach; provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Amended Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

14. **Severability.** In case anyone or more of the provisions of this Amended Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Amended Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not be affected thereby.

15. **Section Headings.** The section headings contained in this Amended Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Amended Agreement.

16. **Counterparts.** This Amended Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

17. **Survival.** The provisions of Section 8 of this Amended Agreement shall survive any termination of this Amended Agreement and the termination of Executive's employment.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have read, executed and delivered this Amended Agreement voluntarily as of the day and year first above written.

MonoSol RX, LLC

By: /s/ John Cochran

Date May 12, 2007

John Cochran, as Vice President of Bratton Capital, Inc., the general partner of Monosol RX Genpar, L.P. as manager of MonoSol Rx, LLC

Joseph M. Fuisz, Esq., Individually

Date May 12, 2007

/s/ Joseph M. Fuisz, Esq.

EXHIBIT A

Form of Consulting Agreement

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (the "Agreement") is made and entered into on this 1st day of January 2008 ("Effective Date"), by and between Monosol Rx, LLC, a Delaware limited liability company (the "Company"), and Joseph M. Fuisz, Esq. ("Consultant").

RECITALS:

A. Consultant has considerable knowledge and experience relating to certain aspects of the Company's business;

B. The Company desires to engage Consultant to render consulting services;

C. The Company and Consultant wish to memorialize the terms and conditions upon which Consultant is engaged to provide consulting services to the Company; and

D. The parties understand that the Company, through its successor by merger, Monosol Rx Inc., has or intends to file a registration statement with the Securities and Exchange Commission and has become or will become a publicly held company pursuant to U.S. securities laws. This Agreement shall be binding upon and shall insure to the benefit of the parties hereto and their heirs, legatees, personal reprsentatives, successors and assigns. In the event of any merger of the Company with and into Monosol Rx Inc., all rights of the Company under this Agreement shall survive such merger and shall become the rights of Monosol Rx Inc.

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. **SERVICES AND NATURE OF RELATIONSHIP**

1.1 **Engagement**. The Company hereby retains Consultant and Consultant hereby accepts such appointment and agrees to perform the services covered by this Agreement with all due skill and care on the terms and conditions set forth in this Agreement.

Consultant shall serve as a business advisor to the Company's manager and those employees or representatives of the Company designated by the Company's manager. His services shall include, without limitation, activities directed at assisting the Company with securing research funding and commercial contracts, providing guidance on pharmaceutical development, acting as an advisor to the Company's president and chief executive officer, and providing advice on the Company's overall commercial business development. In no event, however, shall Consultant be required to perform more than 25 hours per month of services on behalf of the Company.

Consultant acknowledges and agrees that he shall have no right or authority to (a) participate in, control or influence the day to day operations of the Company, (b) act on behalf of the Company in any manner whatsoever (including, without limitation, with respect to the Company's employees, customers, vendors, etc.) without the express written consent of either Mark Schobel or Keith Kendall; or (c) initiate communication about the Company's business in any manner whatsoever with the Company's employees, customers or vendors without the

express written consent of either Mark Schobel or Keith Kendall (provided, however, that Consultant shall be in breach of his obligations under this subclause (c) only after written notice of such breach is given by the Company to Consultant followed by at least one subsequent breach thereof by Consultant (provided the Company gives written notice to Consultant of such subsequent breach)).

1.2 **Method of Performing Services**. Consultant, as an independent contractor, shall determine the method, details, and means of performing any services furnished pursuant to this Agreement, but the services contemplated herein shall meet the approval of the Company's manager or representative of the Company designated by the Company's manager, and be subject to the right of inspection for the Company to secure satisfactory completion thereof. Consultant agrees to perform the services in a good and workmanlike manner. Consultant will devote sufficient time, attention and energies to the business and interests of the Company and diligently and to the best of his ability perform such duties incident to this Agreement, and perform such other duties as requested commensurate with the terms of this Agreement.

Consultant shall comply with all applicable safety, health and other rules of the Company and its affiliates, together with all applicable U.S. or other provisions of federal, state or local safety and health laws, rules, regulations or orders. This clause will not require the Company to police Consultant's compliance with any rules, laws, regulations or orders and shall not impose any obligation on the part of the Company or its affiliates under such rules, laws, regulations or orders. Nothing contained in this provision shall be interpreted as enlarging the legal duty of the Company or its affiliates to Consultant or alter the status of Consultant as set forth in this Agreement.

The preceding paragraphs of this provision are agreed to by both the Company and Consultant to be of the highest importance. A breach or violation of any of the terms of this provision by Consultant will be considered to be a material breach of this Agreement.

1.3 **No Authority to Bind**. Notwithstanding anything contained herein to the contrary, Consultant shall have no authority to obligate the Company in any manner whatsoever in the absence of specific prior written authority from the manager of the Company or a representative of the Company designated by the Company's manager permitting Consultant to do so, including without limitation incurring expenses or entering into contracts.

1.4 **Status as Independent Contractor**. Consultant acknowledges and agrees that, in performing services pursuant to this Agreement, Consultant shall be serving as an independent contractor. Consultant agrees that Consultant is not and will not become an employee of the Company or any of its affiliates while this Agreement is in effect. Consultant agrees that the provision of services pursuant to this Agreement will not entitle Consultant to any rights or benefits afforded to the employees of the Company or its affiliates, including such benefits as Worker's Compensation insurance, health insurance, sick leave, retirement benefits or any other employment benefit.

1.5 **Payment of Taxes**. Consultant agrees that he is solely responsible for paying when due all income taxes, including estimated taxes, payroll taxes, national insurance

and other taxes incurred as a result of or in connection with the compensation paid by the Company to Consultant for services rendered under this Agreement. The Company shall issue an Internal Revenue Service Form 1099 to Consultant with respect to the compensation paid pursuant to this Agreement. Consultant hereby indemnifies, and undertakes to defend and hold the Company free and harmless from and against any demands or claims for any taxes, interest or penalties assessed by any taxing authority with respect to sums paid to Consultant pursuant to this Agreement.

1.6 **Nonexclusive Services.** Subject to the provisions of this Agreement, during the term of this Agreement, Consultant may represent, perform services for, or be retained by such additional persons or entities as Consultant deems appropriate; provided, however, that none of such activities shall interfere with Consultant's ability to perform his obligations under this Agreement or adversely affect the business, operations or financial condition of the Company and its affiliates.

2. **TERM**

The term of this Agreement shall commence on the date hereof, and shall continue for a period of one (1) year, ending on December 31, 2008, unless sooner terminated as provided in Section 5 below.

3. **FEES AND EXPENSES**

The Company shall compensate Consultant for services rendered pursuant to this Agreement as follows:

3.1 **Monthly Fee**. The Company agrees to compensate Consultant for services provided pursuant to this Agreement at the rate of U.S. $23,333.33 per month. Such fees shall be payable from the Company's offices to Consultant on a monthly basis, in accordance with the Company's standard practices.

3.2 **Benefits**. During the term of this Agreement, the Company agrees to reimburse Consultant for the COBRA premiums required to maintain the same level and type of health care benefits he had during his employment with MonoSol RX, LLC. This reimbursement shall allow the Consultant to continue his coverage during the term of this Agreement at the active employee rates, subject to any changes in the terms, conditions, or rates of those plans, or the cancelation of those plans, provided that there is no gap of six (6) months or more between the term of this Agreement and the Consultant's prior employment with the Company. In the event of a gap of six (6) months or more, the Consultant understands and agrees that COBRA coverage may be exhausted prior to December 31, 2008 and that the Company shall have no further obligation once COBRA is exhausted.

During the term of this Agreement, the Company further agrees to issue a separate payment to the Consultant equivalent to the 401(k) matching payment it made to him during his employment.

During the term of this Agreement, the Company shall also continue to provide life insurance and disability coverage to the Consultant under the same policies that the Consultant

had during his employment with MonoSol RX, LLC. Should the same life and disability policies not be available to Consultant during the term of this Agreement, comparable policies or reimbursement for the purchase of comparable policies shall be provided to Consultant.

At the conclusion of the term of this Agreement, provided it is not otherwise terminated prior to December 31, 2008 by either party in accordance with Section 5 below, the outstanding unvested portion of Consultant's Performance Units shall automatically vest.

3.3 **Expense Reimbursements**. In addition, the Company agrees to reimburse Consultant for reasonable business expenses incurred by Consultant in performing services pursuant to this Agreement as approved by the Company's manager or a representative of the Company designated by the Company's manager, in accordance with the Company's then-current reimbursement policy.

3.4 **Monthly Statement**. Within 10 days after the end of each calendar month, Consultant shall provide the Company an invoice for his services and expenses for such calendar month. The Company shall pay Consultant for his approved services and expenses for such month within 10 days of its receipt of that statement.

4. **ADDITIONAL COVENANTS BY CONSULTANT**

4.1 **Property of the Company**.

4.1.1 Consultant covenants and agrees that upon the termination of this Agreement for any reason or, if earlier, upon the Company's request, he shall promptly return all Property which had been entrusted or made available to Consultant by the Company. Consultant further agrees to assign all right and title in interest in any invention insofar as it relates to the Company's business, and he agrees to participate to the best of his ability in the enforcement of any Company patent against a third party. The Company agrees to reimburse the Consultant for the reasonable expenses incurred by him related to his involvement in the retention of Company inventions and enforcement of Company patents.

4.1.2 The term "Property" shall mean all records, files, memoranda, reports, price lists, drawing, plans, sketches, keys, codes, computer hardware and software and other property of any kind or description prepared, used or possessed by Consultant during the term of this Agreement relating to the Company or its business, operations or prospects (and any duplicates of any such property) together with any and all information, ideas, concepts,

discoveries, and inventions and the like conceived, made, developed or acquired at any time by Consultant individually or with others during the term of this Agreement relating to the Company's business, operations or prospects.

4.2 **Trade Secrets**.

4.2.1 In consideration for the promises made in Section 4.3 of this Agreement, the Company promises that it shall provide and make available to Consultant certain confidential, proprietary information and trade secrets deemed to be necessary for the Consultant to provide services under this Agreement.

4.2.2 Consultant covenants and agrees that he shall hold in a fiduciary capacity for the benefit of the Company and each of its affiliates, and shall not directly or indirectly use or disclose, any Trade Secret that Consultant may have acquired pursuant to this Section 4.2 during the term of this Agreement for so long as such information remains a trade secret.

4.2.3 The term "Trade Secret" shall mean information, including, but not limited to, technical or non-technical data, a formula, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or that (a) derives economic value, actual or potential, from not being generally known to, and not being generally readily ascertainable by proper means by, other persons who can obtain economic value from its disclosures or use and (b) is the subject of reasonable efforts by the Company and its affiliates to maintain its secrecy.

4.2.4 This Section 4.2 is intended to provide rights to the Company which are in addition to those rights the Company has under the common law or applicable statutes for the protection of trade secrets.

4.3 **Confidential Information**.

4.3.1 Consultant covenants and agrees that during the term of this Agreement and thereafter during the Restricted Period he shall hold in a fiduciary capacity for the benefit of the Company and each of its affiliates, and shall not directly or indirectly use or disclose, any of the Confidential or Proprietary Information of the Company or its affiliates that Consultant may have acquired (whether or not developed or compiled by Consultant and whether or not Consultant is authorized to have access to such information) during the term of, and in the course of, or as a result of this Agreement.

4.3.2 The term "Confidential or Proprietary Information" shall mean any secret, confidential or proprietary information that the Company or an affiliate (not otherwise included in the definition of a Trade Secret under this Agreement) that has not generally become available to the public by the act of one who has the right to disclose such information without violation of any right of the Company or its affiliates.

4.4 **Non-Competition.** During the term of this Agreement and any Restricted Period, Consultant covenants and agrees that he shall not, directly or indirectly, own any interest in, manage, control, participate in, consult with, render services for, or in any manner engage in any businesses competing with Company (unless the President of the Company shall have authorized such activity in writing as provided below). Investments in less than 5% of the outstanding securities of any class of a corporation subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended, shall not be prohibited by this section. For purposes of this Article 4, the term "business" shall mean any enterprise, commercial venture, or project involving film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems. Consultant may notify the manager of the Company in writing that he desires to own an interest in, manage, control, participate in, consult with, render services for, or otherwise engage in a business which may compete with Company within the meaning of this Agreement, and request

that the manager of the Company authorize such activity. The manager of the Company shall have fifteen (15) business days to notify Consultant in writing of such authorization or denial of such authorization. The failure of the manager of the Company to provide such notification within this fifteen (15) business day period will conclusively be deemed to be denial of such authorization.

Further, during the term of this Agreement and the Restricted Period, Consultant covenants and agrees that he will not directly or indirectly induce or otherwise attempt to influence any employee of the Company to leave the Company's employment or in any way interfere with the relationship between the Company and any employee thereof.

Further, during the term of this Agreement and the Restricted Period, Consultant will not induce or attempt to induce any customer, supplier, licensee, joint venture partner, shareholder, licensor or other business relation of the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee, joint venture partner, shareholder, licensor or business relation of the Company.

To the extent this Section and the definition of Restricted Period in this Agreement conflicts with, or is more restrictive upon the Consultant than, the Non-Competition obligations from his prior Executive Employment Agreement with the Company, the terms of this Section of this Agreement shall govern.

4.5 **Conflict of Interest**. Consultant covenants and agrees that he will not receive and has not received any payments, gifts or promises and Consultant will not engage in any employment or business enterprises that in any way conflict with his ability to provide services for, or conflict with the interests of, the Company or its affiliates under this Agreement. Consultant shall make all reasonable efforts consistent with the terms of this Agreement to prevent occurrences of and eliminate conditions which could result in a conflict with the best interest of the Company or its affiliates. Consultant shall make all reasonable efforts to prevent conflicts of interest from arising out of relationships between Consultant, agents or employees of Consultant and agents or employees of the Company or its affiliates. In addition, Consultant agrees to comply with the laws or regulations of any country, including, without limitation, the United States of America, having jurisdiction over Consultant or the Company or its affiliates.

Consultant shall not make any payments, loans, gifts or promises or offers of payments, loans or gifts, directly or indirectly, to or for the use or benefit of any official or employee of any government or to any other person if Consultant knows, or has reason to believe, that any part of such payments, loans or gifts, or promise or offer, would violate the laws or regulations of any country having jurisdiction over Consultant or the Company or its affiliates. Consultant's efforts shall include the establishment of precautions to prevent Consultant and his agents and employees, if any, from giving or receiving gifts or entertainment, other than an ordinary social amenity, or make any payments, loans or other consideration for the purpose of procuring business or inducing any person to act contrary to the best interest of the Company or its affiliates.

By signing this Agreement, Consultant acknowledges that he has not made any payments, loans, gifts, promises of payments, loans or gifts to or for the use or benefit of any

official or employee of any government or to any other person which would violate the laws or regulations of any country having jurisdiction over Consultant or the Company or its affiliates.

4.6 **Restricted Period**. The term "Restricted Period" shall mean the two (2) year period which starts on the date that this Agreement is terminated, without regard to reason for such termination.

4.7 **Reasonable and Continuing Obligations.** Consultant agrees that Consultant's obligations under Sections 4.1, 4.2, 4.3, 4.4, and 4.5 are obligations which will continue beyond the date this Agreement terminates, that such obligations are reasonable and necessary to protect the Company's legitimate business interests. The Company additionally shall have the right to take such other action as the Company deems necessary or appropriate to compel compliance with the provisions of Section 4 (including, without limitation, seeking a court order for specific performance).

5. TERMINATION OF AGREEMENT

This Agreement may be terminated by either party at any time for material breach by the other party, upon fifteen (15) calendar days' written notice, if the breaching party has failed to remedy the breach leading to the termination during that fifteen (15)-day period. If this Agreement is terminated under this provision by Consultant, Consultant shall continue to be entitled to receive, and the Company shall continue to be obligated to pay, any and all compensation to which Consultant is otherwise entitled under the terms of this Agreement as of the date of the termination of this Agreement. If this Agreement is terminated under this provision by Company, then the Company shall not be obligated to pay any further amounts to Consultant.

6. GENERAL PROVISIONS

6.1 **Notice**. Any notice required to be given under this Agreement by one party to the other may be effected by personal delivery in writing, by telefax (with receipt of delivery and copy mailed by first class mail), by overnight courier or by regular United States mail Registered or Certified, postage pre-paid, with return receipt requested to the address of the recipient party specified on the signature page of this Agreement. Notices delivered personally or via telefax will be deemed communicated as of the date of delivery. Notices sent via overnight courier shall be deemed communicated three days after dispatch. Notice sent via regular United States mail shall be deemed communicated as of the day of delivery. Either party may change its/his address by providing notice to the other party consistent with the terms of this section.

6.2 **Assignment/Subcontracting**. This Agreement, and all duties and obligations hereunder are personal in nature, and Consultant shall not assign this Agreement, or any portion thereof, voluntarily or involuntarily by operation of law, or enter into any subcontract for the performance of any services under this Agreement, or any portion thereof, without the Company's prior written approval.

6.3 **INDEMNIFICATION**. TO THE EXTENT PERMITTED BY LAW, CONSULTANT AGREES TO PROTECT, INDEMNIFY, DEFEND (INCLUDING PAYMENT

OF ALL COSTS, EXPENSES, AND ATTORNEY'S FEES), AND HOLD HARMLESS THE COMPANY, ITS OFFICERS, AGENTS, SERVANTS AND EMPLOYEES AND THE COMPANY SUBSIDIARIES AND AFFILIATES AND THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, SERVANTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS, DEMANDS AND CAUSES OF ACTION ASSERTED BY ANY PERSON FOR PERSONAL INJURY, ILLNESS, OR DEATH OR FOR THE LOSS OF OR DAMAGE TO PROPERTY, OR ANY CIVIL FINES OR PENALTIES WHICH A GOVERNMENTAL AGENCY, OFFICER OR COURT OF LAW IMPOSES IN ANY WAY RESULTING FROM THE WILLFUL MISCONDUCT OR NEGLIGENT ACTS OR OMISSIONS OF CONSULTANT, OR HIS AGENTS, EMPLOYEES, REPRESENTATIVES OR SUBCONTRACTORS.

TO THE EXTENT PERMITTED BY LAW, THE COMPANY AGREES TO PROTECT, INDEMNIFY, DEFEND (INCLUDING PAYMENT OF ALL COSTS, EXPENSES, AND ATTORNEY'S FEES), AND HOLD HARMLESS CONSULTANT, HIS AGENTS, SERVANTS AND EMPLOYEES AND HIS SUBCONTRACTORS AND THEIR RESPECTIVE DIRECTORS, OFFICERS, AGENTS, SERVANTS AND EMPLOYEES FROM AND AGAINST ALL CLAIMS, DEMANDS AND CAUSES OF ACTION ASSERTED BY ANY PERSON FOR PERSONAL INJURY, ILLNESS, OR DEATH OR FOR THE LOSS OF OR DAMAGE TO PROPERTY, OR ANY CIVIL FINES OR PENALTIES WHICH A GOVERNMENTAL AGENCY, OFFICER OR COURT OF LAW IMPOSES IN ANY WAY RESULTING FROM THE WILLFUL MISCONDUCT OR NEGLIGENT ACTS OR OMISSIONS OF THE COMPANY, ITS AGENTS, EMPLOYEES, REPRESENTATIVES, SUBSIDIARIES, AFFILITATES OR SUBCONTRACTORS.

WHERE SUCH PERSONAL INJURY, ILLNESS, DEATH, CIVIL FINES OR PENALTIES, OR LOSS OF OR DAMAGE TO PROPERTY IS THE RESULT OF THE JOINT OR CONCURRENT NEGLIGENCE OR WILLFUL MISCONDUCT OF CONSULTANT AND THE COMPANY OR THEIR RESPECTIVE AGENTS, EMPLOYEES, AFFILIATES, REPRESENTATIVES, SUBCONTRACTORS, OR ANY THIRD PARTY, CONSULTANT'S DUTY OF INDEMNIFICATION SHALL BE IN THE SAME PROPORTION THAT THE NEGLIGENCE OR WILLFUL MISCONDUCT OF THE CONSULTANT, ITS AGENTS, EMPLOYEES OR REPRESENTATIVES OR SUBCONTRACTORS CONTRIBUTED HERETO.

6.4 **Governing Law**. This Agreement and all matters relating to the meaning, validity or enforceability thereof and the performance of the services hereunder shall be governed by the laws of the State of New Jersey, exclusive of its conflict of laws rule.

6.5 **Arbitration**. SUBJECT TO THE PROVISIONS OF SECTION 4.6 OF THIS AGREEMENT, ANY UNRESOLVED DISPUTE OR CONTROVERSY BETWEEN CONSULTANT AND THE COMPANY ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT SHALL BE SETTLED EXCLUSIVELY BY ARBITRATION, CONDUCTED IN ACCORDANCE WITH THE RULES OF THE AMERICAN ARBITRATION ASSOCIATION THEN IN EFFECT. THE ARBITRATOR SHALL NOT HAVE THE AUTHORITY TO ADD TO, DETRACT FROM, OR MODIFY ANY PROVISION HEREOF. A DECISION BY THE ARBITRATOR SHALL BE IN WRITING AND WILL BE

FINAL AND BINDING. JUDGMENT MAY BE ENTERED ON THE ARBITRATOR'S AWARD IN ANY COURT HAVING JURISDICTION. THE ARBITRATION PROCEEDING SHALL BE HELD IN SOMERSET, NEW JERSEY.

6.6 **Computer Facilities**. If required for Consultant to perform the services under this Agreement, Consultant will have access to certain parts of the Company's and its affiliates' computer facilities and programs. Consultant agrees that such access shall be subject to the following conditions:

(a) Access to the Company's or its affiliates' computers shall be made only in the manner prescribed by the Company. Access shall be made using only terminals owned or controlled by the Company and its affiliates and only by Consultant.

(b) Any user identification code provided by the Company or its affiliates shall be used solely for access to the computers for conduct of the services for the Company or its affiliates and only by Consultant.

(c) Consultant shall not access software or data on the Company's or its affiliates' computer system, other than Consultant's software or data, without the Company's prior written consent.

(d) In the event that Consultant should accidentally or inadvertently access any the Company or the Company affiliate software or data which Consultant is not authorized to access, then Consultant shall immediately inform the Company and shall deliver to the Company or destroy as the Company may advise any tangible materials (and all copies thereof) resulting from such improper access.

(e) the Company or its affiliates may copy, use, disclose, distribute, dispose of or destroy anything placed on the Company's or its affiliates computer systems by Consultant.

6.7 **Entire Agreement and Modification**. This Agreement supersedes any and all agreements, either oral or written, between the parties with respect to the rendering of consulting services by Consultant for the Company, and contains all representations, covenants and agreements between the parties with respect to the rendering of such services by Consultant, with the exception of the Intellectual Property Rights Agreement and any surviving provisions of the Consultant's prior Executive Employment Agreement. Any modification of this Agreement will be effective only if it is in writing and signed by the party to be charged.

6.8 **Captions, Headings, Exhibits and Abbreviations**. The captions and headings of this Agreement are for convenience only and have no force and effect in the interpretation or construction of this Agreement. Words indicated in parenthesis signify an abbreviation for the previous set of words or terms, so that when the abbreviation is used within the Agreement, it shall have the same meaning as a full statement of the words or terms.

6.9 **Severability.** If any term, provision, covenant or condition of this Agreement shall be or become illegal, null, void, or against public policy, or shall be held by any court of competent jurisdiction to be illegal, null or void or against public policy, the remaining

provisions of this Agreement shall remain in full force and effect and shall not be affected, impaired or invalidated thereby. The term, provision, covenant or condition that is so invalidated, voided or held to be unenforceable shall be modified or changed by the parties to the extent possible to carry out the intentions and directives set forth in this Agreement.

6.10 **Successors and Assigns.** Except as restricted herein, this Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and permitted assigns.

6.11 **Waiver.** No waiver of any provision or consent to any action shall constitute a waiver of any other provision or consent to any other action, whether or not similar. No waiver or consent shall constitute a continuing waiver or consent or commit a party to provide a waiver in the future except to the extent specifically set forth in writing. Any waiver given by a party shall be null and void if the party requesting such waiver has not provided a full and complete disclosure of all material facts relevant to the waiver requested. No waiver shall be binding unless executed in writing by the party making the waiver.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date(s) set forth below.

JOSEPH M. FUISZ, ESQ.

Date: _____

_____

Address for Notice:

_____
_____
_____

MONOSOL RX, LLC

Date: _____

By: _____

Address for Notice:

_____
_____
_____

EXHIBIT B

Benefits Summary

MonoSol Rx, LLC®

New Hire
Benefits Summary
Effective 2/1/07

Medical Dental and Vision Care

- **Medical & Dental Care Plan**
  - Network Provider is Great West Healthcare
  - Coverage starts on first day of the month, following hire date
- **Vision Care Plan**
  - Coverage is bundled with Medical and Dental Plans (no additional premiums)
  - Network Provider is VSP
  - Coverage starts on first day of the month, following hire date

Life Insurance, Accidental Death & Dismemberment (AD&D), Short & Long Term Disability Coverage

- Company covers employee at 1.5x annual salary for Life and AD&D ($500,000 max)
- Short - term disability is company paid (60% of weekly earnings, $500 per week max)
- Long-term disability is company paid (60% of monthly earnings, $6000 max)
- Voluntary term life coverage is available at employee expense. Coverage can include:
  - Employee — up to 5x annual salary, $250k max;
  - Spouse — up to 50% of employee benefit/$50k max;
  - Dependent child(ren) — up to 50% of employee benefit/$10k max
- Program is administered through Mutual of Omaha

Paid vacation

- 20 days vacation annually, prorated based on hire date

401k

- Eligibility begins immediately
- Company matches 100% of employee contribution up to 6%

Administered through John Hancock

2007

Exhibit 10.4

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into as of this 1st day of August, 2006 (the "Effective Date"), by and between MonoSol RX, LLC (the "Company"), and Pradeep Sanghvi, an individual (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as its Vice President – Pharmaceutical Development, and Executive is willing to accept such employment by the Company, on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Company and the Executive desire that the terms of this Agreement begin on the Effective date set forth above; and

WHEREAS, the Company and the Executive desire to enter into this Agreement so that the rights, duties, benefits, and obligations of each regarding the Executive's employment for and by the Company will be fully set forth in this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment**. During the term of this Agreement, the Executive agrees to be employed by and to serve the Company as its Vice President – Pharmaceutical Development. The Executive shall report directly to the President and CEO (hereafter the "CEO"). The Executive shall: (i) devote his entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of Vice President – Pharmaceutical Development, as well as any other duties consistent with the stature and responsibility of the Executive's position as may from time to time be assigned by the CEO of MonoSol RX, LLC; and (iii) diligently follow and implement all policies, practices, procedures, and rules of the Company.

2. **Employment Term**. This Agreement shall commence on the Effective Date and continue for a period of three (3) years (the "Employment Term"), unless this Agreement is earlier terminated in accordance with Section 5 hereof. The Employment Term shall be automatically extended for additional twelve-month terms without further action of either party, unless written notice of either party's intention not to extend has been given to the other party at least sixty (60) days prior to the then-effective Employment Term. Non-extension of this Agreement shall not constitute a termination pursuant to Section 5 hereof and shall not trigger any of the obligations set forth in Section 6 hereof. In the event that either party timely decides not to extend this Agreement, the Executive shall receive his Base Salary and a pro-rated Annual Bonus of 50% of his Base Salary (provided that he and the Company satisfy the performance targets) through the last day of the Employment Term, as well as any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan.

3. **Compensation**.

A. Base Salary. As compensation for services rendered to the Company pursuant to this Agreement, the Company shall pay to Executive a base salary (the "Base Salary") at a rate of $280,000.00 per annum, payable at a rate of $23,333.33 per month. The Base Salary will be paid in accordance with the standard payroll policies of the Company as from time to time are in effect, subject to all applicable withholdings and deductions to cover Executive contributions to, and payments under, applicable benefit and welfare plans and programs. The Base Salary shall be considered by the CEO for increase based upon the Executive's performance and other considerations as appropriately determined by the CEO, including without limitation performance assessment, market assessment for comparable executive and employment terms and awards as may be deemed appropriate from time to time.

B. Bonus.

(i) Annual Bonus. In addition to the Base Salary, at the end of each twelve (12) month calendar year during the Employment Term, Executive shall be eligible, if then employed with the Company, for a bonus of 50 percent (50%) of Executive's Base Salary, provided the Executive and the Company achieve established performance targets. Executive must be employed by the Company on the day any bonus payment is payable under this Agreement in order to receive said bonus payment. The bonus shall be paid in a single lump sum payment subject to all applicable withholdings and deductions. If the Executive and the Company exceed established performance targets, the Company may, in its sole discretion, increase the amount of the Annual Bonus. During the first calendar year of the Employment Term, seven-twelfths (7/12) of the Annual Bonus shall be based on the Executive's base salary prior to the Effective Date and five-twelfths (5/12) Annual Bonus shall be based on the Executive's Base Salary pursuant to this Agreement.

4. **Benefits**.

A. Executive Benefits. During the Employment Term, Executive shall be eligible to participate in such employee benefit plans as are generally available to other executive level employees of the Company. All employee benefit plans are subject to change or cancellation, from time to time, at the Company's discretion.

B. Vacation. During the Employment Term, the Executive shall be allowed to take up to four (4) weeks of vacation each calendar year. Eligibility to carry-over unused vacation days to the next year of the Employment Term shall be governed by the policies established from time to time by the Company for senior executives. The Executive shall not receive pay for any unused vacation days at the end of any year of the Employment Term or upon Termination, unless otherwise specified in Section 6.

C. Sick Leave. During the Employment Term, the Executive shall be eligible for such sick leave each year of the Employment Term, commencing on the Effective Date, as shall be established from time to time by the Company for senior executives. Sick days shall not be carried over to the next year of the Employment Term. The Executive shall not receive pay

for any unused sick days at the end of any Employment Term or upon any termination as described in Section 5.

D. Performance Units Plan. During the Employment Term, the Executive's eligibility, rights, obligations, and requirements for participation in the Performance Unit Plan shall be governed exclusively by the terms and conditions of the Performance Units Plan Agreement.

5. **Termination**.

A. Termination for Cause. Notwithstanding anything to the contrary contained in this Agreement, Termination for Cause may be effected by the Company at any time during the term of this Agreement by written notification to the Executive. For purposes of this Agreement, "Termination for Cause" shall mean:

(1) the willful and continued failure of such Executive to perform his duties, including, without limitation, such Executive's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Executive reports (other than any such failure resulting from his death or permanent disability); or

(2) the engaging by such Executive in willful, reckless or negligent conduct in connection with his employment or other relationship which is materially detrimental to the Company; or,

(3) the Executive has materially breached his obligations under Section 7 of this Agreement; or,

(4) the conviction of such Executive of any felony or any crime involving moral turpitude; or,

(5) such Executive's reporting to work impaired by or under the influence of alcohol or illegal drugs; or,

(6) such Executive's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises; or,

(7) such Executive's engaging in sexual harassment or other violation of any harassment or discrimination law; or,

(8) Executive's commission of fraud in connection with Executive's employment or theft, misappropriation or embezzlement of the Company's funds, property, data, or equipment; or,

(9) the use or disclosure by Executive of any confidential proprietary or trade secret information of Executive's former employer or that Executive learned or obtained through his former employer; or,

(10) the use or disclosure by the Executive of any confidential proprietary or trade secret information of the company except when such disclosure is made pursuant to the directions of the Company or in accordance with Company policy; or,

(11) such Executive's engaging in competitive behavior against the Company, purposely aiding or attempting to aid a competitor of the Company, or misappropriating or aiding in misappropriating a material opportunity of the Company.

All determinations of "Cause" shall be approved by the Board. If the Company elects to terminate Executive's employment for Cause pursuant to clause (1) of the definition of "Cause" and the action or inaction prompting such termination is capable of cure, the Company shall first give Executive written notice thereof and a period of thirty (30) days (the "Cause Notice Period") from the date of such notice to cure the action or inaction giving rise to the written notice. If such action or inaction is not cured by Executive by the end of the Cause Notice Period, as determined by the Board and communicated to the Executive in writing, such termination shall be effective upon the first day after the expiration of the Cause Notice Period. If Executive's conduct falls within any clause of the definition of Cause other than clause (1) or it falls within clause (1) and is not curable, no notice need be given by the Company before terminating the Executive for Cause.

B. Termination by Reason of Disability. This Agreement and the Executive's employment with the Company shall terminate upon the Executive having a Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of his job under this Agreement, with or without reasonable accommodation, for a period of ninety-one (91) consecutive days or for an aggregate of one hundred twenty (120) days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a board certified physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, this Agreement and the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Voluntary Resignation. Executive may terminate this Agreement and his employment with the Company at any time, subject to providing sixty (60) days' written notice to the Company.

E. Termination Without Cause. Notwithstanding anything to the contrary contained in this Agreement, Executive's employment may be terminated by the Company for any reason other than for Cause, Disability, or Death upon thirty (30) days written notification to the Executive.

6. **Obligations of the Company Upon Termination**.

A. Termination for Cause. In the event that the Executive's employment under this Agreement is terminated for Cause, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement to, or for the benefit of,

the Executive for any period after the effective date of such termination, or to pay the Annual Bonus or any other bonus or incentive compensation for the fiscal year in which such termination occurs; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the effective date of such termination; and (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan (with the exception of any bonus and/or incentive compensation). All payments shall be subject to applicable withholdings and deductions.

B. Termination By Reason of Disability. In the event that the Executive's employment under this Agreement is terminated because of a Permanent Disability, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement to, or for the benefit of, the Executive for any period after the date of such termination; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the effective date of such termination; (ii) payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days the Executive is employed during the year of termination up to the date of termination; (iii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan; and (iv) unused vacation pay for the year in which the termination occurs.

C. Termination by Reason of Death. If the employment of the Executive hereunder shall terminate because of death of the Executive, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement to, or for the benefit of, the Executive for any period after the date of such termination; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the effective date of such termination; (ii) payment equal to the Annual Bonus received by the Executive for the previous year, pro-rated for the number of days the Executive is employed during the year of termination up to the date of termination; (iii) any benefits under any plans of the Company in which the Executive was a participant to the full extent of the Executive's rights under such plans; and (iv) unused vacation pay for the year in which the termination occurs.

D. Voluntary Resignation. In the event that the Executive voluntarily resigns from his employment with the Company, the Company may, at its discretion, continue the Executive's employment with the Company for the full amount of the sixty (60) day notice period. In the event of said termination, the Company shall have no obligation to pay the Base Salary or any other compensation provided under this Agreement to, or for the benefit of, the Executive for any period after the end of said notice; provided, however, that the Company shall promptly provide: (i) all Base Salary earned by the Executive through the effective date of such termination; and (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's rights under such plans (with the exception of any bonus and/or incentive compensation). All payments shall be subject to applicable withholdings and deductions.

E. Termination Without Cause. In the event that the Executive's employment under this Agreement is involuntarily terminated as defined in Section 5(E) of this Agreement, the Company shall continue to provide: (i) the Base Salary for the remainder of the

Employment Term (the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plans (with the exception of the Annual Bonus and any other bonus and/or incentive compensation) for the Severance Period. In order to receive the payment described in this subsection 6E(i), the Executive agrees to execute a Release in the form prescribed by the Company. No payments subject to the Release shall be paid unless and until the Executive voluntarily signs and returns the Release and does not revoke same.

7. **Covenants of the Executive**.

In order to induce the Company to enter into this Agreement and employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 7 herein, the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems.

A. Non-Competition/Non-Solicitation. During the Employment Term and any extensions thereof and during the Severance Period or for two (2) years following the Executive's termination of employment by either party for any reason, whichever is longer, Executive shall not, without the prior written consent of Company, which consent may be withheld at the sole discretion of Company: (a) engage or participate in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise with the operation, management, or conduct of any Competitor of the Company; (b) solicit, contact, interfere with, or divert, or attempt to solicit, contact, interfere with, or divert, any customer or vendor of the Company or potential customer or vendor identified by Company during the Executive's employment and with whom the Executive had any dealings or relationship and from whom the Executive gained confidential information; or (c) solicit or attempt to solicit, directly or indirectly, any person employed by the Company at any time during the one year period prior to the Executive's termination to resign from the Company or to join the Executive, whether as a partner, agent, employee, or otherwise, with any Competitor. The term "Competitor" as used in Sections 7(A) and 7(B) refers to any business or entity which is or plans to develop, manufacture, market, or sell any system or product designed to compete directly with the systems and products of the Company and its subsidiaries and affiliates which are under active development or are manufactured, marketed or sold.

B. Confidentiality. During the Employment Term and following the termination of this Agreement for any reason the Executive shall hold in a fiduciary capacity for the benefit of the Company all Confidential Information of the Company and its business and production operations that is obtained, observed, available or accessible to Executive during his employment, which shall not be generally known to the public (other than through the breach of this Agreement by the Executive) or recognized as standard practice (whether or not developed by Executive). Such "Confidential Information" shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer

print-outs, employee information, vendor and contractor information, confidential and proprietary information from third parties, strategic plans, methods of business, source data, research plans, system or product research, or any other data of or pertaining to the Company, its business, its systems, customers and financial affairs, or its services not generally known within Company's trade and which was obtained by, observed by, available to, or accessible to him during

his affiliation with Company Executive shall not, during his employment hereunder or after the termination of such employment, communicate or divulge any such Confidential Information to any Competitor or to any other person, firm or corporation other than Company without the express written consent of the CEO or the Board. Executive shall not make any use whatsoever of such Confidential Information, except to the extent required in order to carry out his duties as an Executive. Executive acknowledges that Confidential Information is treated as confidential by the Company, that the Company takes meaningful steps to protect the confidentiality of Confidential Information, and that Company has at all times directed Executive to maintain the confidentiality of Confidential Information. In the event the Executive is compelled by a subpoena or a valid order of a court or other governmental body to disclose Confidential information, he shall do so only to the extent of and for the purposes of such order; provided, however, that the Executive shall first notify the Company in writing of the order within a reasonable time to allow the Company to seek an appropriate protective order.

During the Employment Term, the Executive shall not remove from Company premises or retain (except to the extent required to carry out his duties as an Executive) without the express written consent of the CEO or the Board any of the Company's Confidential Information or copies of or extracts therefrom. Immediately upon termination of this Agreement and/or the Executive's employment, the Executive shall return all Company property, Confidential Information or copies or extracts therefrom, passwords, security or access cards, security or access codes, keys, and equipment.

C. Ownership of Work Product. Executive agrees that Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to Company's business that Executive conceives, develops during the Employment Term or delivers to the Company while performing services pursuant to this Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law. All Work Product shall be considered a work made for hire by Executive and owned by Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for Company, or if ownership of all right, title and interest of the intellectual property rights therein shall not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation, thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to Company, its successors and assigns. Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof, a "trade secret" shall mean any information, including, but not limited to, technical or nontechnical data, formulae, patterns,

compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable) (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance, (b) obtain and aid in the enforcement of copyright and, if applicable, patents with respect to the Work Product in any countries, (c) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Company. Executive shall immediately disclose to Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by Company to perfect Company's title thereto, or to the patents issued thereon, or to otherwise secure and protect Company's property rights therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed or made by Executive during employment with Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of Company or to Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for Company.

E. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope, both individually and in the aggregate, and essential to the preservation of Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with Company for any reason, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect. The Company and the Executive further agree that if any particular provision or portion of this Section 7 shall be adjudicated to be invalid or unenforceable, such adjudication shall apply only with respect to the

operation of such provision in the particular jurisdiction in which such adjudication is made. The Company and Executive also agree that in the even that any restriction herein shall be found to be void or unenforceable if some part or parts thereof were deleted or the period or area of application reduced, such restriction shall apply with such modification as may be necessary to make it valid and enforceable to the fullest extent possible consonant with applicable law.

F. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Agreement or with the performing of any duties for Company, or any other rights of Company; (b) neither Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

G. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against

Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

H. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 7 in particular, and this Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any such breach. Accordingly, if Executive breaches any covenant in this Section 7, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Agreement shall be construed as precluding the Company from seeking such equitable or injunctive relief in a court of competent jurisdiction for Executive's violations of Section 7. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may have resulted from a breach of the covenants of this Agreement. Any waiver or failure to seek enforcement or remedy for any breach or suspected breach of any covenant of Executive in this Agreement shall not be deemed a waiver of such provision, in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Agreement or otherwise, shall not operate. as a defense to the Company's enforcement of any provision of this Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 7 may be brought in any court of competent jurisdiction.

8. **Attorneys' Fees**. In any action brought by any party under this Agreement to enforce any of its terms, or any appeal therefrom, the prevailing party shall be entitled to an award of its reasonable attorneys' fees.

9. **Cooperation**. Executive agrees that during the Employment Term and any extension, and after his termination of employment for any reason, whether initiated by the Company or by the Executive, he shall cooperate on a reasonable basis in the truthful and honest prosecution and/or defense of any claim in which the Company, its affiliates and/or its subsidiaries may have an interest (subject to reasonable limitations concerning time and place), which may include, without limitation, making himself available on a reasonable basis to participate in any proceeding involving the Company, its affiliates and/or its subsidiaries, appearing for depositions and testimony without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information.

10. **Notices**. Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the following address:

If to the Company: Keith Kendall
Chief Financial Officer
MonoSol Rx LLC
30 Technology Drive
Warren Township, NJ 07059

If to the Executive: Pradeep Sanghvi
7409 Bell Street
Schererville, IN 46375

Either party may change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto.

11. **Venue; Jurisdiction**. The validity, construction, interpretation, and enforceability of this Agreement shall be determined and governed by the laws of the State of New Jersey without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction of, and agree that such litigation shall be conducted in, any state or federal court located in the State of New Jersey.

12. **Binding Effect; Assignment**. Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Agreement, or any right or interest herein. This Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

13. **Entire Agreement**. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter. This Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; any waiver by either party with respect to any provision hereof, or the breach of any provision hereof by the other party, need be signed only by the party waiving such provision or breach; provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

14. **Severability**. In case any one or more of the provisions of this Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not be affected thereby.

15. **Construction**. This Agreement was freely negotiated and shall not be construed against either party.

16. **Section Headings**. The section headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

17. **Counterparts**. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

18. **Survival**. The provisions of Sections 7-11 of this Agreement shall survive any termination of this Agreement and/or the Executive's employment by either party. The provisions of Sections 7-11 shall also survive any party's decision not to extend this Agreement as provided in Section 2.

[Signature Page to Follow]

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

MonoSol RX, LLC

By: /s/ Keith Kendall
Keith Kendall
Chief Financial Officer

Date: 9/14/06

Pradeep Sanghvi, Individually

Date: September 13, 2006

/s/ Pradeep Sanghvi
Pradeep Sanghvi

Exhibit 10.5

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "Agreement") is made and entered into as of this 1st day of January, 2007, by and between MonoSol RX, LLC (the "Company"), and Carl G. Fischer, an individual (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as its Senior Director Finance, and Executive is willing to accept such employment by the Company, on the terms and subject to the conditions set forth in this Agreement; and

WHEREAS, the Company and the Executive desire that the terms of this Agreement begin on January 1, 2007 (the "Effective Date");

NOW, THEREFORE, in consideration of the promises and the mutual covenants herein set forth, and for other good and valuable consideration, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Employment**. During the term of this Agreement, the Executive agrees to be employed by and to serve the Company as its Senior Director Finance, and the Company agrees to employ and retain Executive in such capacity. The Executive shall report directly to Chief Financial Officer. The Executive shall: (i) devote his entire business time, energy and skill to the affairs of the Company; (ii) faithfully, loyally, and industriously perform all duties incident to the position of Sr. Director Finance, as well as any other duties consistent with the stature and responsibility of the Executive's position as may from time to time be assigned by the Chief Financial Officer; and (iii) diligently follow and implement all policies, practices, procedures, and rules of the Company. Notwithstanding any provision herein to the contrary, Executive shall not be precluded from devoting reasonable periods of time required for serving as a member of one or more advisory boards or boards of directors of companies or organizations or engaging in other minor business activities, so long as such memberships or activities do not interfere with the performance of Executive's duties hereunder and are not directly or indirectly competitive with, nor contrary to, the business or other interests of the Company, subject to prior approval by the Chief Financial Officer, which approval shall be granted in the Chief Financial Officer's reasonable sole discretion.

2. **Employment Term**. The Employment Term of the Executive under this Agreement shall be for a period of six (6) months (January 1 — June 29, 2007). The Employment Term shall commence on the Effective Date of this Agreement as set forth above. Employment Term will not automatically extend or renew unless the Company and Executive mutually agree on new terms prior to expiration of this Agreement. If the terms of a new Agreement or an extension of this Agreement cannot be reached prior to June 29, 2007, this Agreement shall expire. Expiration of this Agreement shall not constitute a termination pursuant to Section 5 and shall not trigger any of the obligations set forth in Section 6. In the event that this Agreement expires, the Executive shall receive his Base Salary through June 29, 2007 and a Bonus of thirty percent (30%) of his Base Salary (provided that Executive and the Company satisfy the performance targets) pro-rated to reflect the six (6) month Employment Term, as well

as any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan. This Agreement may also be terminated by either party prior to expiration of the Agreement pursuant to Section 5.

3. **Compensation**.

A. Base Salary. As compensation for services rendered to the Company pursuant to this Agreement, the Company shall pay to Executive a base salary (the "Base Salary") at a rate of $135,000.00 per annum, payable at a rate of $11,250.00 per month. The Base Salary will be paid in accordance with the standard payroll policies of the Company as from time to time are in effect, from which shall be deducted federal and, if applicable, state income taxes, social security taxes, and such other and similar payroll taxes and charges as may be required or appropriate under applicable law.

B. Bonus.

(i) Bonus. In addition to the Base Salary, at the end of the Employment Term, Executive may be eligible for a bonus of thirty percent (30%) of Executive's Base Salary pro-rated to reflect the six (6) month Employment Term. The Bonus is not guaranteed and is contingent upon the Executive and the Company both achieving established performance targets. Executive must be employed by the Company on June 29, 2007 in order to receive this Bonus payment.

4. **Additional Benefits**.

A. Executive Benefits. During the Employment Term, Executive shall be eligible to participate in employee benefit plans as are generally available to other executive level employees in the Company. Benefit eligibility is determined by the terms of each benefit plan. All employee benefit plans are subject to change or cancellation, from time to time, at the Company's discretion.

B. Vacation. During the Employment Term, the Executive shall be allowed to take up to two (2) weeks of vacation. Unused vacation days at the end of the Employment Term shall be paid to the Executive upon expiration of this Agreement. Pay for unused vacation days upon termination is described in Section 6.

C. Sick Leave. During the Employment Term, the Executive shall be eligible for sick days. The Executive shall not receive pay for any unused sick days at the end of the Employment Term or upon any termination as described in Section 5.

D. Performance Units Plan. During the Employment Term, the Executive's eligibility, rights, obligations, and requirements for participation in the Performance Unit Plan shall be governed exclusively by the terms and conditions of the Performance Units Plan Agreement.

5. **Termination**.

A. Termination for Cause. Notwithstanding anything to the contrary contained in this Agreement, Termination for Cause may be effected by the Company at any time during the term of this Agreement by written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, "Termination for Cause" shall mean:

(1) the willful and continued failure of such Executive to perform his duties, including, without limitation, such Executive's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Executive reports (other than any such failure resulting from his death or permanent disability); or

(2) the engaging by such Executive in willful, reckless or negligent conduct in connection with his employment or other relationship which is materially detrimental to the Company; or,

(3) the Executive has materially breached his obligations under Section 7 of this Agreement; or,

(4) the conviction of such Executive of any felony or any crime involving moral turpitude; or,

(5) such Executive's reporting to work impaired by or under the influence of alcohol or illegal drugs; or,

(6) such Executive's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises; or,

(7) such Executive's engaging in sexual harassment or other violation of any harassment or discrimination law; or

(8) Executive's commission of fraud in connection with Executive's employment or theft, misappropriation or embezzlement of the Company's funds; or,

(9) the demonstrated use or disclosure by Executive of any confidential proprietary or trade secret information of Executive's former employer or that Executive learned or obtained through his former employer; or,

(10) the demonstrated use or disclosure by the Executive of any confidential information of the Company except when such disclosure is made pursuant to the directions of the Company or in accordance with Company policy; or,

(11) such Executive's engaging in competitive behavior against the Company, purposely aiding a competitor of the Company, or misappropriating or aiding in misappropriating a material opportunity of the Company.

All determinations of "Cause" shall be made by the Chief Financial Officer. If the Company elects to terminate Executive's employment for Cause pursuant to clause (1) of the definition of "Cause" and the action or inaction prompting such termination is capable of cure, the Company shall first give Executive written notice thereof including a description of the evidence upon which the Board has relied to support such finding and, a period of thirty (30) days (the "Cause Notice Period") from the date of such notice to cure the action or inaction giving rise to the written notice. If such action or inaction is not cured by Executive by the end of the Cause Notice Period, as determined by the Chief Financial Officer and communicated to the Executive in writing, such termination shall be effective upon the first day after the expiration of the Cause Notice Period. If Executive's conduct falls within any clause of the definition of Cause other than clause (1) or it falls within clause (1) and is not curable, no notice need be given by the Company before terminating the Executive for Cause.

B. Termination by Reason of Disability. In a manner consistent with the Americans with Disabilities Act the Family and Medical Leave Act, and the New Jersey Family Leave Act, this Agreement may be terminated at the Company's option immediately upon notice to Executive if Executive shall suffer a Permanent Disability. For purposes of this Agreement, the term "Permanent Disability" shall mean the Executive's inability to perform the essential functions of his job under this Agreement, with or without reasonable accommodation, for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) days, whether or not consecutive, in any twelve (12) month period, due to illness, accident or other physical or mental incapacity, as determined by a board certified physician mutually agreed to by both the Executive and the Company.

C. Termination by Reason of Death. In the event of the Executive's death, the Executive's employment shall be deemed to have terminated on the date of Executive's death.

D. Resignation. Executive may terminate this Agreement at any time, subject to providing sixty (60) days' written notice to the Company in accordance with Section 7(B) of this Agreement; provided, however, that Executive's covenants and obligations under Section 8 herein shall survive Executive's voluntary resignation.

E. Involuntary Termination. Notwithstanding anything to the contrary contained in this Agreement, after ninety (90) days of the Employment Term, involuntary termination may be effected by the Company by giving written notification to the Executive in accordance with Section 7(A) of this Agreement. For purposes of this Agreement, the term "Involuntary Termination" shall mean any termination of the Executive's employment by the Company during the Employment Term that does not qualify as one of the following: (i) Termination for Cause; (ii) Termination by Reason of Disability; or (iii) Termination by Reason of Death.

6. **Obligations of the Company Upon Termination**.

A. Termination for Cause. In the event that the Executive's employment under this Agreement is terminated for Cause, the Company shall have no obligation to pay the Base Salary or any other Bonus or compensation provided under this Agreement, to or for the

benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; and (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan.

B. Termination by Reason of Disability. In the event that the Executive's employment under this Agreement is terminated in a Termination by Reason of Disability, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the Executive's rights under such plan; (iii) a cash payment equal to the Bonus received by the Executive for the previous year, pro-rated for the number of days employed up to the date of termination; and (iv) accrued, unused vacation pay. In addition, notwithstanding anything to the contrary in the Performance Units Plan, any Performance Units held by the Executive shall vest on a pro rata basis up to the date of termination and, at the option of the Executive, shall not be subject to repurchase;

C. Termination by Reason of Death. If the employment of the Executive hereunder shall terminate because of death of the Executive, the Company shall have no obligation to pay the Base Salary provided under this Agreement to or for the benefit of the Executive for any period after the date of such termination; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; (ii) any benefits under any plans of the Company in which the Executive was a participant to the full extent of the Executive's rights under such plans; and (iii) accrued, unused vacation pay, and (iv) a cash payment equal to the Bonus received by the Executive for the previous year, pro-rated for the number of days employed up to the date of termination. In addition, notwithstanding anything to the contrary in the Performance Units Plan, any Performance Units held by the Executive shall vest on a pro rata basis up to the date of termination and, at the option of the Executive, shall not be subject to repurchase.

D. Resignation. In the event that the Executive resigns from his employment prior to expiration of the Employment Term, the Company may, at its discretion, continue the Executive's employment with the Company for the full amount of the notice period. In the event of said termination, the Company shall have no obligation to pay the Base Salary or any other Bonus or compensation provided under this Agreement to or for the benefit of the Executive for any period after the end of said notice; provided, however, that the Company shall promptly pay: (i) all Base Salary earned by the Executive prior to the date of such termination; and (ii) any benefits under any plans of the Company in which Executive is a participant, to the full extent of the Executive's rights under such plans.

E. Involuntary Termination. In the event that the Executive's employment under this Agreement is involuntarily terminated as defined in Section 5(E) of this Agreement, the Company shall: (i) continue to pay the Executive the Base Salary for the remainder of the Employment Term (the "Severance Period"), at such intervals as the same would have been paid had the Executive remained in the active service of the Company; and, (ii) pay any benefits under any plans of the Company in which the Executive is a participant, to the full extent of the

Executive's rights under such plans for the remainder of the Severance Period, (iii) reimburse Executive for his cost of purchasing medical benefits solely for Executive under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, provided COBRA is available and is elected during the Severance Period. Such reimbursement shall continue through the Severance Period or until such time as Executive is eligible to receive medical benefits from another employer, whichever period is shorter. If during the Severance Period, the Executive materially breaches his obligations under Section 8 of this Agreement, the Company may, upon written notice to the Executive, terminate the Severance Period and cease to make any further payments to Executive.

7. **Notice of Termination**.

A. The Company may effect a termination of this Agreement pursuant to the provisions of Section 5 of this Agreement upon giving two (2) weeks written notice to the Executive of such termination; provided, however, that a Termination for Cause under Section 5(A) shall take effect immediately, at the option of the Chief Financial Officer of MonoSol RX, LLC.

B. The Executive may effect a termination of this Agreement pursuant to the provisions of Section 5(D) of this Agreement upon giving two (2) weeks written notice to the Company.

8. **Covenants of the Executive**.

In order to induce the Company to enter into this Agreement and employ the Executive hereunder, the Executive hereby covenants and agrees as follows. For all purposes under this Section 8 herein, the Company's "business" shall mean film based delivery systems to deliver drug actives, nutraceuticals, cosmaceuticals or flavors, and soluble film based packaging systems.

A. Non-Competition; Non-Solicitation. During the Employment Term and for one (1) year following the Executive's termination of employment by either party for any reason, Executive shall not without the prior written consent of the Company, which consent may be withheld at the sole discretion of the Company: (a) engage or participate in or in any manner be connected or concerned, directly or indirectly, whether as an officer, director, stockholder, partner, owner, employee, advisor, creditor, or otherwise with the operation, management, or conduct of any Competitor of the Company; (b) solicit, contact, interfere with, or divert, or attempt to solicit, contact, interfere with, or divert, any customer or vendor of the Company or potential customer or vendor identified by Company during the Executive's employment and with whom the Executive had any dealings or relationship or from whom the Executive gained confidential information; or (c) solicit or attempt to solicit, directly or indirectly, any person employed by the Company at any time during the one (1) year period prior to the Executive's termination to resign from the Company or to join the Executive, whether as a partner, agent, employee, or otherwise, with any Competitor. The term "Competitor" as used in Sections 8(A) and 8(B) refers to any business or entity which is or plans to develop, manufacture, market, or sell any system or product designed to compete directly with the

systems and products of the Company and its subsidiaries and affiliates which are under active development or are manufactured, marketed or sold.

B. Confidentiality. During the Employment Term, and following the termination of this Agreement for any reason for as long as the information remains confidential, Executive shall not make any use, for his own benefit or for the benefit of a business or entity other than Company, of any verbal or written secret or confidential information. Such confidential information shall include, but not be limited to, customer lists, trade secrets, sales, marketing or consignment information, vendor lists or operational resource information, forms, processes or procedures, budget and financial statements or information, files, records, documents, compilation of data, engineering drawings, computer print-outs, or any other data of or pertaining to Company, its business, customers and financial affairs, or its services not generally known within Company's trade and which was acquired by him during his affiliation with Company. Executive shall not remove from Company premises or retain without the Company's written consent any of Company's confidential information as defined herein, or copies of or extracts therefrom. Executive shall hold in a fiduciary capacity for the benefit of Company all secret or confidential information, knowledge, or data of Company or its business or production operations obtained by Executive during his employment by Company, which shall not be generally known to the public or recognized as standard practice (whether or not developed by Executive) and shall not, during his employment hereunder or after the termination of such employment, communicate or divulge any such information, knowledge or data to any person, firm or corporation other than Company or persons, firms or corporations designated by Company. Executive acknowledges that this information is treated as confidential by Company, that Company takes meaningful steps to protect the confidentiality of this information, and that Company has at all times directed Executive to maintain the confidentiality of this information. Immediately upon termination of this Agreement, Executive shall return all of Company's property to it, including any and all copies of said property.

C. Ownership of Work Product. Executive agrees that Company shall own all intellectual property including trade secrets, patents, patentable inventions, discoveries and improvements that relate to Company's business that Executive conceives, develops during the Employment Term or delivers to the Company while performing services pursuant to this Agreement ("Work Product"). Executive further agrees to deliver to the Company, and that the Company shall thereafter own for all purposes, all Work Product conceived or developed by the Executive relating to the business of the Company which does not otherwise belong to Employee's former employer or to which the former employer has no legal right or claim. Executive hereby irrevocably extinguishes for the benefit of the Company and its assigns any moral right to the Work Product recognized by applicable law, All Work Product shall be considered a work made for hire by Executive and owned by Company. If any of the Work Product may not, by operation of law, be considered work made for hire by Executive for Company, or if ownership of all right, title and interest of the intellectual property rights therein shall not otherwise vest exclusively in the Company, Executive agrees to assign, and upon creation thereof automatically assign, without further consideration, the ownership of all trade secrets, copyrights, patentable inventions, and other intellectual property rights therein to Company, its successors and assigns. Company, its successors, and assigns, shall have the right to obtain and hold in its or their own name copyrights, patents, registrations and any other protection available in the foregoing. For purposes hereof; a "trade secret" shall mean any

information, including, but not limited to, technical or nontechnical data, formulae, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers that derive economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use and are the subject of efforts that are reasonable under the circumstances to maintain their secrecy. Executive agrees to perform, upon the reasonable request of Company and at no cost to the Company (other than travel out of pocket costs where applicable), during or after the period(s) that this Agreement remains in effect, such further acts as may be necessary or desirable to transfer, perfect and defend the Company's ownership of Work Product, or to enforce the Company's Work Product against third parties. When requested, Executive shall promptly and at no cost to the Company (other than travel out of pocket costs, where applicable): (a) execute, acknowledge and deliver any requested affidavits and documents of assignment and conveyance; (b) obtain and aid in the enforcement of copyright and, if applicable, patents with respect to the Work Product in any countries; (c) provide testimony in connection with any enforcement proceeding or any proceeding affecting the right, title or interest of Company in any Work Product; and (d) perform any other acts deemed necessary or desirable to carry out the purposes of this Agreement.

D. Inventions. All discoveries, designs, improvements, ideas and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Company or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Company that have been, or may be, conceived, developed or made by Executive during the Employment Term (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Company. Executive shall immediately disclose to Company all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary by Company to perfect Company's title thereto, or to the patents issued thereon, or to otherwise secure and protect Company's property rights therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed or made by Executive during employment with Company. The Company acknowledges and agrees that the provisions of this paragraph shall not apply to any invention for which no equipment, supplies, facilities or trade secret (or proprietary) information of Company is used by Executive and which is developed entirely on Executive's own time, unless (a) such invention related to the business of Company or to Company's actual or demonstrably anticipated research or development; or (b) such invention results from any work performed by Executive for Company.

E. Acknowledgment. Executive acknowledges that all of the restrictions set forth in this Section entitled "Covenants of the Executive" are reasonable in scope and essential to the preservation of Company's business and proprietary properties and that the enforcement thereof will not in any manner preclude Executive, in the event of Executive's termination of employment with Company, from becoming gainfully employed in such manner and to such extent as to provide a standard of living for himself, the members of his family, and those dependent upon him of at least the sort and fashion to which he and they have become accustomed and may expect.

F. Representations and Warranties. Executive represents and warrants to the Company as follows: (a) Executive is under no contractual or other restriction or obligation which may conflict with or be inconsistent with the execution of this Agreement or with the performing of any duties for Company, or any other rights of Company; (b) neither Company nor any of its affiliates nor any of their respective officers, directors, employees, agents or employees has requested that Executive communicate or otherwise make available to any such parties at any time any proprietary information, data, trade secrets, or other confidential information belonging to Executive's former employers or others.

G. Severability. All of the covenants of Executive contained in this Section entitled "Covenants of the Executive" shall each be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against Company, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by Company of such covenants. Both parties hereby expressly agree that it is not the intention of either party to violate any public policy, statutory or common law. If any sentence, paragraph, clause or

combination of the same of this Agreement is in violation of the law of any state where applicable, such sentence, paragraph, clause or combination of the same shall be void in the jurisdictions where it is unlawful, and the remainder of such paragraph and this Agreement shall remain binding on the parties to the extent that it may be lawfully done under existing applicable laws. In the event that any part of any covenant of this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire that such court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

H. Remedies. The Executive agrees that irreparable harm would result from any breach by Executive of the covenants of this Section 8 in particular, and this Agreement in general, and that monetary damages alone would not provide the Company adequate relief for any such breach. Accordingly, if Executive breaches any covenant in this Section 8, the parties acknowledge that equitable or injunctive relief in favor of the Company is a proper remedy, and nothing in this Agreement shall be construed as precluding the Company from seeking such equitable or injunctive relief in a court of competent jurisdiction for Executive's violations of Section 8. Any award of equitable or injunctive relief shall not preclude the Company from seeking or recovering any lawful compensatory damages that may have resulted from a breach of the covenants of this Agreement. Any waiver or failure to seek enforcement. or remedy for any breach or suspected breach of any covenant of Executive in this Agreement shall not be deemed a waiver of such provision in the future. Furthermore, the existence of any claim of Executive against the Company, whether based upon this Agreement or otherwise, shall not operate as a defense to the Company's enforcement of any provision of this Agreement. Proceedings seeking equitable and injunctive relief to enforce the terms of this Section 8 may be brought in any court of competent jurisdiction.

9. **Attorneys' Fees**. In any action brought by any party under this Agreement to enforce any of its terms, or any appeal therefrom the prevailing Party shall be entitled to an award of its reasonable attorneys' fees.

10. **Cooperation**. Executive agrees that during the Employment Term, any Renewal Term and any other extension thereof; and after his termination of employment for any reason, whether initiated by the Company or by the Executive, he shall cooperate on a reasonable basis in the truthful and honest prosecution and/or defense .of any claim in which the Company, its affiliates and or its subsidiaries may have an interest (subject to reasonable limitations concerning time and place), which may include, without limitation, making himself available on a reasonable basis to participate in any proceeding involving the Company, its affiliates and/or it subsidiaries, appearing for depositions and testimony without requiring a subpoena, and producing and/or providing any documents or names of other persons with relevant information.

11. **Executive Offices**. The executive offices for MonoSol Rx LLC shall reside in the state of New Jersey.

12. **Travel Restrictions**. As is reasonable, Executive has the right to refuse travel to destinations deemed politically unstable or otherwise hostile and/or those that may represent a danger to the Executive's health and well-being.

13. **Notices**. Any notices permitted or required under this Agreement shall be deemed given upon the date of personal delivery or forty-eight (48) hours after deposit in the United States mail, postage fully paid, certified mail, return receipt requested, addressed to the following address:

If to the Company: Keith Kendall
MonoSol Rx
30 Technology Drive
Warren, NJ 07059

If to the Executive: Carl G. Fischer
30 Hillcrest Road
Whitehouse Station, NJ 08889

Either party may change the address to which notices to such party shall be delivered personally or mailed by giving notice thereof to the other party hereto.

14. **Venue; Jurisdiction**. Any suit concerning this Agreement shall be filed solely in the courts of Tarrant County, Texas. In any action brought concerning or arising from this Agreement, Executive hereby agrees that he shall be subject to the jurisdiction of the state and federal courts of Texas.

15. **Binding Effect; Assignment**. Executive shall not, without the prior written consent of the Company, assign, transfer, or otherwise convey this Agreement, or any right or interest herein. This Agreement, and all rights and obligations of the Company or any of its successors, may be assigned or otherwise transferred to any of its successors and shall be binding upon and inure to the benefit of its successors. As used herein, the term "successor" shall mean any person, corporation or other entity that, by merger, consolidation, purchase of stock, assets, liquidation, voluntary or involuntary assignment, or otherwise, acquires all or a substantial part of the assets of the Company or succeeds to one or more lines of business of the Company.

16. **Entire Agreement**. This Agreement, and the Monosol Rx, LLC, Performance Units Plan, and all benefit plans, as amended from time to time, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements, understandings and arrangements, both oral and written, between the parties hereto with respect to such subject matter, including but not limited to any prior Employment Agreement. This Agreement may not be modified, amended, altered or rescinded in any manner, except by written instrument signed by all of the parties hereto; any waiver by either party with respect to any provision hereof; or the breach of any provision hereof by the other party, need be signed only by the party waiving such Provision or breach; provided, further, that the waiver by either party hereto of a breach or compliance with any provision of this Agreement shall not operate nor be construed as a waiver of any subsequent breach or compliance.

17. **Severability**. In case any one or more of the provisions of this Agreement shall be held by any court of competent jurisdiction to be illegal, invalid or unenforceable in any respect, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held to be illegal, invalid, or unenforceable, shall not he affected thereby.

18. **Section Headings**. The section headings contained in this Agreement are for reference purposes only and shall not affect in any manner the meaning or interpretation of this Agreement.

19. **Counterparts**. This Agreement may he executed in any number of counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

20. **Survival**. The provisions of Sections 8-11 of this Agreement shall survive any termination of this Agreement and the termination of Executive's employment. The provisions of Section 8-11 shall also survive any party's decision not to extend this Agreement as provided in Section 2.

[Signature Page to Follow]

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

MonoSol RX, LLC

By: /s/ Keith J. Kendall

Date: 3/29/07 Title: Sr. VP & CFO

Carl G. Fischer, Individually

Date: 3/28/07 /s/ Carl G. Fischer

Exhibit 10.6

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been field separately with the Securities and Exchange Commission.

SUPPLY AGREEMENT

This SUPPLY AGREEMENT (together with the Exhibits and Schedules hereto, this "Agreement") is entered into as of March 15, 2007 by and between MonoSol Rx, LLC., a Delaware limited liability company ("MonoSol") and Adams Respiratory Operations, Inc., a Delaware corporation ("Buyer"). MonoSol and Buyer are referred to hereinafter individually as a "Party" and collectively as the "Parties."

R E C I T A L S

A. Simultaneously with the execution of this Agreement, the Parties are entering into a License Agreement (the "License Agreement") pursuant to which MonoSol grants to Buyer a license in and to certain know-how and other intellectual property related to thin strip technology ("MonoSol IP Rights").;

B. Simultaneously with the execution of this Agreement, the Parties are entering into a Development Agreement (the "Development Agreement") pursuant to which MonoSol agrees to use the MonoSol IP Rights to develop for Buyer the **[*]** Product;

C. Pursuant to the Development Agreement, once the **[*]** Product has been developed, Buyer and MonoSol will work together to obtain Regulatory Approvals of the **[*]** Product. Once Regulatory Approval has been obtained, Buyer wishes MonoSol to Manufacture and supply to Buyer the Finished Product, and MonoSol is willing to perform such services on the terms and subject to the conditions set forth in this Agreement and the Quality Agreement;

In consideration of the mutual representations, warranties and covenants contained herein, the Parties hereto agree as follows.

SECTION 1. DEFINITIONS

1.1. "Affiliate" means, with respect to a Person, (i) any other Person at least fifty percent (50%) of the issued and voting capital of which is owned or controlled, directly or indirectly, by said Person, (ii) any other Person that owns or controls, directly or indirectly, at least fifty percent (50%) of the issued and voting capital of said Person, or (iii) any other Person at least fifty percent (50%) of the issued and voting capital of which is owned or controlled, directly or indirectly, by any Person referenced in clause (i) or (ii) above.

1.2. "Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

1.3. "Commercial Launch" means the first commercial sale of the Finished Product in the Territory after Regulatory Approval of the Finished Product is obtained from the FDA.

1.4. "Commercial Launch Date" means the date of the Commercial Launch.

1.5. "Cost" means, with respect to the Finished Product and on a per Unit basis, MonoSol's cost of Manufacturing such Finished Product, which shall be limited to the actual costs of the Materials; labor time; quality assurance time; and overhead. The initial Cost with respect to each SKU of the Finished Product on a per unit basis is set forth on Schedule 1.11.

1.6. "FDA" means the Food and Drug Administration or any successor agency.

1.7. "Finished Product" means the thin strip **[*]** product developed under the Development Agreement.

1.8. "Indemnified Parties" means (i) with respect to claims arising under Section 6.4 Buyer Indemnified Parties, and (ii) with respect to claims arising under Section 6.5, MonoSol Indemnified Parties.

1.9. "Indemnifying Party" means (i) with respect to claims arising under Section 6.4, MonoSol, and (ii) with respect to claims arising under Section 6.5, Buyer.

1.10. "Manufacture" means to process, produce, package, label and test the Finished Product in accordance with the terms of the Specifications.

1.11. "Materials" means all ingredients and components required to Manufacture the Finished Product, including active ingredients, excipients, packaging components, labels and printed materials.

1.12. "NDA" means a New Drug Application, including amendments and supplements thereto, filed by a Person with the FDA to obtain FDA approval of a new drug or therapy, as the context indicates, as defined in 21 C.F.R. § 314.3.

1.13. "Person" means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental authority.

1.14. "**[*]** Product" means the thin strip **[*]** product developed under the Development Agreement.

1.15. "Quality Agreement" means the Quality Agreement to be entered into between the Parties prior to the Regulatory Approval of the **[*]** Product by FDA which shall be substantially in the form of Exhibit A.

1.16. "Regulatory Approvals" means the technical, medical, and scientific licenses, registrations, authorizations, permits, approvals and franchises of or from any Regulatory Authority used or useful in the formulation, manufacturing, distribution, marketing, promotion, offer for sale, use or sale of the Finished Product in the Territory.

1.17. "Regulatory Authority" means any governmental or regulatory body, court or arbitrator, including the U.S. Environmental Protection Agency and the FDA.

1.18. "Samples" means any samples of the Finished Product requested by Buyer in a purchase order or otherwise that indicates the Finished Product is not for commercial sale, but is for providing to doctors and other Third Parties without cost.

1.19. "Specifications" means, collectively, the specifications for the Finished Product set forth in the Quality Agreement, as such Specifications may be amended, supplemented or otherwise modified from time to time in accordance with this Agreement and the Quality Agreement.

1.20. "Territory" means the Mexico, Canada and the United States, and its territories and possessions, including Puerto Rico.

1.21. "Trade Secrets" means information, including technical and nontechnical data, a formula, pattern, compilation, program device, method, technique, process or other information similar to any of the foregoing, that (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can derive economic value from its disclosure or use and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

1.22. "Unit" means a finished goods package of the Finished Product in 15mg thin strips in a box of 100 individually packaged thin strips.

SECTION 2. SUBJECT MATTER

Buyer hereby selects MonoSol as its exclusive partner to Manufacture and supply to Buyer all of its requirements for the Finished Product in the Territory and (ii) MonoSol hereby agrees to Manufacture the Finished Product in its plant in Portage, Indiana (in accordance with Section 5.2, below) and to supply to Buyer the Finished Product for sale in the Territory in such quantities and at such times as ordered by Buyer in accordance with this Agreement and not to Manufacture Finished Product for, or supply Finished Product to, any other Person for sale in the Territory.

SECTION 3. MATERIALS

3.1. Purchase of Materials. MonoSol shall exercise reasonable commercial efforts to obtain from third parties at its expense all Materials required to Manufacture the Finished Product. MonoSol shall purchase such Materials from qualified suppliers in accordance with

the Quality Agreement. Such Materials shall meet the Specifications in accordance with the Quality Agreement.

3.2. Inspection, Handling and Storage of Materials. MonoSol shall handle and store the Materials in accordance with the Quality Agreement. MonoSol shall inspect and analyze the Materials in accordance with the Quality Agreement prior to using such Materials in the Manufacture of Finished Product supplied to Buyer hereunder.

SECTION 4. FORECASTS AND ORDERS

4.1. Forecasts. The Parties agree to work together in good faith to prepare for the Commercial Launch of the Finished Product.

a) Approximately six (6) months prior to the first day of the calendar quarter in which the Commercial Launch of the Finished Product is projected by the Parties to occur, Buyer shall provide MonoSol with a twelve (12) month non-binding forecast of Buyer quantity requirements of the Finished Product to prepare for Commercial Launch of, and for the twelve (12) months of sales following the Commercial Launch of, the Finished Product (collectively the "Launch Requirements").

b) To the extent the purchase order specifies delivery dates for the Finished Product that are at least ninety (90) days after the date of purchase order issuance, not in excess of the forecast supplied under 4.1(a) or 4.1(d) as the case may be and Buyer does not during such 90-day period request any revisions or modifications to the packaging or labelling, MonoSol shall supply the Finished Product in the requested quantities and otherwise in

accordance with the terms and conditions of this Agreement. In the case of the Launch Requirements, the Parties agree to collaborate to coordinate appropriate delivery schedules and storage for such Launch Requirements within the Specifications.

c) To the extent the purchase order specifies delivery dates for the Finished Product that are less than ninety (90) days after the date of purchase order issuance, materially in excess of the forecast supplied under 4.1(a) or Buyer does request any revisions or modifications to the packaging or labelling after the date of the purchase order, the Parties shall work together in good faith to achieve delivery of such Finished Product as soon as is reasonably practicable under the circumstances.

d) No less than one hundred twenty (120) days prior to the estimated date that the Commercial Launch of the Finished Product is projected to occur, Buyer shall provide MonoSol with a binding purchase order for its Launch Requirements of the Finished Product and a revised forecast of its quantity requirements for the Finished Product for the subsequent twelve (12) calendar months. Following Commercial Launch by Buyer, Buyer

shall thereafter issue firm purchase orders to MonoSol for the Finished Product on a rolling basis — each purchase order shall be accompanied by a non-binding forecast of Buyer quantity requirements for the Finished Product for the subsequent six (6) months following the period for which the purchase order is made, provided that no forecasts or orders need be given for any period after the term of this Agreement. Buyer forecasts and orders shall reflect its good faith expectations of customer demand and Buyer shall act in a commercially reasonable manner to schedule orders to avoid creating production capacity problems for MonoSol. All purchase orders will be made and fulfilled in batch size quantities only.

4.2. Material Inventory. MonoSol shall exercise reasonable commercial efforts to maintain appropriate levels of inventory of Materials in order to support Buyer's orders of Finished Product subject to then-issued Purchase Orders.

4.3. Packaging. Monosol shall package Units of the Finished Product in accordance with the Specifications. Buyer represents and warrants that in connection with packaging of the Finished Product, Buyer shall provide all text, designs, logos, similar content required for such packaging in order to comply with all legal and regulatory requirements and that such text, designs, logos and other content will not violate, infringe or misappropriate the intellectual property of any third party. MonoSol shall have the right, at its election, to include an appropriately sized logo on the Finished Product which MonoSol represents and warrants will not violate, infringe or misappropriate the intellectual property of any third party and shall comply with all legal and regulatory requirements.

SECTION 5. MANUFACTURING

5.1. Testing Prior to Delivery. MonoSol shall test the Finished Product according to the methods of analysis set forth in the Quality Agreement prior to delivery of the Finished Product by MonoSol to Buyer. If the Finished Product is found not to be in compliance with the Specifications, MonoSol shall at its own expense handle, store, transport, treat and dispose of the Finished Product according to all applicable laws, directives, codes, rules, regulations, ordinances, orders, permits, licenses, consents and other authorizations (including but not limited to the environment and employee health and safety).

5.2. Manufacturing Facility. Except to the extent otherwise agreed in writing by the Parties, MonoSol shall Manufacture the Finished Product at its current facility located at 6560 Melton Road, Portage, Indiana. Notwithstanding the foregoing, MonoSol shall have the right to transfer the Manufacture of the Finished Product to a new facility located at 6465 Ameriplex Drive, Portage, Indiana, so long as, the following conditions have been met: (a) MonoSol has paid all costs and expenses associated with such transfer, and (b) the new facility has been approved by the Regulatory Authority for Manufacture of the Finished Product.

5.3. Acceptance and Rejection.

a) MonoSol shall deliver to Buyer, concurrently with the delivery of each shipment, a certificate of analysis and other documents and materials set forth in the Quality Agreement. Within ten (10) days after receipt of any shipment of Finished Product, Buyer shall assess the quantity and visually inspect the quality of the Finished Product. Within thirty (30) days after delivery of Finished Product to Buyer in accordance with Section 7, Buyer shall examine the Finished Product to determine whether the Finished Product conforms to the Specifications. No claim for defective quality or shortage in quantity of any individual shipment of Finished Product shall be valid unless made by written notice given within thirty (30) days from the date of delivery, except in the case of latent (or other non-obvious) defects, in which case such claims shall be made in writing within thirty (30) days from the date such defect was discovered by Buyer (but in no event later than the date upon which the Finished Product has expired according to its expiry date). Any such notice shall describe in reasonable detail the defect or non-conformity, and shall include samples of the Finished Product being rejected, if appropriate, and copies of written reports, if any, relating to tests, studies or investigations performed by or on behalf of Buyer on the Finished Product being rejected. Failure to deliver a notice of non-conformance in the manner contemplated in this Section 5.3(a) shall constitute an acceptance of the applicable Finished Product by Buyer.

b) If there is any dispute as to whether any shipment fails, in whole or in part, to meet the Specifications, such dispute shall be resolved by an independent testing organization of recognized repute within the pharmaceutical industry in the Territory appointed by both MonoSol and Buyer. The expense of hiring such organization shall be borne by the Party against whom the decision is rendered.

c) MonoSol shall make up any shortfall and/or replace any non-conforming Finished Product or rework the rejected Finished Product, if applicable, as promptly as practicable and at no additional cost to Buyer. Upon MonoSol's instructions, Buyer shall destroy or return, in either case at MonoSol's cost, the non-conforming Finished Product. Buyer shall not knowingly distribute any Finished Product with a defect or non-conformity.

5.4. Alternate Packaging Site Validation.

a) Buyer shall have the right during the term of this Agreement, at its sole cost and expense, to qualify and validate a facility to package the Finished Product to the extent set forth in this Section 5.4. Monosol shall cooperate with Buyer in the qualification and validation of the alternate site and use its reasonable best efforts to assist in the qualification of the alternate site.

Buyer shall only be entitled to package that quantity of the Finished Product at the alternate site which (i) Monosol informs Buyer it would be unable to package in accordance with Section 4.3 above, (ii) MonoSol refuses or is unable to package despite its prior acceptance

of the relevant purchase order or revised purchase order, (iii) MonoSol is unable to deliver pursuant to Sections 12.5 or 11 below, or (iv) the parties mutually agree to do so.

SECTION 6. WARRANTIES; LIABILITY

6.1. MonoSol Warranties. MonoSol warrants that (i) at the time of delivery of Finished Product to Buyer, the Finished Product shall comply with the Specifications, and (ii) MonoSol shall comply with the terms and conditions of the Quality Agreement and all applicable laws and regulations governing the Manufacture of the Finished Product, including compliance with FDA's current good manufacturing practices ("cGMP"), and perform its other obligations under this Agreement. MonoSol warrants that, at the time of delivery of Finished Product to Buyer, the Finished Product shall not (a) be misbranded or adulterated provided that MonoSol shall have the right to rely on any packaging or similar information provided by Buyer or (b) be subject to any liens, encumbrances, security interests or other encumbrances.

6.2. Buyer Warranties. Buyer shall store, handle, transport, market, promote, sell, distribute, use and otherwise dispose of any Finished Product supplied by MonoSol, and any Materials used in connection with such Finished Product, including any labeling, packaging and advertising, in accordance with all applicable laws and regulations.

6.3. MonoSol Indemnification. MonoSol will indemnify and hold harmless the Buyer and its Affiliates (each, a "Buyer Indemnified Party") from, against and in respect of any and all actions, liabilities, governmental orders, encumbrances, losses, damages, bonds, dues, assessments, fines, penalties, taxes, fees, costs (including costs of investigation, defense and enforcement of this Agreement), expenses or amounts paid in settlement (in each case, including attorneys' and experts' fees and expenses), involving a Third Party Claim (collectively, "Losses"), incurred or suffered by the Buyer Indemnified Parties or any of them as a result of, arising out of, or directly or indirectly relating to (i) any breach by MonoSol of any of its representations, warranties, covenants, agreements or obligations under this Agreement, or (ii) the failure of Finished Product delivered by MonoSol hereunder to meet the warranties set forth in Section 6.1 except to the extent that such Loss is directly caused by the breach of any representations, warranties, covenants, agreements or obligations under this Agreement by Buyer or Buyer's gross negligence.

6.4. Buyer Indemnification. Buyer will indemnify and hold harmless MonoSol and its Affiliates (each, a "MonoSol Indemnified Party") from, against and in respect of any and all Losses incurred or suffered by the MonoSol Indemnified Parties or any of them as a result of, arising out of, or directly or indirectly relating to (i) any breach by Buyer of any of its representations, warranties, covenants, agreements or obligations under this Agreement, or (ii) the distribution, marketing, promotion, sale, handling, use, shipping or storage of the Finished Product (or other product into which the Finished Product has been transformed), including

without limitation (A) liabilities for product liability and returned goods, (B) liabilities in respect of product warranties and (C) liabilities for any design or other defects with respect to the Finished Product.

6.5. Third Party Claims.

a) If any third party notifies an Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to a claim against the Indemnifying Party under this Section 6, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 6, except to the extent such delay actually prejudices the Indemnifying Party.

b) The Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as the Indemnifying Party promptly assumes such defense. The Indemnified Party may retain separate co-counsel at its own cost and expense and participate in the defense of the Third Party Claim. Notwithstanding anything to the contrary contained herein, whether or not an Indemnifying Party assumes the defense of any Third Party Claim hereunder shall not constitute a presumption or omission with

respect to whether the Losses related to such Third Party Claim are, in fact, subject to indemnification hereunder. The Indemnified Party's right to an indemnity is conditional upon it providing reasonable support and access to the Indemnifying Party.

c) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant (or otherwise does not require any limitations, covenants or other agreements of the Indemnified Parties) (ii) results in the full and general release of the Indemnified Parties from all liabilities arising or relating to, or in connection with, the Third Party Claim and (iii) involves no finding or admission of any violation of legal requirements or the rights of any Person and no effect on any other claims that may be made against any Indemnified Party.

d) The Indemnified Party may not consent to the entry of any judgment or enter into any compromise or settlement with respect to a Third Party Claim with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld. If the Indemnifying Party does not assume the control and defense of a Third Party Claim under Section 6.5(b), the Indemnified Party may defend such Third Party Claim and seek indemnification hereunder from the Indemnifying Party for any Losses associated therewith.

e) The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the other reasonably apprised of the status of the defense of any Third Party Claim and to cooperate in good faith with each other with respect to the defense of any such matter.

6.6. Consequential Damages. Notwithstanding anything to the contrary contained herein, no Party shall be liable to any other Party for special, consequential, indirect or incidental (including without limitation lost profits), punitive or multiple damages under this Agreement except to the extent such damages shall be payable to a third party.

6.7. Exclusive Remedy. Except as otherwise provided in Sections 5.3(c) and 10.5, the sole and exclusive remedy with respect to any breach of any representation, warranty, covenant or agreement contained herein (other than (i) with respect to a breach of the terms of a covenant or agreement as to which MonoSol or Buyer, as the case may be, also shall be entitled to seek specific performance or other equitable relief and (ii) with respect to claims for fraud) shall be a claim for Losses (whether by contract, in tort or otherwise, and whether in law, in equity or both) made pursuant to Section 6.3or 6.4 as the case may be.

SECTION 7. DELIVERY OF FINISHED PRODUCT

MonoSol shall ship the Finished Product to Buyer's distribution facility or such other location as Buyer may advise MonoSol from time to time (the "Buyer's Facility") upon release of the Finished Product by MonoSol in accordance with the Quality Agreement or to such other location in the Territory designated in writing by Buyer. Delivery shall be made on or prior to the delivery date specified in the Purchase Order. The Finished Product shall be supplied F.O.B. Seller's facility. Title to shipments of the Finished Product and risk of loss in respect thereof shall pass to Buyer upon pick-up of such shipments at Seller's facility by common carrier. The Finished Product shall be properly prepared for safe and lawful bulk shipment by MonoSol according to the Specifications, shall be shipped to Buyer's Facility, via common carrier designated by Buyer, and shall be accompanied by appropriate transportation and other agreed upon documentation. Said common carrier shall execute all shipments under controlled storage conditions and with proper documentation of such control, as required by the Quality Agreement, the FDA and other applicable laws, and as set forth in the Specifications. Each Party shall use its reasonable commercial efforts to ensure timely shipment and receipt of the Finished Product. MonoSol shall pack and label the Finished Product supplied in accordance with the Specifications set forth in the Quality Agreement.

SECTION 8. SUPPLY PRICE

8.1 Supply Price. Subject to adjustment in accordance with this Section 8, in consideration of the Manufacturing and supply of the Finished Product, Buyer shall pay to MonoSol an amount equal to $**[*]** per Unit (the "Supply Price"). The payment of the Supply Price hereunder shall be in addition to and independent of any amounts payable by Buyer to MonoSol under the Development Agreement and the License Agreement. Notwithstanding

the preceding, all Samples ordered by Buyer shall be supplied by MonoSol to Buyer at MonoSol's actual Cost, with no percentage increase.

8.2 Price Adjustment. In the event of an increase or decrease in MonoSol's actual direct manufacturing costs **[*]**, MonoSol shall promptly notify Buyer of such increase or decrease and shall provide Buyer with documentation substantiating such changes. Buyer and MonoSol shall promptly begin to negotiate in good faith to adjust the Supply Price in an amount which reflects such increase or decrease to MonoSol, which adjusted Supply Price shall become the new Supply Price commencing with the next purchase order following MonoSol's notice to Buyer.

8.3 Adjustment for Changes in Specifications. In the event any change in the Specifications requested by Buyer or mandated by law shall result in actual increased Costs to MonoSol, (i) the Supply Price shall be increased **[*]**, (ii) Buyer shall reimburse MonoSol for **[*]** implementing any changes, including costs in connection with labeling, packaging and preprinting of package insert and label copy and of discontinuing stock of the same due to such changes, and (iii) Buyer shall reimburse MonoSol **[*]** for the cost of any inventory of MonoSol, including work-in-progress and finished goods rendered obsolete or rejected as a result of such change, including any formula, process, artwork, labeling or packaging change, as well as for the cost of destruction of any such inventory.

MonoSol shall be responsible for any increase in Costs resulting from a discretionary change in Specifications requested by MonoSol. It is acknowledged and agreed that changes to the Specifications shall only be made in accordance with the provisions of the Quality Agreement.

8.4 Invoice and Payment. MonoSol shall invoice Buyer for the Supply Price promptly upon delivery of Finished Product. Buyer shall pay the Supply Price within thirty (30) calendar days of receipt of the invoice. All payments to be made hereunder shall be paid in United States dollars and made by a corporate check drawn on a United States bank or by wire transfer to an account designated in writing by MonoSol. Overdue invoices shall bear interest at a rate of one percent (1.0%) per month until paid.

8.5 Taxes. In addition to the Supply Price provided for in this Section 8, Buyer shall reimburse MonoSol for any federal, state or local excise or other tax or assessment that MonoSol may be required to pay upon the sale, production or transportation of the Finished Product (excluding taxes based on MonoSol's income or MonoSol's franchise fees or taxes).

SECTION 9. TERM AND TERMINATION

9.1. Term. Unless otherwise terminated in accordance with Section 9.2, this Agreement shall commence on the Effective Date and shall continue until the seventh anniversary of the Commercial Launch Date ("Termination Date"), provided that Buyer may renew this Agreement for three (3) successive three (3) year periods, in its sole discretion, by written notice to MonoSol given at least six (6) months prior to the end of the then current term (the initial term and all renewal terms shall be "Term").

9.2. Termination. Notwithstanding the provisions of Section 9.1, this Agreement may be terminated as follows.

a) In the event the Development Agreement is terminated prior to the Commercial Launch Date, this Agreement shall terminate.

b) Either MonoSol or Buyer shall have the right to terminate this Agreement if the other commits a material breach of any of the provisions of this Agreement and (in the case of a breach that is capable of a remedy) fails to remedy the same within sixty (60) days of receipt of written notice of such breach.

c) Either MonoSol or Buyer shall have the right to terminate this Agreement if (A) the other shall fail to pay its debts or obligations as they become due in the ordinary course, voluntarily seek appointment of a trustee, receiver or similar official of any of its property, make a general assignment for the benefit of creditors, commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to bankruptcy, insolvency or similar laws, or shall consent to any such relief or the appointment or taking by any such official in an involuntary case or other proceeding commenced against it, (B) an involuntary case seeking liquidation, reorganization or other relief with respect to bankruptcy, insolvency or similar laws or the appointment of a trustee, receiver or similar official of any of the other's property shall be commenced and shall remain undismissed and unstayed for a period of one hundred eighty (180) days, or (C) an order for relief shall be entered against the other under federal bankruptcy laws.

d) Either MonoSol or Buyer shall have the right to terminate this Agreement upon written notice to the other if an event of force majeure contemplated in Section 11 shall continue with respect to the other for more than six (6) months.

9.3. Distribution of Inventory Upon Termination. Unless otherwise agreed to among the Parties, all stock on hand as of the effective date of the termination or expiration of this Agreement shall be dealt with as soon as practicable as follows:

a) Finished Product Manufactured pursuant to Purchase Orders from Buyer shall be delivered by MonoSol to Buyer, whereupon Buyer shall pay MonoSol therefor in accordance with the terms hereof;

b) work in progress commenced by MonoSol against Purchase Orders from Buyer shall be completed by MonoSol and shall be invoiced to Buyer in accordance with this Agreement.

c) packaging materials acquired by MonoSol pursuant to Buyer's Purchase Orders shall be invoiced to Buyer at MonoSol's actual cost and delivered to Buyer.

9.4. Return of Confidential Information. Except to the extent that such Confidential Information was supplied in connection with another agreement between the Parties which

remains in effect, within thirty (30) days of any expiration or termination of this Agreement, (i) Buyer shall cease to use and shall deliver to MonoSol, upon written request, all Confidential Information of MonoSol, except for any documents or records that Buyer is required to retain by applicable law, and (b) MonoSol shall cease to use and shall deliver to Buyer, upon written request, all Confidential Information of Buyer except for any documents or records that MonoSol is required to retain by applicable law.

9.5. Effect of Termination. Upon termination, this Agreement shall forthwith become void and of no further force or effect, except for the following provisions, which shall remain in full force and effect: (i) Section 6 (Warranties; Liability), (ii) this Section 9, (iii) Section 10 (Confidentiality), (iv) Sections 12.1 and 12.6, and (v) Section 14 (Miscellaneous). Any termination of this Agreement shall not affect any right or claim hereunder that arises prior to such termination, which claims and rights shall survive any such termination. Termination of this Agreement shall not impact the Parties' obligations under the Purchase Agreement, the License Agreement or any of the other Ancillary Agreements.

SECTION 10. CONFIDENTIALITY

10.1. General. Pursuant to the terms of this Agreement, each of MonoSol and the Buyer (in such capacity, the "Disclosing Party") has disclosed and will be disclosing to the other Party, and to the officers, directors, employees, agents and/or representatives of each (in such capacity, the "Receiving Party") certain secret, confidential or proprietary data, Trade Secrets, know-how, intellectual property and related information, including without limitation operating methods and procedures, marketing, manufacturing, distribution and sales methods and systems, sales figures, pricing policies and price lists and other business information ("Confidential Information"). The Receiving Party shall make no use of any Confidential Information of the Disclosing Party except in the exercise of its rights and the performance of its obligations set forth in this Agreement or the Ancillary Agreements. The Receiving Party (i) shall keep and hold as confidential, and shall cause its officers, directors, employees, agents and representatives to keep and hold as confidential, all Confidential Information of the Disclosing Party, and (ii) shall not disclose, and shall cause its officers, directors, employees, agents and representatives not to disclose, any Confidential Information of the Disclosing Party. Confidential Information disclosed by the Disclosing Party shall remain the sole and absolute property of the Disclosing Party, subject to the rights granted in this Agreement or the Ancillary Agreements.

10.2. Exceptions. The above restrictions on the use and disclosure of Confidential Information shall not apply to any information which (i) is already known to the Receiving Party at the time of disclosure by the Disclosing Party, as demonstrated by competent proof (other than as a result of prior disclosure under any agreement between or among the Parties with respect to confidentiality), (ii) is or becomes generally available to the public other than through any act or omission of the Receiving Party in breach of this Agreement or the Ancillary Agreements, (iii) is acquired by the Receiving Party from a third party who is not, directly or indirectly, under an obligation of confidentiality to the Disclosing Party with respect

to same, or (iv) is developed independently by the Receiving Party without use, direct or indirect, of information that is required to be held confidential under this Agreement or the Ancillary Agreements. In addition, nothing in this Section 10 shall be interpreted to limit the ability of any Party to disclose its own Confidential Information to any other person on such terms and subject to such conditions as it deems advisable or appropriate.

10.3. Permitted Disclosures. It shall not be a breach of Section 10.1 if a Receiving Party discloses Confidential Information of a Disclosing Party (i) pursuant to applicable law, including securities laws applicable to a public company, to any Regulatory Authority or other governmental authority, or (ii) in a judicial, administrative or arbitration proceeding to enforce such Party's rights under this Agreement. In such event, the Receiving Party shall (A) provide the Disclosing Party with as much advance written notice as possible of the required disclosure, (B) reasonably cooperate with the Disclosing Party in any attempt to prevent, limit or seek confidential treatment for the disclosure, and (C) limit disclosure, if any, to the specific purpose at issue.

10.4. Confidential Terms. Each Party acknowledges and agrees that the terms and conditions of this Agreement shall be considered Confidential Information of each Party and shall be treated accordingly. Notwithstanding the foregoing, each Party acknowledges and agrees that the other may be required to disclose some or all of the information included in this Agreement in order to comply with its obligations under securities laws, and hereby consents to such disclosure to the extent deemed advisable or appropriate by its respective counsel (but only after consulting with the other to the extent practicable). The Parties may also disclose the existence of this Agreement and terms thereof to their directors, investors, officers, employees, attorneys, accountants and other advisers on a need to know basis and may, upon obtaining a written confidentiality agreement, further disclose the existence and terms of this Agreement to third parties to whom it may be relevant in connection with financings, acquisitions and similar transactions.

10.5. Equitable Remedies. Each Party specifically recognizes that any breach by it of this Section 10 may cause irreparable injury to the other Parties and that actual damages may be difficult to ascertain, and in any event, may be inadequate. Accordingly (and without limiting the availability of legal or equitable, including injunctive, remedies under any other provisions of this Agreement), each Party agrees that in the event of any such breach, notwithstanding the provisions of Section 6.10, the other Parties shall be entitled to seek injunctive relief and such other legal and equitable remedies as may be available.

SECTION 11. FORCE MAJEURE

In the event that any of the Parties hereto becomes prevented from carrying out its obligations hereunder, in whole or in part, by reason of duly evidenced force majeure events not caused by an act or omission of such Party, including but not limited to acts of God, changes in law, riots, wars, strikes, natural disasters, fire, flood, explosions, acts of a public enemy, labor disturbances or the inability of MonoSol to obtain (through no fault of MonoSol and provided

that MonoSol has used reasonable commercial efforts to obtain such Materials in accordance with this Agreement) sufficient Materials to perform under this Agreement, the Party so affected by such cause or event, upon giving prompt written notice to the other Parties, shall be excused from such performance and

shall not be liable to any other Party for failure of such performance for so long as such cause or event shall endure and to the extent such cause or event prevents such performance; provided that the Party so affected shall use diligent effort to avoid or remove such cause or causes of non-performance and shall continue to perform under this Agreement with all reasonable dispatch whenever such cause or causes are removed. If, however, any such force majeure shall delay any shipment hereunder or the receipt thereof for more than thirty (30) days beyond the scheduled delivery date, then Buyer shall have the right, without incurring any liability to MonoSol, to cancel its order and immediately begin producing the Finished Product at the [alternate site, pursuant to Section 10 above,] until such time as MonoSol is able to perform its obligations hereunder.

SECTION 12. REGULATORY AND QUALITY MATTERS

12.1. Certain Regulatory Matters. Buyer shall be responsible for maintaining the NDA and all Regulatory Approvals, filings and submissions associated with the Finished Product in the Territory. Each Party shall cooperate with the other in making and maintaining all regulatory filings that may be necessary in connection with the performance of this Agreement. Buyer shall have the responsibility for communications with the FDA relating to the Finished Product.

12.2. Quality Agreement. Simultaneously with the execution of this Agreement, the Parties are entering into the Quality Agreement. Quality and regulatory requirements, including use of qualified Materials suppliers, certification of cGMP compliance by all bulk materials suppliers, manufacturing in full compliance with cGMPs and maintaining cGMP compliant facilities, storing and handling of Materials, temperature and moisture control, prevention of product contamination (including cross-contamination), manufacturing facility audit rights, implementation of required changes to specifications and manufacturing processes, retention of samples, stability testing, failure reporting and other quality related matters shall be governed by, and performed by the Parties in accordance with, the terms and conditions of the Quality Agreement. The Quality Agreement is intended to supplement this Agreement, and is hereby incorporated in this Agreement in its entirety, except that in the event of a conflict between any term, condition or provision of this Agreement and any term, condition or provision of the Quality Agreement, the applicable term, condition or provision of this Agreement shall control unless otherwise agreed in writing by the Parties.

12.3. Changes to Specifications. The Specifications may only be changed in accordance with the procedures set forth in the Quality Agreement.

12.4. Manufacturing Facility Audits. MonoSol shall give access to representatives of Buyer during the term of this Agreement (but no more than once every twelve (12) months) to MonoSol's manufacturing facility to conduct inspections in accordance with the inspection

procedures set forth in the Quality Agreement. When entering MonoSol's facilities, Buyer and its representatives shall comply with all standard operating procedures and regulations issued by MonoSol regarding security, safety, health, hazard and fire prevention.

12.5. Inspections by Regulatory Authorities. MonoSol shall promptly give Buyer advance notice, to the extent that advance notice is given to MonoSol, of any site visit to its manufacturing facility by any Regulatory Authority, the purpose of which is to inspect the manufacture, testing, storage, disposal or transportation of the Finished Product, in accordance with the terms and conditions of the Quality Agreement. In any event, MonoSol shall advise Buyer of the occurrence of any such visit immediately following such visit, and MonoSol shall furnish to Buyer all material information supplied to, or supplied by, any Regulatory Authority, including the Form 483 observations and responses, to the extent that such information relates to the Finished Product or the ability of MonoSol to comply with the terms of this Agreement. In the event that any such Regulatory Authority finds that MonoSol's manufacturing facility fails to meet any applicable laws, rules or regulations, MonoSol shall cure such deficiencies within any applicable cure period permitted by the Regulatory Authority or applicable law, rule or regulation. If at any time, MonoSol is prevented from delivering the Finished Product to Buyer for a period exceeding forty-five (45) consecutive days, Buyer shall have the option to manufacture the Finished Product [at the alternate site, in accordance with Section 10 above,] until the MonoSol is able once again to deliver the Finished Product.

12.6. Product Recalls. In the event (i) any national government authority or other regulatory agency issues a request, directive or order that the Finished Product be recalled, or (ii) a court of competent jurisdiction orders such a recall, or (iii) Buyer reasonably determines after consultation with MonoSol that the Finished Product should be recalled, each Party, at its own expense, shall cooperate in any investigations surrounding the recall and take appropriate corrective actions. In the event that such recall results from the breach of the terms of this Agreement by MonoSol, MonoSol shall be responsible to Buyer for the Supply Price of the Finished Product and shall reimburse Buyer for the amount of any Supply Price paid with respect to any such recalled Finished Product in addition to being responsible for all expenses and costs arising out of the recall and will reimburse Buyer for any and all expenses incurred by Buyer, including but not limited to, costs to return recalled Finished Product and communication with customers regarding recall, incurred as a result of the recall. In the event that such recall results from any reason other than MonoSol's breach of the terms of this Agreement, Buyer will be responsible for all expenses and costs arising out of the recall and will indemnify MonoSol for any Losses suffered by MonoSol arising out of or resulting from such recall. Buyer will be solely responsible for all administrative aspects of any recall.

12.7. Adverse Event Reporting. The Parties shall be responsible for reporting adverse events and complaints with respect to the Finished Product (including the Materials), and for responding to any such reports and complaints, in accordance with the terms and conditions of the Quality Agreement.

12.8. Product Returns. Buyer shall have responsibility for all product returns in accordance with the Quality Agreement. Without limiting the foregoing, in the event that MonoSol (or any of its Affiliates) shall receive any returned goods of Finished Product from a third party, MonoSol shall notify

Buyer of such returned goods and, at Buyer's option, either destroy such returned goods or deliver such return goods to Buyer, in each case at Buyer's expense. Buyer shall not have the right to return any Finished Product received by Buyer as returned goods from third parties to MonoSol, other than in accordance with Section 5.3. The Parties shall notify each other of, and shall respond to, any customer complaints associated with returned Finished Product in accordance with the terms and conditions of the Quality Agreement. In the event an adverse event is reported with respect to the Finished Product, MonoSol shall, at Buyer's expense, perform any and all appropriate testing of corresponding retention samples and provide the results thereto to Buyer as reasonably practicable.

SECTION 13. INSURANCE

During the term of this Agreement, each of Buyer and MonoSol shall, each for its respective liability, secure and maintain a comprehensive general liability insurance policy providing sufficient extensive coverage for personal injury and bodily injury, property damage, or such coverage as is usual and customary in the pharmaceutical industry to procure. Each of Buyer and MonoSol shall deliver a certificate with regard to said policies to the other upon request.

SECTION 14. MISCELLANEOUS

14.1. Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given when so delivered in person, by reputable overnight courier, by facsimile transmission (with receipt confirmed by automatic transmission report) or two (2) Business Days after being sent by registered or certified mail (postage prepaid, return receipt requested), as follows:

if to the Buyer, to:

Adams Respiratory Operations, Inc.
4 Mill Ridge Lane
Chester, New Jersey 07930
Attn: General Counsel
Facsimile: (908) 879-1404

with a copy to:

Alston & Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: J. Vaughan Curtis

Facsimile: (404) 253-8247

if to MonoSol, to:

MonoSolRx LLC
30 Technology Drive
Warren, NJ 07059
Attn: A. Mark Schobel, CEO
Facsimile: 908.561.1209

With a copy to:

MonoSolRx LLC
1100 Connecticut Ave.
Suite 440
Washington DC 20036
Attn: Joe Fuisz
Facsimile: 202.223.9069

Any Party may by notice given in accordance with this Section 14.1 to the other Parties designate another address or person for receipt of notices hereunder.

14.2. Amendment; Waiver. This Agreement may not be amended except by an instrument signed by each of the Parties hereto. Any Party hereto may (a) extend the time for the performance of any of the obligations or other acts of another Party hereto or (b) waive compliance with any of the agreements of another Party or any conditions to its own obligations, in each case only to the extent such obligations, agreements, or conditions are intended for its benefit; provided, however, that any such extension or waiver shall be binding upon a Party only if such extension or waiver is set forth in a writing executed by such Party.

14.3. Entire Agreement. This Agreement and the Ancillary Agreements contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, among the Parties thereto.

14.4. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

14.5. Binding Effect; No Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither MonoSol nor Buyer may assign any of its rights or delegate any of its liabilities or obligations

hereunder without the prior written consent of the other; provided that either Party may assign its rights and obligations under this Agreement without the other Party's prior written consent upon written notice to the other Party in connection with the transfer or sale of all or substantially all of the assets or business of such Party or any of its

affiliates or the merger or consolidation with another Person of such Party or any of its affiliates. Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the Buyer and MonoSol and their respective successors and permitted assigns any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except for affiliates or representatives entitled to indemnification pursuant to Section 6.4 or 6.5.

14.6. Section Headings; Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

14.7. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

14.8. Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable. The Parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable provision.

14.9. Submission to Jurisdiction; Waiver. Except with respect to Third Party Claims, in the event any action shall be brought to enforce or interpret the terms of this Agreement, the Parties agree that such action will be brought in the U.S. District Court for the Southern District of New York. Each of MonoSol and the Buyer hereby irrevocably submits with regard to any action or proceeding for itself and in respect to its property, generally and unconditionally, to the nonexclusive jurisdiction of the aforesaid courts. Each of MonoSol and the Buyer hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to lawfully serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) to the fullest extent permitted by applicable law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

14.10. Rules of Construction. The Parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or ruling of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

14.11. Waiver of Jury Trial. EACH OF THE BUYER AND MONOSOL HEREBY IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENT OR ACTION RELATED HERETO OR THERETO.

14.12. Expenses. Except as expressly set forth herein, each Party hereto shall bear all fees and expenses incurred by such Party in connection with, relating to or arising out of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including attorneys', accountants' and other professional fees and expenses.

14.13. Independent Contractor. Neither MonoSol nor Buyer, together in each case with their respective employees or representatives, are under any circumstances to be considered as employees or agents or representatives of the other by virtue of this Agreement, and neither shall have the authority or power to bind the other or contract in the other's name.

14.14. No Implied Waivers; Rights Cumulative. No failure on the part of MonoSol or Buyer to exercise and no delay in exercising any right, power, remedy or privilege under this Agreement, or provided by statute or at law or in equity or otherwise, including the right or power to terminate this Agreement, shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of this Agreement or as an acquiescence therein, nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof or the exercise of any other right, power, remedy or privilege.

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CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed and delivered as of the date first stated above.

ADAMS RESPIRATORY OPERATIONS, INC.

By /s/ Robert Casale
Name: Robert Casale
Title:

MONOSOL Rx, LLC.

By /s/ Alexander M. Schobel
Name: Alexander M. Schobel
Title: Pres. & CEO

[Signature Page to Supply Agreement]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Schedule 1.11

The initial Cost per Unit is $**[*]** (US dollars).

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

DEVELOPMENT AGREEMENT

This DEVELOPMENT AGREEMENT (together with the Exhibits hereto, this "Agreement"), dated as of March 15, 2007 (the "Effective Date"), is made by and among MonoSol Rx, LLC., a Delaware limited liability corporation ("MonoSol") and Adams Respiratory Products, Inc., a Delaware corporation ("Adams"). MonoSol and Adams are referred to hereinafter individually as a "Party" and collectively as the "Parties."

R E C I T A L S

A. The Parties have entered into a License Agreement of even date herewith the ("License Agreement") pursuant to which MonoSol grants to Adams a license in and to certain know-how and other intellectual property related to certain MonoSol products on the terms and subject to the conditions set forth in the License Agreement;

B. The Parties have also entered into a Finished Product Supply Agreement of even date herewith (the "Supply Agreement") pursuant to which MonoSol has agreed to manufacture and supply to Adams certain finished products on the terms and subject to the conditions set forth in the Supply Agreement;

C. MonoSol has expertise in developing and manufacturing over the counter and prescription pharmaceutical products; and

D. Adams desires that MonoSol carry out certain product development projects to create a line of thin film strip products on behalf of Adams as described herein.

In consideration of the mutual representations, warranties and covenants contained herein, the Parties agree as follows:

SECTION 1. DEFINITIONS

Capitalized terms used in this Agreement, but not otherwise defined herein, shall have the meanings given to them in the Supply Agreement.

1.1 "Affiliate" means, with respect to a Person, (i) any other Person at least fifty percent (50%) of the issued and voting capital of which is owned or controlled, directly or indirectly, by said Person, (ii) any other Person that owns or controls, directly or indirectly, at least fifty percent (50%) of the issued and voting capital of said Person, or (iii) any other Person

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at least fifty percent (50%) of the issued and voting capital of which is owned or controlled, directly or indirectly, by any Person referenced in clause (i) or (ii) above.

1.2 "FDA" means the Food and Drug Administration or any successor agency.

1.3 "Indemnified Parties" means (i) with respect to claims arising under Section 7.1, MonoSol Indemnified Parties, and (ii) with respect to claims arising under Section 7.2, Adams Indemnified Parties.

1.4 "Indemnifying Party" means (i) with respect to claims arising under Section 7.1, Adams, and (ii) with respect to claims arising under Section 7.2, MonoSol.

1.5 "Knowledge" with respect to Monosol means the actual knowledge of any executive officer of MonoSol after reasonable inquiry.

1.6 "Person" means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental authority.

1.7 "Project" means, collectively, the Thin Strip Project and any Future Projects, as such terms are defined in Section 2.1 below.

1.8 "Territory" means Mexico, Canada and the United States and its territories and possessions, including Puerto Rico.

1.9 "Trade Secrets" means information, including technical and nontechnical data, a formula, pattern, compilation, program device, method, technique, process or other information similar to any of the foregoing, that (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can derive economic value from its disclosure or use and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

SECTION 2. PRODUCT DEVELOPMENT

2.1 Projects. MonoSol and Adams intend to (a) initiate a project to develop a **[*]** thin film strip product (the "**[*]** Product") on the terms and subject to the conditions of the Project Plan attached hereto as Exhibit A (the "Thin Strip Project"), and (b) enter into discussions from time to time with respect to future projects to develop other modifications, extensions or variations of the thin strip technology for use in respiratory care products (each, a "Future Project", and together with the Thin Strip Project, the "Projects"), within the Territory. Notwithstanding the foregoing, it is acknowledged and agreed that

neither Adams nor MonoSol shall have any obligation to engage in any Future Projects under this Agreement unless and until MonoSol and Adams shall reach mutual agreement with respect to the scope of such Future Project and the terms and conditions of the Project Plan related thereto.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

2.2 Project Plans. With respect to each Project agreed by MonoSol and Adams, the Parties shall agree to the terms and conditions of a project plan (each, a "Project Plan") and each of MonoSol and Adams shall carry out the work on such Project, and perform their respective responsibilities with respect to such Project, according to the Project Plan for such Project. Each Project Plan shall set forth the agreed upon terms and conditions of the Project, including without limitation the specifications mutually agreed by MonoSol and Adams (the "Specifications") for any product intended to be developed under such Project (each, a "Product"), as well as the development work to be carried out by MonoSol in connection with such Project. For the avoidance of doubt, Exhibit A constitutes the Project Plan for the Thin Strip Project. Any amendments, modifications or adjustments to a Project Plan shall require the express written consent of each of the Parties. The Parties acknowledge and agree that each Project Plan so agreed by the Parties shall be incorporated and made part of this Agreement.

2.3 Communication. MonoSol shall advise Adams, in writing if requested, of the progress and status of each Project hereunder. MonoSol shall also advise Adams promptly, in writing if requested, of all significant developments regarding the Projects.

2.4 Process Development/Validation. MonoSol shall be responsible, at its cost and expense, for the development of, and performance of all validation activities in connection with, any manufacturing processes and requirements as are necessary or desirable, as determined in consultation with Adams, in connection with the development of a Product for commercial production in the Territory, including (but not limited to) the development and process qualification, assuring content uniformity, analytical testing, preparation of technical validation reports, the preparation of equipment qualification and manufacturing validation procedures, the qualification of equipment and utilities, as well as the validation of the manufacturing, packaging and cleaning processes in accordance with such procedures and the manufacture and testing of Validation Lots ("Process Development/Validation Activities") and for providing such information and taking such steps as are necessary in connection with the CMC or similar portions of any regulatory applications required to obtain Regulatory Approvals for a Product, and otherwise in connection with the manufacture of the Product by MonoSol and sale of the Product to and by or under authority of Adams hereunder.

2.5 Product for Regulatory Approval. MonoSol shall manufacture each Product in an FDA-approved manufacturing facility that meets GMPs and in accordance with the Specifications for the Product, shall not supply adulterated Products, and shall otherwise manufacture and supply the Product to Adams as necessary to obtain Regulatory Approvals and in a manner that meets applicable regulatory requirements. All supplies of Product and placebo required to obtain Regulatory Approval shall be supplied at no charge to Adams.

2.6 Restriction on MonoSol Data Use. MonoSol will not use or grant access to any data generated in connection with the registration of the Product in North America for the benefit of third parties without obtaining the prior approval of Adams which approval may be conditioned upon the payment of a reasonable royalty.

2.7 Rights of First Refusal.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

(a) During the term of this Agreement, if MonoSol: (i) develops additional drug products in the Therapeutic Categories, either in conjunction with Adams or on its own, or (ii) is presented with a development opportunity for an additional drug product in the Therapeutic Categories in the United States, utilizing the MonoSol IP Rights (as such Term is defined in the License Agreement between the parties of even date herewith (collectively, the "New Products"), Adams shall have the first right to market exclusively any New Products in the United States. MonoSol shall submit to Adams a written request for proposal identifying the New Product, including reasonably prescribed specifications, standards, delivery and pricing. Within 30 days of Adams' receipt of each proposal for a New Product, Adams shall advise MonoSol if it wishes to pursue development of the New Product. The parties shall then negotiate in good faith to reach agreement on applicable pricing for the New Product and such New Product shall become subject to the remaining terms and conditions of this Agreement. If the parties to this Agreement do not reach agreement on the pricing and terms of any New Product within 90 days (if the New Product is developed by MonoSol or in conjunction with Adams) or 30 days (if the New Product is to be developed in conjunction with a third party) of MonoSol's receipt of Adams' notice, Adams shall make a final offer to MonoSol, prior to the expiration of the applicable negotiation period, consisting of (i) development milestones and milestone payments including payments for development costs, (ii) cost of goods and (iii) binding three (3) year minimum purchase requirements. Provided that such offer has been made, MonoSol shall not enter into an agreement for a New Product on terms where the sum of: (a) the milestone payments and development costs, and (b) the cost of goods multiplied by the total of the number of units in the three (3) year minimum purchase requirements, is lower than in the offer supplied by Adams as set forth above (the "Lower Offer"). If MonoSol intends to accept such Lower Offer, it shall first offer the relevant conditions to Adams. If Adams fails to accept these conditions in writing within 5 business days, MonoSol shall be free to accept the Lower Offer by the third party.

(b) During the term of this Agreement, if Adams desires to: (i) develop additional drug products in the Therapeutic Categories, either in conjunction with MonoSol or on its own, or (ii) is presented with a development opportunity for an additional drug product in the Therapeutic Categories in the United States, which can utilize the MonoSol IP Rights (collectively, "***New Products***"), MonoSol shall have a right of first refusal on the rights to develop and manufacture any Adams New Products in the United States which are consistent with the limitations of the MonoSol IP Rights. Adams shall submit to MonoSol a written request for proposal identifying the New Product, including reasonably prescribed specifications, standards, delivery and pricing. Within 30 days of MonoSol's receipt of each proposal for a New Product, MonoSol shall advise Adams if it wishes to pursue development of the New Product. The

parties shall then negotiate in good faith to reach agreement on applicable pricing for the New Product and such New Product shall become subject to the remaining terms and conditions of this Agreement. If the parties to this Agreement do not reach agreement on the pricing and terms of any New Product within 90 days (if the New Product is developed by MonoSol or in conjunction with a third party) of MonoSol's receipt of Adams notice, MonoSol shall make a final offer to Adams, prior to the expiration of the applicable negotiation period, consisting of (i) development milestones and milestone payments including payments for development costs, (ii)

cost of goods and (iii) binding three (3) year minimum purchase requirements. Provided that such offer has been made, Adams shall not enter into an agreement for the development and manufacturing of a New Product on terms where the sum of: (a) the milestone payments and development costs, and (b) the cost of goods multiplied by the total of the number of units in the three (3) year minimum purchase requirements, is higher than in the offer supplied by MonoSol as set forth above (the "Higher Offer"). If Adams intends to accept such Higher Offer, it shall first offer the relevant conditions to MonoSol. If MonoSol fails to accept these conditions in writing within 5 business days, Adams shall be free to accept the Higher Offer by the third party.

(c) For purposes of this Section 2.7, the term "Therapeutic Categories" shall mean **[*]**.

(d) The rights of both Adams and MonoSol under this Section 2.7 shall terminate immediately in the event that the parties fail to enter into agreements to develop and commercialize a second prescription product within 180 days of the completion of the proof of principal study referred to in Section 4(a) hereof, provided that such 180 day period shall not be deemed to occur prior to January 1, 2008.

SECTION 3. REGULATORY APPROVAL

3.1 NDAs. Adams will have sole responsibility for filing an NDA for each of the Products (the "Product NDAs") with the FDA, as well as for all other comparable filings and interactions with all appropriate Regulatory Authorities.

3.2 Cooperation. Adams shall use commercially reasonable efforts to obtain approval for each of the Products in the Territory. Adams and MonoSol shall cooperate and consult with respect to the design and execution of all clinical studies, and MonoSol shall provide Adams commercially reasonable regulatory affairs support and guidance with respect to all matters concerning NDA filings and each of the Products.

3.3 Ownership of Data Developed by Adams. Other than information obtained from MonoSol, Adams shall retain sole ownership of all data created or obtained by Adams during the course of Adams seeking Regulatory Approval for a Product ("Adams Data"). For purposes of this Agreement, Adams Data shall not include information in the public domain, including but not limited to summary basis of approvals as published by the FDA.

3.4 Other Regulatory Matters. (a) Provided that Adams obtains Regulatory Approval for a Product NDA in the United States, Adams or its designee shall be responsible, during the Term, at its own cost and expense, for filing and maintaining all documentation and other information required by any state, territory or possession in the Territory for the purpose of listing a Product on each such state's or territory's or possession's formulary, and obtaining such other approvals as may be necessary to market the Product in each state, territory or possession.

(b) At the request of Adams, one or more representatives of MonoSol will assist Adams with all correspondence with the FDA or other Regulatory Authority relating to the Regulatory Approval of each of the Products, and participate in all meetings with the FDA or other Regulatory Authority regarding each of the Products.

SECTION 4. MILESTONE PAYMENTS

In consideration for the development work MonoSol shall carry out on the Thin Strip Project conducted under the terms of this Agreement, unless otherwise provided in the fee schedule set forth in the applicable Project Plan, Adams shall pay MonoSol the following product development milestone payments:

a) Within 30 days of completion of the prototype development and stability for the proof of principal clinical study, as described further in Exhibit A, Adams will pay to MonoSol Five Hundred Thousand ($500,000) dollars; provided, however, that in the event the prototype device and stability for the proof of principal clinical study have not been completed by [July 1, 2007]. Adams may notify MonoSol in writing that Adams no longer wishes to pursue the Thin Strip Project, in which event this Agreement shall terminate and the Parties shall no longer have any obligations to each other under this Agreement, including any obligation by Adams to make any payments to MonoSol.

b) Within 30 days of successful completion of the pivotal clinical study, as described further in Exhibit A, Adams will pay to MonoSol Five Hundred Thousand ($500,000) dollars; provided, however, that in the event the pivotal clinical study has not been completed by [December 1, 2007,] Adams may notify MonoSol in writing that Adams no longer wishes to pursue the Thin Strip Project, in which event this Agreement shall terminate and the Parties shall no longer have any obligations to each other, including any obligation by Adams to make any payments to MonoSol under this Section 4(b).

c) Within 30 days of delivery of the chemistry manufacturing controls ("CMC"), as described further in Exhibit A, Adams will (i) pay to MonoSol Two Hundred Fifty Thousand ($250,000) dollars; provided, however, that if the CMC have not been completed by [October 1, 2008,] Adams may notify MonoSol in writing that Adams no longer wishes to pursue the Thin Strip Project, in which event this Agreement shall terminate and the Parties shall no longer have any obligations to each other, including any obligation by Adams to make any payments to MonoSol under this Section 4(c).

d) Within 30 days of the acceptance by the FDA of the **[*]** Product NDA, Adams will pay to MonoSol Two Hundred Fifty Thousand ($250,000) dollars; provided, however, that in the event the FDA has not accepted the **[*]** Product NDA by [October 1, 2008,] Adams may notify MonoSol in writing that Adams no longer wishes to pursue the Thin Strip Project, in which event this Agreement shall terminate and the Parties shall no longer have any obligations to each other, including any obligation by Adams to make any payments to MonoSol under this Section 4(d).

e) Within 30 days of each of the second, third and fourth anniversaries of the Commercial Launch Date of the **[*]** Product, Adams shall pay to MonoSol One Hundred Sixty Seven Thousand ($167,000) dollars.

Adams will not be liable for, and shall not owe to MonoSol, any of MonoSol's out-of-pocket expenses related to any Project. The Parties shall negotiate, in good faith, the fee schedule for any Future Project and such fees shall be included in the Project Plan.

SECTION 5. INTELLECTUAL PROPERTY

5.1 Thin Strip Project. Upon development of any product as a result of the Thin Strip Project, MonoSol shall grant a license to Adams under the MonoSol IP Rights (as such term is defined in the License Agreement) in the Territory to make, have made, use, sell and offer for sale such product in the Territory, on the terms and subject to the conditions of the License Agreement. Any IP Rights that MonoSol or Adams conceive, develop or reduce to practice ("Developments") in the course of performing the Thin Strip Project shall be owned solely by the Party which conceived, developed or reduced it to practice.

5.2 Future Projects. With respect to any Future Projects, the Parties shall discuss intellectual property matters related to such Future Projects and, if applicable, shall include in the Project Plan for such Future Project any agreed upon terms and conditions with respect to (i) any license to be granted by MonoSol to Adams under the MonoSol IP Rights with respect to any Products developed under such Future Project, and (ii) the ownership of any Developments that the Parties conceive, develop or reduce to practice in the course of performing such Future Project.

5.3 Data and Records. MonoSol agrees to and shall use reasonable care in inventorying, handling and safeguarding all property of Adams entrusted to its care. MonoSol shall not discard or destroy any raw data, laboratory work sheets, other original records or documentation created in connection with the performance of a Project hereunder, without prior written permission from Adams, except in the ordinary course of business consistent with MonoSol's policies and past practice.

5.4 Intellectual Property Applications. Each Party shall, at the reasonable request of the other, cooperate in the making of applications for letters patent or for copyright registration on any Developments owned by such requesting Party under the terms of this Agreement and the applicable Project Plan.

SECTION 6. CONFIDENTIALITY

6.1 General. Pursuant to the terms of this Agreement, each of MonoSol and Adams (in such capacity, the "Disclosing Party") has disclosed and will be disclosing to the other Party,

and to the officers, directors, employees, agents and/or representatives of each (in such capacity, the "Receiving Party") certain secret, confidential or proprietary data, Trade Secrets, know-how, intellectual property and related information, including without limitation operating methods and procedures, marketing, manufacturing, distribution and sales methods and systems, sales figures, pricing policies and price lists and other business information ("Confidential Information"). For clarity and notwithstanding Section 5.2, Developments shall be the Confidential Information of the Party that owns such Developments under the terms and conditions of this Agreement and the applicable Project Plan. The Receiving Party shall make no use of any Confidential Information of the Disclosing Party except in the exercise of its rights and the performance of its obligations set forth in this Agreement or any other agreements between the parties referenced in this Agreement (the "Ancillary Agreements"). The Receiving Party (i) shall keep and hold as confidential, and shall cause its officers, directors, employees, agents and representatives to keep and hold as confidential, all Confidential Information of the Disclosing Party, and (ii) shall not disclose, and shall cause its officers, directors, employees, agents and representatives not to disclose, any Confidential Information of the Disclosing Party. Confidential Information disclosed by the Disclosing Party shall remain the sole and absolute property of the Disclosing Party, subject to the rights granted in this Agreement or the Ancillary Agreements.

6.2 Exceptions. Confidential Information shall not include any information which (i) is already known to the Receiving Party at the time of disclosure by the Disclosing Party, as demonstrated by competent proof (other than as a result of prior disclosure under any agreement between the Parties with respect to confidentiality), (ii) is or becomes generally available to the public other than through any act or omission of the Receiving Party in breach of this Agreement or the Ancillary Agreements, (iii) is acquired by the Receiving Party from a third party who is not, directly or indirectly, under an obligation of

confidentiality to the Disclosing Party with respect to same, or (iv) is developed independently by the Receiving Party without use, direct or indirect, of information that is required to be held confidential under this Agreement or the Ancillary Agreements. In addition, nothing in this Section 5 shall be interpreted to limit the ability of either Party to disclose its own Confidential Information to or any other Person on such terms and subject to such conditions as it deems advisable or appropriate.

6.3 Permitted Disclosures. It shall not be a breach of Section 5.1 if a Receiving Party discloses Confidential Information of a Disclosing Party (i) pursuant to applicable law, including securities laws applicable to a public company, to any Regulatory Authority or other governmental authority, or (ii) in a judicial, administrative or arbitration proceeding to enforce such Party's rights under this Agreement; provided, however, the Receiving Party may only make such disclosure if (A) it provides the Disclosing Party with as much advance written notice as possible of the required disclosure, (B) reasonably cooperates with the Disclosing Party in any attempt to prevent, limit or seek confidential treatment for the disclosure, and (C) limits the disclosure, if any, to the specific purpose at issue.

6.4 Confidential Terms. Each Party acknowledges and agrees that the terms and conditions of this Agreement shall be considered Confidential Information of each Party and shall be treated accordingly. Notwithstanding the foregoing, each Party acknowledges and agrees that the other may be required to disclose some or all of the information included in this

Agreement in order to comply with its obligations under securities laws, and hereby consents to such disclosure to the extent deemed advisable or appropriate by its respective counsel (but only after consulting with the other to the extent practicable). The Parties may also disclose the existence of this Agreement and terms thereof to their directors, investors, officers, employees, attorneys, accountants and other advisers on a need to know basis and may, upon obtaining a written confidentiality agreement, further disclose the existence and terms of this Agreement to third parties to whom it may be relevant in connection with financings, acquisitions and similar transactions.

6.5 Equitable Remedies. Each Party specifically recognizes that any breach by it of this Section 5 may cause irreparable injury to the other Parties and that actual damages may be difficult to ascertain, and in any event, may be inadequate. Accordingly (and without limiting the availability of legal or equitable, including injunctive, remedies under any other provisions of this Agreement), each Party agrees that in the event of any such breach, the other Parties shall be entitled to seek injunctive relief and such other legal and equitable remedies as may be available.

SECTION 7. REPRESENTATIONS AND WARRANTIES AND COVENANTS

7.1 Covenants. Each of MonoSol and Adams hereby covenants to the other that:

(a) it shall use its reasonable commercial efforts to perform the services required to be performed by it under this Agreement in a professional and competent manner and in accordance with the terms and conditions of the Project Plans;

(b) all services and goods rendered shall be provided in material compliance with current good laboratory practices and current GMP of the FDA and in material compliance with any other applicable federal, state or local laws, regulations, guidelines and procedures;

(c) as of the Effective Date all necessary consents, approvals and authorizations of all governmental or Regulatory Authorities and other persons required to be obtained by such Party in connection with the entry into this Agreement have been obtained, and such Party has obtained, or will exercise commercially reasonable and diligent efforts to obtain, all such consents, approvals and authorizations required for its performance hereunder.

(d) it has, and during the term of this Agreement will maintain, products liability insurance coverage of not less than One Million ($1,000,000) dollars per occurrence and not less than Five Million ($5,000,000) dollars in the aggregate, upon the request of the other Party, shall furnish such other Party with a certificate of insurance evidencing such coverage and that such insurance shall not be cancelled, materially amended or allowed to lapse without at least 30 days prior written notice to the other Party.

7.2 MonoSol Representations and Warranties. MonoSol hereby represents and warrants that:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) it has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder;

(c) the execution, delivery and performance of this Agreement have been duly authorized by all necessary actions on its part, and this Agreement has been duly executed and delivered by, and is a legal, valid and binding obligation of, MonoSol, enforceable against MonoSol in accordance with its terms, except as such enforcement may be limited by generally applicable laws relating to bankruptcy, insolvency or creditors' rights or by principles of equity affecting the availability of remedies;

(d) its performance under this Agreement will not interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of a third party. MonoSol has not received any past or current written charge, complaint, claim, demand, or notice either within the

past two (2) years or prior to the past two (2) years, alleging any interference, infringement, misappropriation, or violation (including any claim that MonoSol or MonoSol Affiliates must license or refrain from using any of its IP Rights under this Agreement) of any intellectual property right;

(e) to the Knowledge of MonoSol, no third party currently interferes or has interfered with, currently infringes or has infringed upon, has misappropriated, or has otherwise come into conflict with, MonoSol's IP Rights;

(f) it has expertise in developing and manufacturing over-the-counter and prescription pharmaceutical products and has facilities that are generally suitable for the type of development and production contemplated hereunder.

(g) it has not to the best of its knowledge made to any Regulatory Authority an untrue statement of or regarding, or failed to disclose to any Regulatory Authority, a material fact with respect to the Product;

(h) it's not aware of any pending or threatened litigation, and has not received any communication, that alleges that such Party's intellectual property, assets or activities related to this Agreement have violated, or that by conducting the activities as contemplated herein such Party would violate, any of the intellectual property, proprietary or other rights of any third party;

7.3 Adams Representations and Warranties. Adams hereby represents and warrants that:

(a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) it has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder;

(c) the execution, delivery and performance of this Agreement have been duly authorized by all necessary actions on its part, and this Agreement has been duly executed and delivered by, and is a legal, valid and binding obligation of, Adams, enforceable against Adams in accordance with its terms, except as such enforcement may be limited by generally applicable laws relating to bankruptcy, insolvency or creditors' rights or by principles of equity affecting the availability of remedies;

(d) its performance under this Agreement will not interfere with, infringe upon, misappropriate, or otherwise conflict with any intellectual property rights of a third party. Adams has not received any past or current written charge, complaint, claim, demand, or notice either within the past two (2) years or prior to the past two (2) years, alleging any interference, infringement, misappropriation, or violation (including any claim that Adams or its Affiliates must license or refrain from using any of its IP Rights under this Agreement); and

SECTION 8. INDEMNIFICATION; LIMITATION OF LIABILITY

8.1 Indemnification by Adams. Adams will defend, indemnify and hold harmless MonoSol, and the representatives and affiliates of MonoSol (each, a "MonoSol Indemnified Party"), from, against and in respect of any and all actions, liabilities, governmental orders, encumbrances, losses, damages, bonds, dues, assessments, fines, penalties, taxes, fees, costs (including costs of investigation, defense and enforcement of this Agreement), expenses or amounts paid in settlement (in each case, including attorneys' and experts' fees and expenses), involving a Third Party Claim (collectively, "Losses"), incurred or suffered by the MonoSol Indemnified Parties or any of them as a result of, arising out of, or directly or indirectly relating to any breach by Adams of any of its representations, warranties or covenants set forth herein.

8.2 Indemnification by MonoSol. MonoSol will defend, indemnify and hold harmless Adams, and the representatives and affiliates of Adams (each, an "Adams Indemnified Party") from, against and in respect of any and all Losses incurred or suffered by the Adams Indemnified Parties or any of them as a result of, arising out of, or directly or indirectly relating to any breach by MonoSol of any of its representations, warranties or covenants set forth herein.

8.3 Third Party Claims.

(a) If any third party notifies an Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to any claim against the Indemnifying Party under this Section 7, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 7, except to the extent such delay actually prejudices the Indemnifying Party.

(b) The Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as the Indemnifying Party promptly assumes such defense. The Indemnified Party may retain separate co-counsel at its own cost and expense and participate in the defense of the Third Party Claim. Notwithstanding anything to the contrary contained herein, assumption of the defense of any Third Party Claim hereunder by the Indemnifying Party shall not constitute a presumption or omission with respect to whether the Losses related to such Third Party Claim are, in fact, subject to indemnification hereunder. The Indemnified Party's right to an indemnity is conditioned upon it providing reasonable support and access to the Indemnifying Party.

(c) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party, which shall not be unreasonably withheld, unless such judgment, compromise or

settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant (or otherwise does require any limitations, covenants or other agreements of the Indemnified Parties), (ii) results in the full and general release of the Indemnified Parties from all liabilities arising or relating to, or in connection with, the Third Party Claim and (iii) involves no finding or admission of any violation of legal requirements or the rights of any Person and no effect on any other claims that may be made against any Indemnified Party.

(d) The Indemnified Party may not consent to the entry of any judgment or enter into any compromise or settlement with respect to a Third Party Claim with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld. If the Indemnifying Party does not assume the control and defense of a Third Party Claim under Section 7.3(a), the Indemnified Party may defend such Third Party Claim and seek indemnification hereunder from the Indemnifying Party for any Losses associated therewith.

(e) The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the other reasonably apprised of the status of the defense of any Third Party Claim and to cooperate in good faith with each other with respect to the defense of any such matter.

8.4 Exclusive Remedy. Except as otherwise provided in Section 5.5, the sole and exclusive remedy with respect to any breach of any representation, warranty, covenant or agreement contained herein this Agreement (other than (i) with respect to a breach of the terms of a covenant or agreement, as to which MonoSol or Adams, as the case may be, also shall be entitled to seek specific performance or other equitable relief if permitted under applicable law and (ii) with respect to claims for fraud) shall be a claim for Losses (whether by contract, in tort or otherwise, and whether in law, in equity or both) made pursuant to Section 7.1 or 7.2, as the case may be.

8.5 DISCLAIMER. MONOSOL HEREBY DISCLAIMS, AND ADAMS HEREBY WAIVES, RELEASES AND RENOUNCES, ALL WARRANTIES, EXPRESS OR IMPLIED, ARISING BY LAW OR OTHERWISE, WITH RESPECT TO ANY DEFECT IN ANY OF THE SERVICES PROVIDED HEREUNDER OR THE FAILURE TO ACHIEVE THE OBJECTIVES OF ANY PROJECT, INCLUDING BUT NOT LIMITED TO (I) ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS, OR (II) ANY IMPLIED WARRANTY ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE.

SECTION 9. TERM AND TERMINATION

9.1 Term. The initial term of this Agreement shall begin as of the Effective Date and shall remain in effect for a period of seven (7) years, provided that Adams may renew this Agreement for three successive three (3) year periods, in its sole discretion, by notice to MonoSol at least six (6) months prior to the end of the then current term.

9.2 Termination.

(a) Adams shall at its sole discretion have the right to terminate this Agreement: (i) if a Product developed by MonoSol under a Project Plan hereunder fails to meet the Specifications applicable to such Project Plan, (ii) if MonoSol fails to meet Project milestones, subject to applicable grace periods (as set forth in the applicable Project Plan), as a result of MonoSol's breach of its obligations under such Project Plan, or (iii) if MonoSol has failed to achieve acceptable stability for the Product(s) as set forth in the applicable Project Plan as a result of MonoSol's breach of its obligations under such Project Plan.

(b) If, at any time during the term of this Agreement, Adams, directly or indirectly, takes any action or assists or supports any third party in taking any action challenging any of MonoSol's IP Rights, including any action in connection with an opposition, reexamination, revocation or invalidation proceeding, or requests a declaration of an interference against or otherwise attacks the validity or enforceability of any of MonoSol's IP Rights, or contests or disputes MonoSol's entitlement to or ownership of the of MonoSol's IP Rights, MonoSol shall have the right to terminate this Agreement immediately.

(c) MonoSol shall at its sole discretion have the right to terminate this Agreement if Adams commits any continuing and material breach of any of the provisions of this Agreement and (in the case of a breach that is capable of remedy) fails to remedy the same within thirty (30) days of receipt of written notice of such breach.

(d) Either Party shall be entitled to immediately terminate this Agreement upon the filing or institution of bankruptcy, reorganization (in connection with any insolvency), liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party, or in the event a receiver or custodian is appointed for such other Party's business, or if a substantial portion of such other Party's business is subject to attachment or similar process; provided, however, that in the case of any

involuntary bankruptcy proceeding or the attachment of a substantial portion of a Party's assets, such right to terminate shall only become effective if the proceeding or attachment is not dismissed within 180 days after the filing thereof.

(e) This Agreement shall automatically terminate at any time when there are no Project Plans in effect or under active negotiation for a period of over one year.

9.3 Rights Upon Termination.

(a) In the event of termination of this Agreement by Adams pursuant to Section 9.2(a) or 9.2(d), MonoSol shall disclose in writing and deliver to Adams such data and results from the conduct of the applicable Project Plans and any Developments to be owned by Adams with respect thereto conceived or developed prior to the effective date of termination and shall deliver to Adams a copy of the complete records (including, without limitation, laboratory records) regarding such Project Plans; provided that MonoSol shall not have any obligation to deliver to Adams any MonoSol Confidential Information or any Developments to be owned by MonoSol under this Agreement or any Project Plan.

(b) In the event of termination of this Agreement by MonoSol pursuant to Section 4 or Section 9.2(b), 9.2(c) or 9.2(d), MonoSol shall retain any data and results from the conduct of any ongoing Project Plans and any Developments with respect thereto conceived or developed prior to the effective date of termination and Adams shall have no rights or interest with respect thereto.

9.4 Survival.

(a) Any claim that arises prior to the effective date of termination of this Agreement shall survive such termination.

(b) Sections 3.3, 4, 5.4, 6, 8 and 9 shall survive termination of this Agreement for any reason.

9.5 Return of Confidential Information. Within thirty (30) days of any termination of this Agreement, (i) Adams shall cease to use and shall deliver to MonoSol, upon written request, all Confidential Information of MonoSol, except for any documents or records that Adams is required to retain by applicable law, and (ii) MonoSol shall cease to use and shall deliver to Adams, upon written request, all Confidential Information of Adams except for any documents or records that MonoSol is required to retain by applicable law.

SECTION 10. MISCELLANEOUS

10.1 Independent Contractor. Neither MonoSol nor Adams, together in each case with their respective employees or representatives, are under any circumstances to be considered as employees or agents or representatives of the other by virtue of this Agreement, and neither shall have the authority or power to bind the other or contract in the other's name.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

10.2 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given when so delivered in person, by reputable overnight courier, by facsimile transmission (with receipt confirmed by automatic transmission report) or two Business Days after being sent by registered or certified mail (postage prepaid, return receipt requested), as follows:

If to Adams:
Adams Respiratory Products, Inc.
4 Mill Ridge Lane
Chester, New Jersey 07930
Attn: General Counsel
Facsimile No.: (908) 879-9784

With a copy to:

Alston & Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: J. Vaughan Curtis
Facsimile: (404) 253-8247

If to MonoSol:
MonoSol Rx, LLC.
30 Technology Drive
Warren, New Jersey 07059
Attn: A. Mark Schobel
Facsimile No.: 908.561.1209

With a copy to:

MonoSolRx LLC
1100 Connecticut Ave
Suite 440
Washington DC 20036
Attn: Joe Fuisz
Facsimile: 202.223.9069

Any Party may by notice given in accordance with this Section 9.2 to the other Parties designate another address or person for receipt of notices hereunder.

10.3 Binding Effect; No Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither MonoSol nor Adams may assign any of its rights or delegate any of its liabilities or obligations hereunder without the prior written consent of the other; provided that either Party may assign its rights under this Agreement without the other Party's prior written consent upon written notice to the other Party in connection with the transfer or sale of all or substantially all of the assets or business of such Party or any of its Affiliates or the merger or consolidation with another Person of such Party or any of its Affiliates. Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than Adams and MonoSol and their respective successors and permitted assigns any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except for affiliates or representatives entitled to indemnification pursuant to Section 7.

10.4 No Implied Waivers; Rights Cumulative. No failure on the part of MonoSol or Adams to exercise and no delay in exercising any right, power, remedy or privilege under this Agreement, or provided by statute or at law or in equity or otherwise, including the right or power to terminate this Agreement, shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of this Agreement or as an acquiescence therein, nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof or the exercise of any other right, power, remedy or privilege.

10.5 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable. The Parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable provision.

10.6 Force Majeure. Neither Party shall be held in breach of this Agreement for failure to perform any of its obligations hereunder (except the payment of money) and the time required for performance shall be extended for a period equal to the period of such delay, provided that such delay has been caused by or is the result of circumstances beyond the reasonable control of the Party so affected, including without limitation any acts of God; acts of the public enemy; civil strife; wars declared or undeclared; embargoes; labor disputes, including strikes, lockouts, job actions or boycotts; fires; explosion; and floods. A governmental or regulatory inspection or order directed at either Party shall not be considered to be a force majeure event for the purpose of this Agreement. The Party so affected shall: (a) give prompt written notice to the other Party of the nature and date of commencement of the force majeure event and its expected duration; and (b) use commercially reasonable efforts to relieve the effect of such cause as rapidly as possible.

10.7 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

10.8 Section Headings; Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms.

10.9 Entire Agreement. This Agreement and the Ancillary Agreements contain the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, among the Parties thereto.

10.10 Amendment; Waiver. This Agreement may not be amended except by an instrument signed by each of the Parties hereto. Any Party hereto may (a) extend the time for the performance of any of the obligations or other acts of another Party hereto or (b) waive compliance with any of the agreements of another Party or any conditions to its own obligations, in each case only to the extent such obligations, agreements, or conditions are intended for its benefit; provided, however, that any such extension or waiver shall be binding upon a Party only if such extension or waiver is set forth in a writing executed by such Party.

10.11 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

10.12 Submission to Jurisdiction; Waiver. In the event any action shall be brought to enforce or interpret the terms of this Agreement, the Parties agree that such action will be brought in the U.S. District Court for the Southern District of New York. Each of MonoSol and Adams hereby irrevocably submits with regard to any action or proceeding for itself and in respect to its property, generally and unconditionally, to the nonexclusive jurisdiction of the aforesaid courts. Each of MonoSol and Adams hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to lawfully serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) to the fullest extent permitted by applicable law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

10.13 Rules of Construction. The Parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or ruling of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

10.14 Waiver of Jury Trial. EACH OF ADAMS AND MONOSOL HEREBY IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENT OR ACTION RELATED HERETO OR THERETO.

10.15 Publication. MonoSol and Adams agree not to issue any press relate or other public statement disclosing the existence of or relating to this Development Agreement or Ancillary Agreements without the express written consent of the other Party; provided, however, that neither Party shall be prevented from complying with any duty of disclosure it may have pursuant to law, including securities laws applicable to a public company, subject to notifying the other Party in writing and giving such other Party reasonable time to comment on the same prior to disclosure.

10.16 Debarment Certification. Neither MonoSol nor any Person employed thereby directly in the performance of the Projects has been debarred under section 306(a) or (b) of the Federal Food, Drug and Cosmetic Act and no debarred Person shall in the future be employed by MonoSol in connection with any work to be performed for or on behalf of Adams which may later become part of any application for approval of a drug by the FDA. If at any time after execution of this contract, MonoSol becomes aware that MonoSol or any Person employed thereby directly in the performance of the Projects is, or is in the process of being, debarred, MonoSol hereby certifies that it shall so notify Adams at once.

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CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives, effective as of the date first above written.

MONOSOL Rx, LLC	ADAMS RESPIRATORY PRODUCTS, INC.
By: /s/ Alexander M. Schobel	By: /s/ Robert Casale
Name: Alexander M. Schobel	Name: Robert Casale
Title: Pres. & CEO	Title:

[Signature Page to Development Agreement]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Exhibit A
Project Plan for Thin Strip Project

[*]

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

LICENSE AGREEMENT

This LICENSE AGREEMENT (this "Agreement") is entered into as of March 15, 2007, (the "Effective Date") by and between MonoSol Rx, LLC, a Delaware limited liability company ("MonoSol"), and Adams Respiratory Operations, Inc., a Delaware corporation and/or its affiliates (collectively, "Adams"). MonoSol and Adams are referred to hereinafter individually as a "Party" and collectively as the "Parties."

RECITALS

A. Simultaneously with the execution of this Agreement, the Parties are entering into a Supply Agreement pursuant to which MonoSol has agreed to manufacture and supply to Adams certain finished products on the terms and subject to the conditions set forth in the Supply Agreement ("Supply Agreement").

B. Simultaneously with the execution of this Agreement, the Parties are entering into a Development Agreement pursuant to which MonoSol agrees to use the MonoSol IP Rights to develop for Adams the **[*]** Product;

C. Pursuant to the Development Agreement, once the **[*]** Product has been developed, Adams and MonoSol will work together to obtain Regulatory Approvals of the **[*]** Product. Once Regulatory Approval has been obtained, Adams wishes MonoSol to manufacture and supply to Adams the Finished Product, and MonoSol is willing to perform such services on the terms and subject to the conditions set forth in this Agreement and the Quality Agreement.

C. MonoSol owns or controls the MonoSol IP Rights and is willing to grant certain rights under and to the MonoSol IP Rights to Adams on the terms set forth herein.

In consideration of the mutual representations, warranties and covenants contained herein, the Parties agree as follows:

SECTION 1. DEFINITIONS

Capitalized terms used in this Agreement, but not otherwise defined herein, shall have the meanings given to them in the Supply Agreement.

1.1. "Agreement" has the meaning set forth in the preamble.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

1.2. "Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

1.3. "Adams" has the meaning set forth in the preamble.

1.4. "Adams Indemnified Party" has the meaning set forth in Section 6.2.

1.5. "Adams Territory" means Mexico, Canada, and the United States and its territories and possessions, including Puerto Rico.

1.6. "Confidential Information" has the meaning set forth in Section 4.1.

1.7. "Disclosing Party" has the meaning set forth in Section 4.1.

1.8. "Development Agreement" means the Development Agreement of even date herewith by and between the Parties, as such agreement may be amended, supplemented or otherwise modified from time to time.

1.9. "Effective Date" has the meaning set forth in the preamble.

1.10. "Indemnified Parties" means (i) with respect to claims arising under Section 6.1, MonoSol Indemnified Parties, and (ii) with respect to claims arising under Section 6.2, Adams Indemnified Parties.

1.11. "Indemnifying Party" means (i) with respect to claims arising under Section 6.1, the Adams, and (ii) with respect to claims arising under Section 6.2, MonoSol.

1.12. "Losses" has the meaning set forth in Section 6.1.

1.13. "MonoSol" has the meaning set forth in the preamble.

1.14. "MonoSol Indemnified Party" has the meaning set forth in Section 6.1.

1.15. "MonoSol IP Rights" means the MonoSol Patent Rights and the MonoSol Know-How. Trade Secrets?

1.16. "MonoSol Know-How" means technology, manufacturing processes, and testing and analytical know-how owned by MonoSol or otherwise used by it in making, testing and distribution of the thin strips.

1.17. "MonoSol Patent Rights" means claims of the patents and patent applications listed on Schedule 1.19; any patent or patent application owned by MonoSol that claims priority through a patent or patent application listed on Schedule 1.19; all reissues, reexaminations, extensions, continuations, continuations in part, continuing prosecution applications and divisions of a patent or patent application listed on Schedule 1.19.

1.18. "MonoSol Territory" means all territory worldwide, other than the Adams Territory.

1.19. "Net Sales" means, for any period of determination, the aggregate amount invoiced by Adams (or any affiliate, permitted successor, permitted assignee, or agent of Adams) to a third party distributor, agent, contractor or user for the sale of the **[*]** Product during such period less (a) credits, refunds and allowances accrued for spoiled, damaged, outdated and returned products, (b) accrued trade volume and cash discounts and rebates (including coupons and government charge-backs) in amounts customary to the trade, and (c) sales, excise, value added, turnover, use, and other like taxes and customs duties accrued, excluding net income tax. The amounts of any deductions accrued pursuant to clauses (a) — (c) shall be determined from books and records maintained in accordance with GAAP, consistently applied. "Net Sales" shall not include revenue received by Adams (or any of its affiliates) from transactions with an affiliate, where the **[*]** Product in question will be resold to an independent third party distributor, agent or end user by the affiliate where such revenue received by the affiliate from such resale is included in Net Sales.

1.20. "Party" or "Parties" has the meaning set forth in the preamble.

1.21. "Person" means an individual, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a governmental authority.

1.22. "**[*]** Product" shall have that meaning ascribed to it in the Development Agreement.

1.23. "Quarterly Royalty Reports" has the meaning set forth in Section 3.2.

1.24. "Receiving Party" has the meaning set forth in Section 4.1.

1.25. "Regulatory Approval" means, with respect to a product, all approvals (including price and reimbursement approvals), licenses, registrations or authorizations based on determinations of quality, safety and efficacy of any Regulatory Authority, necessary for the use, storage, import, transport and sale of such product in the Adams Territory.

1.26. "Regulatory Authority" means any governmental or regulatory body, court or arbitrator, including the Food and Drug Administration or any successor agency.

1.27. "Royalty Term" means the period beginning on the Effective Date and ending upon the termination or expiration of this Agreement.

1.28. "Supply Agreement" means the Supply Agreement of even date herewith by and between the Parties, as such agreement may be amended, supplemented or otherwise modified from time to time.

1.29. "Third Party Claim" has the meaning set forth in Section 6.3.

1.30. "Trade Secrets" means information, including technical and nontechnical data, a formula, pattern, compilation, program device, method, technique, process or other information similar to any of the foregoing, that (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can derive economic value from its disclosure or use and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

SECTION 2. LICENSE GRANTS

2.1 License to Adams. Subject to the terms and conditions of this Agreement, MonoSol hereby grants to Adams non-exclusive, royalty-bearing, non-transferable license under and to the MonoSol IP Rights to (i) make and have made the **[*]** Product anywhere in the world for import into the Adams Territory, (ii) import the **[*]** Product into the Adams Territory and (iii) use, sell and offer for sale the **[*]** Product in the Adams Territory; provided, however, that so long as MonoSol has not breached any of its obligations under the Supply Agreement Adams has no license to make or have made except pursuant to

Sections 11 and 12.5 thereof. MonoSol covenants and agrees with Adams that during the term of this Agreement it will not grant any license or similar right with respect to the MonoSol IP Rights to make or have made the **[*]** Product for import or sale into the Adams Territory.

2.2 Retained Rights of MonoSol. All rights not expressly granted to Adams under this Agreement are retained by MonoSol.

2.3 Delivery of MonoSol Know-How. In the event that MonoSol is unable to meet its supply obligations under the Supply Agreement, MonoSol shall, upon the request of Adams provide Adams with reasonable access to (i) any documents in MonoSol's control and (ii) then current employees with know-how, in each case to the extent relevant to the production of the **[*]** Product, subject to any pre-existing confidentiality obligations, and with respect to employees, their availability given MonoSol's then-current staffing and other obligations.

SECTION 3. ROYALTIES

3.1 Royalties.

(a) Royalty Calculations Prior to Approval of Generic. Except as provided in Section 3.1(b), within thirty (30) days of the end of each calendar quarter during the Royalty Term, Adams shall pay to MonoSol royalties on Net Sales of the **[*]** Product at the royalty rates as specified in this Section 3.1(a). The royalty on Net Sales to be paid by Adams to

MonoSol during the first and subsequent non-overlapping twelve month periods of the Royalty Term (each such twelve (12) month period a "Royalty Year") will be dependent upon Net Sales during such Royalty Year (specifically excluding Net Sales of prior Royalty Years) and will be based upon the following royalty scale:

For the first $15 million in Net Sales of a Royalty Year— 5% royalty;

For Net Sales between $15 million and $25 million in a Royalty Year— 6% royalty;

For Net Sales between $25 million and $35 million in a Royalty Year — 7% royalty; and

For Net Sales over $35 million in a Royalty Year — 7.5% royalty.

Net Sales in different quarters of a Royalty Year may be subject to different royalty rates depending upon the total Net Sales accrued in such Royalty Year.

(b) Royalty Calculations Subsequent to Approval of Generic. In the event an abbreviated new drug application based upon the **[*]** Product shall be approved by the FDA for sale in the Adams Territory with respect to an A/B rated product bioequivalent to the **[*]** Product (the "Generic") then within thirty (30) days of the end of each non-overlapping twelve month period during the Royalty Term starting at the beginning of the next month immediately following approval of the Generic, Adams shall pay to MonoSol royalties on Net Sales of the **[*]** Product made during such non-overlapping twelve (12) month period at the royalty rates specified in this Section 3.1(b) instead of Section 3.1(a).

(i) The royalty rate applicable to the Net Sales during the twelve month period starting at the beginning of the month immediately following approval of the Generic (a "Generic Royalty Period"), shall be calculated by: (i) dividing the Net Sales of such Generic Royalty Period by the Net Sales made in the corresponding Royalty Period in the twelve (12) month period immediately preceding such Generic Royalty Period and multiplying the result by the highest royalty rate applicable if calculated under Section 3.1(a) based on the total Net Sales made in such Generic Royalty Period; and (ii) multiplying the result of (i) by the total Net Sales made in such Generic Royalty Period.

(ii) For each twelve (12) month non-overlapping Generic Royalty Period subsequent to the first Generic Royalty Period the royalty rates applicable to Net Sales made in such Generic Royalty Period will be determined by (i) dividing the Net Sales of that Generic Royalty Period by the Net Sales of the Generic Royalty Period immediately preceding such Generic Royalty Period and multiplying the result by the royalty rate applicable to the immediately preceding Generic Royalty Period; and (ii) multiplying the result of (i) by the total Net Sales made in such Generic Royalty Period.

3.2 Royalty Reports and Payments. During the Royalty Term, Adams shall make quarterly royalty payment reports ("Quarterly Royalty Reports") to MonoSol on or before the thirtieth (30th) day following the end of the preceding calendar quarter. Each Quarterly Royalty Report shall cover the most recently completed calendar quarter and shall show (a) the Net Sales of the **[*]** Product during the most recently completed calendar quarter including reasonable detail with respect to the calculation of Net Sales such as units sold, discounts, credits and other components in the calculation of Net Sales and (b) the royalties, in U.S. dollars, payable with respect to such Net Sales. Each Quarterly Royalty Report shall be accompanied by the payment shown as due on such Quarterly Royalty Report.

3.3 Currency. All amounts payable and calculations hereunder shall be in United States dollars. With respect to any sales which are not made in United States dollars, the amount received by Adams will be converted into United States dollars [based on the closing buy exchange rate for such currency for the date on which such currency is received in the U.S. by Adams as reported by the Wall Street Journal].

3.4 Taxes and Withholding. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax, duties, levies, or other charges unless such deduction or withholding is required by applicable laws or regulations to be assessed against MonoSol. If Adams is so required to deduct or withhold, Adams will (i) notify MonoSol of such requirement in writing, (ii) pay to the relevant authorities the full amount required to be deducted or withheld promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against MonoSol, and (iii) forward to MonoSol an official receipt (or certified copy) or other documentation reasonably acceptable to MonoSol evidencing such payment to such authorities.

3.5 Record Keeping; Audits. Adams and its affiliates and sublicensees shall keep books and accounts of record in connection with Net Sales of the **[*]** Product in sufficient detail to permit accurate determination of all figures necessary for verification of royalties to be paid hereunder. Adams and its affiliates and sublicensees shall maintain such records for a period of at least five (5) years after the end of the calendar quarter in which they were generated; *provided, however,* that if any records are in dispute and Adams has received written notice from MonoSol of the records which are in dispute, Adams and its affiliates and sublicensees shall keep such records until the later of one (1) year or until such dispute is resolved. Upon reasonable notice to Adams, MonoSol shall have the right to examine Adams's (or its affiliate's or sublicensee's) records to determine the correctness of the amount of royalties paid to MonoSol under the terms of this Agreement.

3.6 Underpayments. If an audit conducted by MonoSol pursuant to Section 3.5 reveals that additional royalties were due to MonoSol under this Agreement, Adams shall pay to

MonoSol the additional royalties within forty-five (45) days of the date Adams receives written notice of such underpayment.

3.7 Confidentiality. All records, reports and information of Adams which are subject to review under this Section 3 shall be deemed to be Adams's Confidential Information subject to the provisions of Section 4 hereof, and MonoSol shall not disclose any such Confidential Information of Adams to any third party or use such Confidential Information of Adams for any purpose other than reviewing progress made or verifying payments to be made by Adams to MonoSol hereunder.

SECTION 4. CONFIDENTIAL INFORMATION

4.1 General. Pursuant to the terms of this Agreement, each of MonoSol and Adams (in such capacity, the "Disclosing Party") has disclosed and will be disclosing to the other Party, and to the officers, directors, employees, agents and/or representatives of each (in such capacity, the "Receiving Party") certain secret, confidential or proprietary data, Trade Secrets, know-how, intellectual property and related information, including operating methods and procedures, marketing, manufacturing, distribution and sales methods and systems, sales figures, pricing policies and price lists and other business information ("Confidential Information"). Without limiting the foregoing, it is acknowledged that the MonoSol Know-How shall constitute the Confidential Information of MonoSol (subject to Section 4.2) for purposes of this Agreement. The Receiving Party (i) shall keep and hold as confidential, and shall cause its officers, directors, employees, agents and representatives to keep and hold as confidential, all Confidential Information of the Disclosing Party, and (ii) shall not disclose, and shall cause its officers, directors, employees, agents and representatives not to disclose, any Confidential Information of the Disclosing Party. The Receiving Party may (i) use the Confidential Information of the Disclosing Party only in the exercise of its rights and the performance of its obligations set forth in this Agreement and (ii) disclose the Confidential Information of the Disclosing Party only in the exercise of its rights and the performance of its obligations set forth in this Agreement; provided any such disclosure requires the recipient to maintain the Confidentiality of the Confidential Information. Confidential Information disclosed by the Disclosing Party shall remain the sole and absolute property of the Disclosing Party, subject to the rights granted in this Agreement.

4.2 Exceptions. Confidential Information shall not include any information which (i) is already known to the Receiving Party at the time of disclosure by the Disclosing Party, as demonstrated by competent proof (other than as a result of prior disclosure under any agreement between the Parties with respect to confidentiality), (ii) is or becomes generally available to the public other than through any act or omission of the Receiving Party in breach of this Agreement, (iii) is acquired by the Receiving Party from a third party where such disclosure does not violate, directly or indirectly, an obligation of confidentiality to the Disclosing Party with

respect to same, or (iv) is developed independently by the Receiving Party without use, direct or indirect, of Confidential Information. In addition, nothing in this Section 4 shall be interpreted to limit the ability of any Party to disclose its own Confidential Information to any other Person on such terms and subject to such conditions as it deems advisable or appropriate.

4.3 Permitted Disclosures. It shall not be a breach of Section 4.1 if a Receiving Party discloses Confidential Information of a Disclosing Party (i) pursuant to applicable law, including securities laws applicable to a public company, to any Regulatory Authority or other governmental authority, or (ii) in a judicial, administrative or arbitration proceeding to enforce such Party's rights under this Agreement; provided, however, the Receiving Party may only make such disclosure if it (A) provides the Disclosing Party with as much advance written notice as possible of the disclosure, and (B) reasonably cooperate with the Disclosing Party in any attempt to prevent, limit or seek confidential treatment for the disclosure to the specific purpose at issue.

4.4 Confidential Terms. Each Party acknowledges and agrees that the terms and conditions of this Agreement shall be considered Confidential Information of each Party and shall be treated accordingly. Notwithstanding the foregoing, each Party acknowledges and agrees that the other may be required

to disclose some or all of the information included in this Agreement in order to comply with its obligations under securities laws, and hereby consents to such disclosure to the extent deemed advisable or appropriate by its respective counsel (but only after consulting with the other to the extent practicable). The Parties may also disclose the existence of this Agreement and terms thereof to their directors, investors, officers, employees, attorneys, accountants and other advisers on a need to know basis and may, upon obtaining a written confidentiality agreement, further disclose the existence and terms of this Agreement to third parties to whom it may be relevant in connection with financings, acquisitions and similar transactions.

4.5 Equitable Remedies. Each Party specifically recognizes that any breach by it of this Section 4 may cause irreparable injury to the other Party and that actual damages may be difficult to ascertain, and in any event, may be inadequate. Accordingly (and without limiting the availability of legal or equitable, including injunctive, remedies under any other provisions of this Agreement), each Party agrees that in the event of any such breach, the other Party shall be entitled to seek, by way of private litigation in the first instance, injunctive relief and such other legal and equitable remedies as may be available.

SECTION 5. INFRINGEMENT OF MONOSOL IP RIGHTS

5.1 Infringement by Third Parties.

(a) If either Adams or MonoSol becomes aware of an infringement of any MonoSol IP Rights, it shall give prompt written notice thereof to the other Party. MonoSol shall have the right, but not the obligation, to obtain a discontinuance of such infringement or bring suit against the third party infringer. If MonoSol fails to take commercially appropriate actions to stop any infringement of any MonoSol IP Rights within ninety (90) days of written notice of the infringement, Adams may, but shall not be obligated to, take such necessary actions to stop such infringement. With respect to any action to enforce the MonoSol IP Rights, no settlement, consent judgment or other voluntary final disposition of the suit or action including injunctive relief may be entered into by the Party that brings the action under this Section 5.1(a) ("Initiating Party") without consent to such injunctive relief by the non-Initiating Party, which consent shall not be unreasonably withheld or delayed.

(b) The Initiating Party shall bear the full cost of any enforcement action brought under Section 5.1(a), and shall retain all damages and recoveries (except as set forth in Section 5.1(c)). The non-Initiating Party will cooperate with the Initiating Party, join in any suits as may be brought by or as may be brought against the Initiating Party as necessary and be available at the Initiating Party's reasonable request to assist in such proceedings with the expenses for such cooperation borne solely by the Initiating Party; provided however, that the non-Initiating Party may, at its own cost, participate, through attorneys of its own choosing or otherwise, in the investigation, trial and defense of such action and any appeal arising therefrom, and provide the Initiating Party input and advice on strategy for and management of any enforcement action.

(c) If an Initiating Party elects to abandon a suit brought under Section 5.1(a), it shall give timely notice to the non-Initiating Party who may, if it so desires, continue prosecution of such suit. If the non-Initiating Party desires to continue prosecution it shall bear the entire cost of continuation of such suit and shall be entitled to retain the entire amount of any recovery by way of judgment, award, decree or settlement in such suit.

(d) If Adams receives a certification of invalidity or non-infringement directed to the MonoSol Patent Rights in connection with an abbreviated new drug application or a Section 502(b)(2) application, Adams shall immediately inform MonoSol of such certification and Adams may initiate an action to enforce the MonoSol Patent Rights if MonoSol fails to initiate such an action within fifteen (15) days of receipt of such certification.

(e) Neither Party shall make any statements nor take a position that negates the other Party's rights in any MonoSol IP Right.

SECTION 6. INDEMNIFICATION

6.1 Indemnification by Adams. Adams will defend, indemnify and hold harmless MonoSol, and the representatives and affiliates of MonoSol (each, a "MonoSol Indemnified Party"), from, against and in respect of any and all actions, liabilities, governmental orders,

encumbrances, losses, damages, bonds, dues, assessments, fines, penalties, taxes, fees, costs (including costs of investigation, defense and enforcement of this Agreement), expenses or amounts paid in settlement (in each case, including attorneys' and experts' fees and expenses) (collectively, "Losses"), incurred or suffered by the MonoSol Indemnified Parties or any of them as a result of, arising out of, or directly or indirectly relating to any Third Party Claim of any nature arising out of the use or sale of the **[*]** Product by, on behalf of, or under the authority of, Adams after the Effective Date that do not fall within the indemnification to Adams by MonoSol pursuant to Section 6.3 of the Supply Agreement.

6.2 Third Party Claims.

(a) If any third party notifies an Indemnified Party with respect to any matter (a "Third Party Claim") which may give rise to any claim against the Indemnifying Party under this Section 6, then the Indemnified Party will promptly give written notice to the Indemnifying Party; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation under this Section 6, except to the extent such delay actually prejudices the Indemnifying Party.

(b) The Indemnifying Party will defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party. The Indemnified Party may retain separate co-counsel at its own cost and expense and participate in the defense of the Third Party Claim. Notwithstanding anything to the contrary contained herein, assumption of the defense of any Third Party Claim hereunder by the Indemnifying Party shall not constitute a presumption or omission with respect to whether the Losses related to such Third Party Claim are, in fact, subject to indemnification hereunder.

(c) The Indemnifying Party will not consent to the entry of any judgment or enter into any compromise or settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party unless such judgment, compromise or settlement (i) provides for the payment by the Indemnifying Party of money as sole relief for the claimant, (ii) results in the full and general release of the Indemnified Parties from all liabilities arising or relating to, or in connection with, the Third Party Claim and (iii) involves no finding or admission of any violation of legal requirements or the rights of any Person and no effect on any other claims that may be made against any Indemnified Party.

(d) The Indemnified Party may not consent to the entry of any judgment or enter into any compromise or settlement with respect to a Third Party Claim with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party.

(e) The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable efforts to keep the other reasonably apprised of the status of the defense of any Third Party Claim and to cooperate in good faith with each other with respect to the defense of any such matter.

(f) Each of MonoSol and Adams hereby consents to the non-exclusive jurisdiction of any court in which any Third Party Claim may be brought against any Indemnified Party for purposes of any claim which such Indemnified Party may have against such Party pursuant to this Agreement in connection with such Third Party Claim.

6.3 Direct Claims. In the event an Indemnified Party claims a right to payment from any Indemnifying Party pursuant to this Agreement, such Indemnified Party will send written notice of such claim to the appropriate Indemnifying Party. Such notice will specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, such Indemnified Party and the appropriate Indemnifying Party will establish the merits and amount of such claim (by mutual agreement, litigation, arbitration or otherwise) and, within five Business Days of the final determination of the merits and amount of such claim, the Indemnifying Party will pay to the Indemnified Party immediately available funds in an amount equal to such claim as determined hereunder.

SECTION 7. TERM AND TERMINATION

7.1 Term. The term of this Agreement shall commence upon the Effective Date and continue to be in effect for so long as the Supply Agreement remains in effect; provided, however, that in the event that the Supply Agreement is terminated by Adams for breach by MonoSol, this Agreement shall remain in effect for an additional seven (7) years from such termination. Notwithstanding anything this Agreement to the contrary, no license granted herein with respect to any patent shall survive beyond the expiration of such patent.

7.2 Termination.

(a) Adams Termination. This Agreement may be terminated by Adams, at any time, upon thirty (30) days prior written notice to MonoSol.

(b) MonoSol Termination. This Agreement may be terminated by MonoSol (i) in the event Adams fails to obtain Regulatory Approval of the **[*]** Product by December 31, 2015; (ii) within ninety (90) days after the end of any calendar year in which commercial sales of the **[*]** Product do not exceed $**[*]** for a full calendar year after the initial commercial launch of **[*]** Product; (iii) upon breach by Adams of Section 4 hereof or failure by Adams to make payment when due hereunder; or (iv) after thirty (30) days notice to Adams of any other material breach under this Agreement.

(c) No Waiver. The right of Adams or MonoSol to terminate this Agreement, as herein above provided, shall not be affected in any way by Adams's or MonoSol's respective waiver or failure to take action with respect to any prior default or breach.

7.3 Effects of Termination.

(a) Effect of Termination. On termination of this Agreement for any reason, except as otherwise expressly provided herein, all rights and obligations of each Party hereunder shall cease, including all rights and licenses granted by either Party to the other Party hereunder and all rights and sublicenses granted by Adams pursuant to Section 2.3.

(b) Accrued Rights. Termination of this Agreement for any reason shall be without prejudice to any right which shall have accrued to the benefit of either Party prior to such termination, including damages arising from any breach under this Agreement. Termination of this Agreement shall not relieve either Party from any obligation which is expressly indicated to survive such termination.

(c) Disposition of Inventory. Adams shall have the right to continue to sell **[*]** Product inventory manufactured prior to the effective date of termination of this Agreement for a reasonable time after the effective date of such termination (not to exceed six (6) months).

(d) Survival. The following sections of this Agreement, as well as any other provisions in this Agreement which specifically state they will survive termination of this Agreement, shall survive termination of this Agreement for any reason: Section 1, Section 3 with respect to any unpaid royalties, Section 3.5-3.6, Section 4, Section 6, this Section 7.3 and Section 8.

(e) Return of Confidential Information. Within thirty (30) days of any termination of this Agreement, (i) Adams shall cease to use and shall deliver to MonoSol, upon written request, all Confidential Information of MonoSol, except for any documents or records that Adams is required to retain by applicable law, and (ii) MonoSol shall cease to use and shall deliver to Adams, upon written request, all Confidential Information of Adams except for any documents or records that MonoSol is required to retain by applicable law.

(f) Rights in Bankruptcy. All licenses granted under this Agreement and all rights to data, regulatory filings and information, are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that Adams, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code, subject to the terms of this Agreement. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against MonoSol under the U.S. Bankruptcy Code, Adams shall be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in Adams's possession, shall be promptly delivered to Adams's upon Adams's written request (i) upon any such commencement of a bankruptcy proceeding, unless MonoSol elects to continue to perform all of its obligations under this Agreement, or (ii) if not delivered under (i) above, following the rejection of this Agreement by or on behalf of MonoSol.

SECTION 8. MISCELLANEOUS

8.1 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed given when so delivered in person, by reputable overnight courier, by facsimile transmission (with receipt confirmed by automatic transmission report) or two Business Days after being sent by registered or certified mail (postage prepaid, return receipt requested), as follows:

if to Adams, to:

Adams Respiratory Operations, Inc.
14841 Sovereign Road
Ft. Worth, Texas 76155
Attn: General Counsel
Facsimile No.: (908) 879-9784

with a copy to:

Alston & Bird LLP
One Atlantic Center
1201 West Peachtree Street
Atlanta, Georgia 30309
Attn: J. Vaughan Curtis
Facsimile: (404) 253-8247

if to MonoSol, to:

MonoSol Rx, LLC
30 Technology Drive
Warren, New Jersey 07059
Attn:
Facsimile:

Either Party may by notice given in accordance with this Section 8.1 to the other Party designate another address or person for receipt of notices hereunder.

8.2 Amendment; Waiver. This Agreement may not be amended except by an instrument signed by each of the Parties hereto. Any Party hereto may (a) extend the time for the performance of any of the obligations or other acts of another Party hereto or (b) waive compliance with any of the agreements of another Party or any conditions to its own obligations, in each case only to the extent such obligations, agreements, or conditions are intended for its benefit; provided, however, that any such extension or waiver shall be binding upon a Party only if such extension or waiver is set forth in a writing executed by such Party.

8.3 Entire Agreement. This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements, written or oral, between the Parties.

8.4 Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York without regarding to its conflict of laws principles.

8.5 Binding Effect; No Assignment; No Third Party Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither MonoSol nor Adams may assign any of its rights or delegate and of its liabilities or obligations hereunder without the prior written consent of the other. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person other than Adams and MonoSol and their respective successors and permitted assigns any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except for affiliates or representatives entitled to indemnification pursuant to Section 6.

8.6 Section Headings; Construction. The headings of Sections in this Agreement are provided for convenience only and will not affect its construction or interpretation. All references to "Section" or "Sections" refer to the corresponding Section or Sections of this Agreement. All words used in this Agreement will be construed to be of such gender or number as the circumstances require. Unless otherwise expressly provided, the word "including" does not limit the preceding words or terms and shall be deemed to be following by the words "without limitation."

8.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and both of which together shall constitute one and the same instrument.

8.8 Severability. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable. The Parties further agree to replace such invalid or unenforceable provision of this Agreement with a valid and enforceable provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable provision.

8.9 Submission to Jurisdiction; Waiver. In the event any action shall be brought to enforce or interpret the terms of this Agreement, the Parties agree that such action will be brought in the U.S. District Court for the Southern District of New York. Each of MonoSol and

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Adams hereby irrevocably submits with regard to any action or proceeding for itself and in respect to its property, generally and unconditionally, to the nonexclusive jurisdiction of the aforesaid courts. Each of MonoSol and Adams hereby irrevocably waives, and agrees not to assert, by way of motion, as a defense, counterclaim or otherwise, in any action or proceeding with respect to this Agreement, (a) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason other than the failure to lawfully serve process, (b) that it or its property is exempt or immune from jurisdiction of any such court or from any legal process commenced in such courts (whether through service of notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise), and (c) to the fullest extent permitted by applicable law, that (i) the suit, action or proceeding in any such court is brought in an inconvenient forum, (ii) the venue of such suit, action or proceeding is improper, and (iii) this Agreement, or the subject matter hereof, may not be enforced in or by such courts.

8.10 Rule of Construction. The Parties hereto agree that they have been represented by counsel during the negotiation and execution of this Agreement and, therefore, waive the application of any law, regulation, holding or ruling of construction providing that ambiguities in an agreement or other document will be construed against the Party drafting such agreement or document.

8.11 Waiver of Jury Trial. EACH OF ADAMS AND MONOSOL HEREBY IRREVOCABLY WAIVES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED IN CONTRACT, TORT OR OTHERWISE) ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENT OR ACTION RELATED HERETO OR THERETO.

8.12 Expenses. Except as expressly set forth herein, each Party hereto shall bear all fees and expenses incurred by such Party in connection with, relating to or arising out of the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including attorneys', accountants' and other professional fees and expenses.

8.13 Independent Contractor. Neither MonoSol nor Adams, together in each case with their respective employees or representatives, are under any circumstances to be considered as employees or agents or representatives of the other by virtue of this Agreement, and neither shall have the authority or power to bind the other or contract in the other's name.

8.14 No Implied Waivers; Rights Cumulative. No failure on the part of MonoSol or Adams to exercise and no delay in exercising any right, power, remedy or privilege under this

Agreement, or provided by statute or at law or in equity or otherwise, including the right or power to terminate this Agreement, shall impair, prejudice or constitute a waiver of any such right, power, remedy or privilege or be construed as a waiver of any breach of this Agreement or as an acquiescence therein, nor shall any single or partial exercise of any such right, power, remedy or privilege preclude any other or further exercise thereof or the exercise of any other right, power, remedy or privilege.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

IN WITNESS WHEREOF, the Parties hereby have been caused this Agreement to be duly executed as of the date first above written.

ADAMS RESPIRATORY OPERATIONS, INC.

By /s/ Robert Casale
Name: Robert Casale
Title:

MONOSOL RX, LLC

By /s/ Alexander M. Schobel
Name: Alexander M. Schobel
Title: Pres. & CEO

[Signature Page to License Agreement]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Schedule 1.19

MonoSol Patent Rights

[*]

EXHIBIT 10.9

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as **[*]**. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXECUTION COPY

EXCLUSIVE STRATEGIC SUPPLY AGREEMENT

By and Between

PHILIP MORRIS USA INC.

And

MONOSOL RX, LLC

[*]

Effective February 8, 2007

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

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CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

AGREEMENT

This Exclusive Supply Agreement, dated as of February 8, 2007 is by and between Philip Morris USA Inc., a Virginia corporation with offices at

6601 W. Broad Street, Richmond, Virginia 23230 (“Buyer”), and MonoSol Rx, LLC, a Delaware limited liability company with a place of business at 6560 Melton Road, Portage, Indiana 46368 (“Seller”).

R E C I T A L S

1. Buyer is engaged in the business of manufacturing cigarettes and other tobacco products.

2. In the conduct of its manufacturing activities, Buyer requires the Product (as defined herein), which is incorporated into certain of its finished tobacco products.

3. Seller owns and leases certain manufacturing facilities that are capable of producing the Product in accordance with Buyer’s Product Requirements and the terms and conditions of this Agreement.

N O W T H E R E F O R E, the parties agree as follows:

1. DEFINITIONS

Advance Shipment Notice (“ASN”) — Seller’s invoice, communicated to Buyer via electronic data interchange or Internet transmission, which details information about the Products in a Shipment.

Affiliate — any corporation or other business entity that controls a party to this Agreement (a “Controlling Person”) or any corporation or other business entity that is controlled by or is under common control with a Controlling Person. For purposes of this definition, an Affiliate includes entities in existence as of the Effective Date hereof as well as entities that may come into being in the future so long as such entities control, are controlled by or are under common control with an entity that is an Affiliate as of the Effective Date hereof. As used herein, “control” shall mean possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a corporation or other business entity.

Annual Forecast — Buyer’s forecast of the quantity of Products it anticipates it will purchase during the immediately following Contract Year, as further defined in Article 5.1.

Best Efforts — shall be as the term is used and applied in the Uniform Commercial Code, but shall not be deemed to mean that Seller shall be required to (a) breach any contracts it may have with other buyers for its products, (b) violate any applicable law, (c) endanger its financial viability, (d) take any act or omission which would be likely to result in a material adverse effect on Seller’s financial condition as a result of operations, or (e) make additional capital improvements or otherwise expand its manufacturing capacity at any of its manufacturing

facilities (except as otherwise provided in this Agreement) in order to meet its obligations under this Agreement.

Buyer — Philip Morris USA Inc., a Virginia corporation.

Buyer’s Product Requirements — the physical, chemical and other properties of the Products to be purchased and sold hereunder, as specified by Buyer in documents Buyer shall provide to Seller.

Contract Year — a 12-month period beginning on February 8, 2007 and any anniversary thereof.

Delivering Carrier — the shipping company or companies specified to receive and transport Shipments of Product from Seller’s Manufacturing Facility to Buyer’s designated Plant.

Delivery Date(s) — the date or dates that a Shipment of Product is received at Buyer’s Plant designated on the applicable Order.

Development Services Agreement — the agreement dated **[*]** (as amended), executed by the parties for the development of the Product.

Discoveries — as defined in Article 20.

Effective Date — February 8, 2007.

Expansion Facility — the additional manufacturing line to be added to one of Seller’s Manufacturing Facilities as provided further in Article 4.2.

Modification — a change to the Product, as further provided in Article 3.3.

Order — Buyer’s written directions to Seller to manufacture and deliver certain quantities of Product hereunder, as further defined in Article 5.2.

Plants — Buyer’s manufacturing facilities to which the Products shall be delivered.

Price — the unit price payable for the Product sold and purchased hereunder.

Producer Price Index — the monthly Industrial Producer Price Index (less energy) first published by the U. S. Department of Labor, Bureau of Labor Statistics, in Publication Number ISSN 0882-5270.

Product — the **[*]** film strip for **[*]** tobacco products, which is described on Attachment A and specified more fully in Buyer's Product Requirements (which shall be communicated to Seller), that is to be purchased and sold hereunder.

Seller — MonoSol Rx, LLC, a Delaware limited liability company.

Seller's Manufacturing Facilities — the production plant owned by Seller and located at 6560 Melton Road, Portage, Indiana, and the production plant leased by Seller and located at 6465 Ameriplex Drive, Portage Indiana, at which Seller shall manufacture Product hereunder.

Shipment — All the Product loaded onto the Delivering Carrier's trucks during one business day, for transport to PM USA.

Strip — the film strip without [*].

Term — the period during which this Agreement shall be in effect, as further defined in Article 2.

2. TERM

This Agreement shall be effective as of the Effective Date and, unless earlier terminated or cancelled, shall continue in effect for five years (the "Term"). At the end of the Term, this Agreement shall expire.

3. PRODUCTS; QUANTITY

3.1. Quantity

3.1.1. Seller shall be obligated to manufacture and sell to Buyer, and Buyer shall be obligated to purchase, all of its requirements for [*] film strips for [*] tobacco products, subject to the terms and conditions of this Agreement.

3.1.2. Notwithstanding the foregoing, Seller's supply obligation shall be limited to **[*]** units of Product per calendar quarter from the Effective Date until the Expansion Facility has been qualified by Buyer as provided in Article 4.2.3 below, and to **[*]** units of Product per calendar quarter once the Expansion Facility has been so qualified. In the event Buyer's Annual Forecast or Orders exceed the amount stated in the previous sentence (whichever is applicable), **[*]** In the event Buyer's Annual Forecast or Orders in any calendar quarter exceed the maximum capacity of the Expansion Facility, the parties shall promptly begin good faith negotiations to construct additional capacity at the Expansion Facility, under terms substantially similar to the terms set forth in Attachment C.

3.1.3. As consideration for this obligation to manufacture and sell all of Buyer's requirements for the Product, Buyer shall be obligated to compensate Seller for the Expansion Facility as provided in Article 4.2 below and in Attachment C.

3.1.4. Nothing in this Agreement shall be deemed to preclude Buyer from (a) changing its [*] or tobacco product lines, or (b) reducing or eliminating its manufacture of tobacco products that incorporate the Product such that Buyer's requirements for the Product would be reduced or eliminated during the Term hereof.

3.2. New Products

During the Term of this Agreement, Seller may develop new flavor products for use in connection with Buyer's tobacco products, in accordance with Buyer's requirements communicated to Seller and in accordance with the Development Services Agreement. If Buyer and Seller agree on the Buyer's Product Requirements and price for such new product, then the new product shall be deemed a Product hereunder, and Seller shall manufacture, sell and deliver such new Product exclusively to Buyer during the remainder of the Term in accordance with the terms and conditions of this Agreement. The Price for such new Product shall be negotiated between Buyer and Seller and contain the same mark-up, if applicable, as other products of similar configuration and structure.

3.3. Modifications

Buyer may modify Buyer's Product Requirements from time to time during the Term by providing notice to Seller. The parties intend that modifications to Buyer's Product Requirements shall not result in an adjustment to the Price (up or down) unless such modification changes the Product or changes Seller's cost to manufacture, package and deliver the modified Product such that, in either party's reasonable judgment, the Price should be adjusted. In such event, either party may, upon written notice to the other, request that the Price be adjusted for such modified Product. If the parties are unable to agree upon an adjusted Price for the modified Product within a reasonable time, not to exceed 30 days, then Seller shall not be obligated to manufacture or sell such modified Product to Buyer hereunder.

3.4. Allocation of Product

Seller covenants that it will not sell or contract to sell products to others in quantities that are reasonably likely to impair or impede Seller's ability to meet its obligations to Buyer hereunder. Seller shall use its Best Efforts to keep in stock an inventory of raw materials that meet Buyer's Product Requirements or to obtain such raw materials from its suppliers in such quantities as are necessary to meet its obligations to Buyer hereunder consistent with each Annual Forecast, as adjusted by Buyer as provided in Article 5.1. If, despite such efforts by Seller (a) Seller is unable to obtain sufficient quantities of raw materials to deliver the full quantities of products it is obligated to deliver to all of its customers, including the Product it is required to deliver to Buyer hereunder, or (b) Seller is otherwise prevented from fulfilling its obligations to deliver and sell Product hereunder, Seller shall give first priority in the allocation of available supplies of raw materials and its finished Product first to fulfilling its obligations hereunder. **[*]** Seller represents that it has not entered into, and covenants that it will not enter into, any contract with any customer that is inconsistent with the covenant in the immediately preceding sentence. Seller hereby waives its rights under Va. Code § 8.2-615(b) to allocate production and delivery capacity to regular customers not then under contract.

3.5. Seller Decisions and Acquisitions

Seller shall report to Buyer any major business decision that could adversely affect Seller's ability to meet its Product supply commitment under this Agreement, and shall also notify Buyer of Seller's acquisition or development of additional manufacturing facilities that are capable of manufacturing Product.

4. FACILITIES

4.1. Seller's Manufacturing Facilities

4.1.1. Unless otherwise agreed in writing by the parties, Seller covenants that it shall produce Product delivered hereunder only at the manufacturing facilities identified in Attachment B hereto (each a "Seller's Manufacturing Facility"). Seller covenants that it shall produce Product only on equipment within Seller's Manufacturing Facilities that has been qualified by Buyer for the production of Product. A list of such qualified equipment as of the Effective Date hereof is set forth in Attachment B hereto. Attachment B shall be updated by Buyer as necessary to include additional or alternate manufacturing facilities and equipment that may be qualified hereafter, including, but not limited to, equipment that is part of the Expansion Facility as provided in Article 4.2. Buyer agrees not to unreasonably withhold or delay its qualification of equipment and waives any claims arising out of Seller's delay or failure to perform to the extent such delay or failure results from Buyer's delay in qualifying equipment necessary to Seller's performance.

4.1.2. Buyer and its agents shall have reasonable access to Seller's Manufacturing Facilities from time to time, upon prior notice and during regular business hours, for the purpose of (a) auditing compliance with Seller's quality control and quality assurance programs, (b) inspecting Seller's manufacturing operations, and (c) qualifying the Expansion Facility as provided in Article 4.2 below. Such audits and inspections shall not relieve Seller of its obligation to provide Product that complies in all respects with Buyer's Product Requirements and the other requirements of this Agreement. Buyer shall also be entitled, at Buyer's cost and expense, and at reasonable times and manner, to review all quality control and quality assurance records, to inspect the Product during manufacture and to witness all tests, provided such review and inspections do not delay Seller's performance hereunder. Seller shall use commercially reasonable efforts to secure for Buyer the right to inspect the facilities of Seller's suppliers and vendors for the purposes stated above.

4.2. Expansion of Seller's Manufacturing Facility

4.2.1. Seller agrees to construct a new manufacturing line at one of Seller's Manufacturing Facilities (to be chosen at Seller's discretion) with a capacity to produce not less than [*] (the "Expansion Facility"). The Expansion Facility shall consist of the construction and installation of a **[*]** at the Manufacturing Facility. No later than 45 days after the Effective Date, Seller shall provide Buyer with the following information in writing with respect to the Expansion Facility: (a) the proposed construction schedule, (b) a proposed phase budget and (c) the manufacturing capacity. This information shall be made part of this Agreement and shall be binding on Seller.

4.2.2. Seller shall use its Best Efforts to construct the Expansion Facility in accordance with the proposed construction schedule and to begin manufacturing the Product at the Expansion Facility no later than **[*]** after commencement of construction. Seller warrants that the Expansion Facility, when qualified by Buyer to manufacture the Product hereunder, shall have the manufacturing capacity represented by Seller to Buyer in writing in accordance with this Article 4.2.

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4.2.3. Buyer shall not be obligated to purchase any Product manufactured at the Expansion Facility until Buyer has qualified the Expansion Facility in accordance with Buyer's qualification procedures, which shall be communicated in writing to Seller. Buyer shall use its Best Efforts to begin its qualification process at the Expansion Facility as soon as practicable after Seller notifies Buyer that the Expansion Facility is ready to begin the qualification process.

4.2.4. [*]

4.2.5. The parties acknowledge that Seller shall own the Expansion Facility, and that the design, construction, operation and maintenance of the Expansion Facility shall be Seller's sole responsibility. Buyer shall not be deemed to be an owner or operator of the Expansion Facility and shall have no liability of any kind with respect to the Expansion Facility, [*]. Neither the Expansion Facility nor this Agreement shall in any way be deemed a joint venture between the parties.

4.2.6. **[*]**, and except as otherwise provided herein below, Seller shall use the Expansion Facility solely for the manufacture of Product hereunder during the Term of this Agreement. In the event Buyer's Annual Forecast for any Contract Year (as adjusted as provided in Article 5.1) shall be less than [*], then during such Contract Year Seller shall be entitled to use the Expansion Facility to manufacture products for its other customers, provided that (a) such products shall not in any way be related to, used with, or incorporated into, any tobacco product, (b) the manufacture of such products shall not contaminate, or create the possibility of contaminating, the Expansion Facility with respect to the manufacture of Product hereunder, (c) Seller shall give first priority to the manufacture of the Product hereunder, (d) the manufacture of such products shall not impair or impede Seller's ability to meet its obligations to Buyer hereunder and (e) Seller notifies Buyer of the number of days the Expansion Facility is used to manufacture product for its other customers. In the event Seller uses the Expansion Facility for the manufacture of products for its other customers, **[*]**. Buyer shall have the right (but not the obligation) to conduct such audits of Seller's records as necessary to verify Seller's use of the Expansion Facility to manufacture products for its other customers.

4.3. Buyer's Facilities

4.3.1. Buyer shall provide reasonable access to Buyer's Plants for Seller's employees as Buyer deems necessary to Seller's performance hereunder, provided that (a) Seller provides Buyer with a list of the names of the employees requiring access and the times such access is required, and (b) any person for whom access is approved by Buyer shall comply with such security, safety and environmental requirements which may be communicated by Buyer to Seller. Buyer may provide Seller's personnel with security badges enabling access to Buyer's Plants during Buyer's performance hereunder. Seller acknowledges such badges are the property of Buyer and agrees to the return of any such badges issued to Seller within 24 hours of the earlier of(a) the personnel's departure from Seller's employment or (b) the expiration, termination or cancellation of this Agreement. Seller agrees to pay a fee of $**[*]** per badge not returned to Buyer in accordance with the preceding sentence.

4.3.2. Throughout the Term, Seller shall comply with Buyer's Information Security Policy. A copy of the Information Security Policy has been provided to Seller and Seller's receipt is hereby acknowledged.

5. ANNUAL FORECASTS AND ORDERS

5.1. Annual Forecasts

On the anniversary of each Contract Year, Buyer shall provide Seller with written notice of Buyer's Contract Year forecast of the number of Strips that Buyer anticipates it will purchase during each quarter of the immediately following Contract Year ("Annual Forecast"). During the first three Contract Years, Buyer shall update the Annual Forecast on a quarterly basis, no later than the last day of each quarter. The Annual Forecast for each Contract Year (as adjusted as provided herein) shall be for informational purposes only and shall not constitute an Order for any quantity of Product or any guarantee of purchase.

5.2. Orders

5.2.1. From time to time, Buyer shall place orders for quantities of Product (each, an "Order"). Orders shall be communicated via Buyer's written forms, electronic data interchange, Internet transmission, telecopy, telephone (confirmed by telecopy), or by such other means as the parties mutually agree. Each Order shall be dated as of the date of issuance by Buyer and shall specify (a) a unique order number, (b) the quantity of Product to be manufactured and delivered by Seller, (c) Buyer's Plant or warehouse to which the Product shall be shipped and (d) the Delivery Date(s). Buyer may amend or supplement an Order at any time. All Orders for Product shall be governed by the terms and conditions of this Agreement.

5.2.2. The parties agree to conduct good faith negotiations as soon as practicable after the Effective Date to develop mutually agreeable standards and processes for placing orders and performing other contract obligations using electronic commerce.

5.3. Delivery Dates

5.3.1. Seller shall acknowledge receipt of Buyer's Orders in writing within two business days after Seller's receipt of each Order. Seller shall use its Best Efforts to comply with Buyer's Delivery Date(s) as set forth in the Order, provided however, that no Delivery Date in an Order shall require delivery of Product sooner than five business days for the production of each **[*]** of Product.

5.3.2. If Seller determines that despite its Best Efforts it will be unable to comply with Buyer's designated Delivery Date(s), Seller shall so notify Buyer (such notice to be provided to Buyer in writing no later than two business days after Seller's receipt of Buyer's Order) and Seller shall provide Buyer with alternate Delivery Date(s). Upon Buyer's consent to such alternate Delivery Date(s) (which consent shall not be unreasonably withheld), such date(s) shall be binding on Seller. If Buyer does not so consent, the initial Delivery Date(s) shall remain binding on Seller.

5.3.3. If during the production of any Order, Seller determines for any reason that it will be unable to meet any of the Delivery Date(s) for that Order, (including any mutually agreed alternate Delivery Date(s) under Article 5.3.1 hereof), it shall use its best efforts to notify Buyer in writing as soon as practicable after making such determination. Such notification shall also include new Delivery Date(s). Upon Buyer's consent to such new Delivery Date(s) (which consent shall not be unreasonably withheld), such date(s) shall be binding on Seller. If Buyer does not so consent, the initial or alternate Delivery Date(s) (whichever is applicable) shall remain binding on Seller.

5.3.4. For purposes of the quality rating described in Article 10.2, Seller's performance will be evaluated based on its adherence to the applicable Delivery Date(s).

5.4. Vendor Managed Inventory

At any time during the Term hereof, Buyer may choose to implement a vendor-managed inventory system. In such event, both parties shall negotiate in good faith as to the amendments hereto and any other agreements that would be necessary to implement such a vendor-managed inventory system.

6. DELIVERY, TRANSPORTATION AND RISK OF LOSS

6.1. Primary Delivery and Transportation Procedure

6.1.1. Buyer shall specify the Delivering Carrier for Shipments of Product hereunder. Seller shall be responsible for making the necessary arrangements with such Delivering Carrier to have trucks available at Seller's Manufacturing Facility in time to receive and transport Products to meet the applicable Delivery Date(s). Notwithstanding the foregoing, however, Seller shall not be liable for delays in receipt to the extent caused by the Delivering Carrier once it has left Seller's Manufacturing Facility with the Shipment or by the Delivering Carrier's failure or refusal to load and deliver Products in accordance with the applicable terms and conditions of any transportation agreement between Buyer and the Delivering Carrier.

6.1.2. Buyer shall pay all transportation costs directly to the Delivering Carrier; provided however, Seller shall reimburse Buyer for any demurrage or other similar charges that Buyer may be required to pay the Delivering Carrier due to Seller's failure to schedule or load any Shipment of Products in accordance with the applicable terms and conditions of any transportation agreement between Buyer and the Delivering Carrier, provided such terms and conditions have been communicated to Seller.

6.2. Alternate Transportation Procedure

Notwithstanding the foregoing, if Buyer fails to specify a Delivering Carrier or if the Delivering Carrier specified by Buyer fails or is unable to have trucks available at Seller's Manufacturing Facility in time to receive and transport Products to meet the applicable Delivery Date(s), then Seller shall notify Buyer promptly, and Buyer shall specify an alternate Delivering Carrier. Alternatively, the parties may mutually agree that Seller shall specify the Delivering Carrier as to any portion of the Products to be delivered hereunder. If Buyer and Seller agree that

Seller shall specify the Delivering Carrier, the Products so delivered shall be delivered F.O.B. Buyer's Plant, freight collect.

6.3. Packing and Marking

Seller shall package all Product delivered hereunder in accordance with the requirements specified in Buyer's Product Requirements, unless Buyer has modified such requirements in an Order, in which case Seller shall comply with the requirements specified in such Order. Each Shipment must contain a packing list indicating (a) the Order number, (b) the quantity of Product contained in the Shipment, and (c) such other identification or information as may be reasonably directed by Buyer or reasonably necessary to facilitate delivery in accordance with Buyer's Delivery Schedule. In addition, upon request by Buyer, Seller shall deliver a certificate of analysis or certificate of conformance containing such information as required by Buyer to the address and Buyer representative as designated by Buyer from time to time.

6.4. Transfer of Title and Risk of Loss

Title to, and risk of loss of, all Product shall transfer from Seller to Buyer when the Product is delivered to the Delivery Carrier, unless Seller specifies the Delivery Carrier as provided in Article 6.2, in which case title and risk of loss shall pass to Buyer upon receipt at Buyer's Plant.

7. INSPECTIONS AND REJECTIONS

7.1. Receipt Inspections

Upon receipt at Buyer's Plant, Buyer may, but shall not be obligated to, perform preliminary visual inspections to confirm that the Product conforms to the applicable Order and Buyer's Product Requirements in terms of Product type and quantity and compliance with Delivery Dates. Such inspections may be cursory in nature, and acceptance of Product by Buyer shall be subject to testing by Buyer to determine conclusively that the Product conforms to Buyer's Product Requirements.

7.2. Rejection of Product and Remedies upon Rejection

Buyer may reject any Product that does not conform to the applicable Order or Buyer's Product Requirements, provided Buyer provides Seller with notice of such rejection in accordance with the requirements set forth in Article 10. In addition to such remedies as may be available hereunder, at law or in equity, upon rejection of any Product, Buyer shall be entitled to exercise the remedies provided in Article 10 for breach of warranty with respect to such Product.

8. COMPENSATION

8.1. Prices for Product [*]

8.1.1. The Prices for the Product purchased and sold hereunder shall be as set forth on Attachment C. The Prices may only be adjusted as provided in Article 3.3 and in Attachment C.

8.1.2. [*]

8.2. [*]

8.2.1. [*]

8.2.2. [*]

9. INVOICES AND PAYMENT

9.1. Invoices

Prior to or upon each delivery of Product, Seller shall submit an invoice (in the form of an ASN) to Buyer requesting payment for the Product included in such delivery. Seller's invoice must be accompanied by all required documentation necessary to support all charges. All rebates and discounts applied shall be identified separately on Seller's invoices. Any invoices submitted to Buyer in an improper format or without the required documentation will be returned unpaid to Seller for correction and resubmission within [*].

9.2. Payment

Buyer shall pay all undisputed portions of properly documented invoices within **[*]** of receipt of Seller's invoice or Buyer's receipt the Products described on the invoice, whichever is later. If Buyer disputes any portion of an invoice, Buyer shall provide written notice to Seller indicating the reason Buyer is withholding any amount, and shall pay the undisputed portion of the invoice. Neither the payments made to Seller, nor the method of such payments, shall relieve Seller of its obligation to perform hereunder in strict compliance with the requirements herein. In

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addition, no payment by Buyer of any invoice shall be deemed Buyer's acceptance of the Products reflected thereon.

9.3. Right of Retainage and Set-Off

9.3.1. Notwithstanding anything in Article 9.2 to the contrary, if Seller materially breaches any provision of this Agreement, or if any person or entity asserts a claim or lien against Buyer or its property or facilities that is chargeable to Seller's performance hereunder, Buyer shall have the right to retain out of any payments due or to become due to Seller an amount sufficient to protect Buyer completely from all corresponding present or future claims, losses, damages and expenses, provided that (a) Buyer provides notice to Seller setting forth Buyer's reasons for such retainage and **[*]**. If Seller disputes the retained amount, the parties shall immediately engage in the dispute resolution procedure set forth in Article 22.

9.3.2. When the breach has been cured, the lien: has been released, discharged or otherwise removed or the claim has been terminated or released (in each case to Buyer's satisfaction), Buyer will release to Seller any retained amounts net of any damages, costs, expenses or other amounts incurred by Buyer as a result of such breach, lien or claim.

9.3.3. Further, Buyer shall have the right to set-off any costs, damages, expenses or other monies, the payment for which Seller is responsible, against any amounts that Buyer owes Seller hereunder. Buyer's right to withhold monies pursuant to this Article shall be in addition to all other rights and remedies available to Buyer under this Agreement, at law or in equity.

10. WARRANTIES

10.1. Title

10.1.1. Seller warrants that title to all Product delivered hereunder shall be good and its transfer rightful, and that all Product delivered hereunder shall be free from all security interests, claims, demands, liens and other encumbrances.

10.1.2. If any Product fails to conform to the above warranty, Seller, at its expense, shall defend the title thereto and, if requested in writing by Buyer, shall promptly cause any security interest, claim, demand, lien or other encumbrance to be removed by discharging such encumbrance or posting a bond therefor. If Seller fails to cause any such security interest, claim, demand, lien or other encumbrance to be removed by discharge or posting a bond within five business days after Buyer shall request such removal, then Buyer, at Buyer's option, may either (a) cause the removal of such security interest, claim, demand, lien or other encumbrance by bonding, in which case Seller shall be liable to Buyer for the expenses thereby incurred, or (b) revoke its acceptance of such Product, in which case Seller shall promptly refund any compensation Seller received from Buyer in connection with such Product together with all costs incurred by Buyer in connection with such revocation.

10.2. Vendor Evaluation Program

10.2.1. Seller warrants that the continuous quality of the Product delivered to Buyer hereunder shall be such that the Product will achieve a "Satisfactory Rating," as determined by Buyer on an annual basis in accordance with Buyer's program of vendor evaluation and review program applicable to all of Buyer's direct material suppliers, and which rates Seller's performance hereunder in terms of quality, cost, compliance and technology, and delivery and service ("Vendor Evaluation Program"). A copy of the Vendor Evaluation Program criteria has been provided to Seller and Seller's receipt is hereby acknowledged. Seller shall be advised of the annual rating assigned to the Product. During the Term, Buyer shall be free to amend and revise the Vendor Evaluation Program and to judge the overall quality of the Product pursuant to such amended and revised Vendor Evaluation Program. Recalls by Seller shall be excluded in calculating the annual rating for the Product. Such rating shall be adjusted equitably to account for changes in Buyer's floor inspection practices or mutually agreed changes to the quality ratings that could affect the quality rating.

10.2.2. If the annual quality rating for the Product during any calendar year is not Satisfactory, Seller shall promptly take all necessary action to identify and correct the cause or causes of the non-conformances that led to the low quality rating. Seller shall provide Buyer with a written report evaluating the non-conformances and their causes and describing Seller's plans for preventing reoccurrence of such non-conformances in the future. Seller shall bear all costs in fulfilling the foregoing remedial obligations.

10.2.3. In addition to Seller's obligations pursuant to Article 10.2.2 above, and until such time as Seller demonstrates to Buyer's satisfaction that the problem causing the diminished quality rating has been cured and prevented from recurring, Buyer may, at its sole discretion, purchase Comparable Product from alternate suppliers.

10.3. Warranty of Quality

10.3.1. Seller warrants that all Product delivered pursuant to this Agreement shall (a) strictly conform to the applicable Buyer's Product Requirements and Seller's quality assurance plan as provided in Article 15.2 hereof, (b) be free of defects in workmanship and material and, except as provided in the following sentence, shall (c) be suitable in all respects for use in Buyer's manufacturing facilities for snus tobacco products. Notwithstanding the foregoing, if Buyer materially changes its manufacturing process and does not notify Seller of such material change within 30 days after such change is effected, Seller's warranty of suitability for use shall no longer apply to the Product.

10.3.2. If any Product delivered by Seller hereunder fails to conform to the warranty in Article 10.3.1, then Seller shall promptly replace such nonconforming Product with a conforming Product at no cost to Buyer; provided, however, Buyer shall have given Seller written notice of the nonconformity within 30 days after the container or pallet containing the nonconforming Product is discovered by Buyer. Seller shall bear all costs in fulfilling the foregoing remedial obligations. Notwithstanding the foregoing, nothing herein shall be deemed to make Seller responsible for any nonconformity due solely to Buyer's handling or storage of any Product.

10.4. Additional Remedy

10.4.1. In addition, to the extent any nonconforming Product has been incorporated into Buyer's finished goods before the nonconformity is discovered **[*]**, Seller shall become liable to Buyer for liquidated damages in the amount of $**[*]** per **[*]** sachets affected by such nonconformity. Such rate shall be adjusted annually in June for inflation based on the change in the Producer Price Index as first reported for July of the then-current calendar year as compared to the base month of July 2006.

10.4.2. The parties hereby acknowledge and agree that in the event that any nonconforming Product is incorporated into Buyer's finished goods, Buyer will suffer damages in an amount that is not susceptible to calculation with reasonable certainty. The parties agree that the liquidated damages set forth in this Article 10.4 represent a reasonable determination of the amount of damages that Buyer will suffer in the event nonconforming Product is incorporated into Buyer's finished goods and that the liquidated damages do not constitute a penalty. Seller hereby waives any defense to Buyer's recovery of the liquidated damages on the basis that actual damages are ascertainable, that the liquidated damages so determined do not represent a reasonable determination of Buyer's damages or that the liquidated damages are penalties. The liquidated damages set forth in this Article represent the exclusive remedy to Buyer in connection with the remanufacture of Buyer's finished goods, but shall not relieve Seller of any other liability or obligation arising under this Agreement, at law or in equity with respect to other damages (not relating to the recall or replacement of Products) arising out of a breach of the warranty in Article 10.3.1 above except as otherwise expressly limited in this Agreement.

10.4.3. The parties expressly agree that if Seller contests the imposition of liquidated damages pursuant to this Article on any basis other than the assertion that either (a) the Product delivered hereunder conformed in all respects to the applicable Buyer's Product Requirements or (b) that any nonconformity did not result in whole or in part from Seller's or Seller's employees', agents' or representatives' negligence or willful misconduct, then the cap on Seller's aggregate liability for the cost of remanufacturing the finished goods shall not be applicable, it being understood that Buyer's consent to such limitations was in reliance on Seller's promise not to assert any other defense to the imposition of such liquidated damages and in return for the admissions of fact and waivers contained in this Article 10.

10.5. Exclusivity of Warranties

SELLER MAKES NO WARRANTIES OF TITLE, QUALITY, MERCHANTABILITY OR OTHERWISE EXCEPT THE WARRANTIES SET FORTH IN THIS ARTICLE, AND SELLER HEREBY DISCLAIMS ALL OTHER WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, WHETHER CREATED BY CONTRACT OR BY OPERATION OF LAW, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

11. INTELLECTUAL PROPERTY

11.1. Seller's Intellectual Property

[*]

11.2. Defense of Claims

11.2.1. Seller shall, at its expense, defend any suit or proceeding brought against Buyer to the extent based on an allegation that any Monosol Intellectual Property (as that term is defined in the Development Services Agreement) constitutes an infringement of any patent, trademark, trade secret or copyright, provided Buyer notifies Seller in writing in a timely manner and gives Seller authority (including the right to select counsel and to control the relevant proceedings, negotiations, investigations and settlement discussions), information and assistance (such assistance to be administrative, not financial) for the defense of the suit or proceeding.

11.2.2. Seller shall (a) pay all damages and costs (including reasonable attorneys' fees) awarded in any suit or proceeding so defended as well as the cost and fees associated with the defense of such a suit or proceeding and (b) indemnify Buyer against any expenses incurred by Buyer in providing information and assistance to Seller for the defense of the suit or proceeding. Seller shall not be responsible for the settlement of any suit or proceeding made without its written consent.

11.2.3. If the Product as a result of any suit or proceeding so defended, is held to constitute infringement of any patent, trademark, trade secret or copyright and its use by Buyer is enjoined, Seller shall, at its option and at no cost to Buyer, either (a) procure for Buyer the right to use such Product or (b) replace it with substantially equivalent non-infringing Product. In the event Seller is unable to procure such right or replace the Product with substantially equivalent non-infringing Product, Seller shall be entitled to terminate this Agreement upon 30 days prior notice to Buyer, without further liability to Buyer, except for the indemnification obligation set forth in this Article 11.2.

11.2.4. Notwithstanding the foregoing, nothing herein shall require Seller to indemnify, defend or hold harmless Buyer with respect to infringement to the extent that such infringement is caused by (a) Seller's production of Product in strict accordance with designs provided by Buyer, (b) any infringing elements that are part of Buyer's Product Requirements, or (c) Buyer's combination of the Product with any other material or substance.

12. INDEMNITY

[*]

13. LIMITATION OF LIABILITY

NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY IN ANY EVENT FOR CONSEQUENTIAL, INCIDENTAL, SPECIAL, OR INDIRECT LOSS OR DAMAGE SUFFERED BY THE OTHER PARTY AND ARISING OUT OF THE AGREEMENT, WHETHER SUCH LOSS OR DAMAGE OR CLAIMS ARISE IN CONTRACT, TORT (INCLUDING NEGLIGENCE), STRICT LIABILITY, WARRANTY, STATUTE OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, LOSS OF USE OR LOST PROFITS; PROVIDED, HOWEVER, THE FOREGOING EXCLUSION SHALL NOT AFFECT CLAIMS BASED ON, AND SHALL BE EXCLUSIVE OF COSTS AND LIABILITIES ARISING OUT OF, CONTRACTOR'S LIABILITY FOR (a) INFRINGEMENT CLAIMS, (b) COMPLIANCE WITH LAWS PURSUANT TO SECTION 18.4 BELOW, (c) CLAIMS OF PERSONS OR ENTITIES NOT A PARTY TO THE CONTRACT, (d) INDEMNITY OBLIGATIONS EXPRESSLY UNDERTAKEN IN THE CONTRACT or (e) BREACH OF CONFIDENTIALITY OBLIGATIONS.

14. INSURANCE

14.1. Coverage

Seller shall obtain, pay for and keep in force while performing hereunder, and thereafter as provided below, the following coverages in the amounts listed below:

14.1.1. Statutory workers' compensation in accordance with all state and local requirements.

14.1.2. Employer's liability with a limit of $500,000 for one or more claims arising from each accident.

14.1.3. Commercial general liability, including coverage for completed operations for at least two years after delivery of Product, product liability and contractually assumed obligations, with liability limits of at least $5,000,000 per occurrence for property damage, $5,000,000 per occurrence for bodily injury and $5,000,000 for personal injury.

14.1.4. Comprehensive automobile liability covering all vehicles used by Seller, whether owned, non-owned or hired by Seller or otherwise, with liability limits of at least $5,000,000 per occurrence for property damage, $5,000,000 per occurrence for bodily injury and $5,000,000 per occurrence for personal injury.

14.2. Endorsements and other Requirements

14.2.1. Seller shall cause its insurers to (a) waive all rights of subrogation against Buyer, its officers, directors and employees, (b) name Buyer as an additional insured for the

coverages set forth in subsections 14.1.3 and 14.1.4 above and (c) furnish certificates of insurance to Buyer in a form acceptable to Buyer evidencing that the above insurance is in effect and otherwise complies with the requirements of this Article 14. Seller shall require its insurance carriers to give Buyer 30 days' written notice of any material change or alteration in or the cancellation of any policy of insurance required hereunder.

14.2.2. The insurance thus afforded Buyer as an additional insured shall be deemed primary coverage without the right of contribution from any of Buyer's insurance. All other insurance maintained by Buyer (or for Buyer by a third party) is for the exclusive benefit of Buyer and will not inure to the benefit of Seller.

14.2.3. The carrying by Seller of the insurance required herein shall in no way be interpreted as relieving Seller of any other obligations it may have under this Agreement.

15. STRATEGIC PLANNING AND COOPERATION; QUALITY ASSURANCE

15.1. Performance Evaluations

The parties intend that this Agreement shall result in a world class supply relationship respecting Product quality, service, technical cooperation and prices. To that end, it is contemplated that Buyer shall be entitled to evaluate the success of the relationship periodically by seeking quotations of prices and services from other potential suppliers of Products who, in Buyer's sole judgment, have the technical capability and physical capacity to provide Products of a quality comparable to, or better than, those provided by Seller hereunder. In doing so, however, Buyer shall not disclose any of Seller's Confidential Information (as defined in Attachment D) nor rely on Seller's intellectual property or samples of Seller's products. Should Buyer conclude, as the result of any such evaluation, that the above-stated goals are not being achieved, Buyer shall notify Seller of the results of such evaluation.

15.2. Quality Assurance Plan

As of the Effective Date hereof, Seller shall have implemented a Buyer-approved plan for quality assurance and quality control at Seller's Manufacturing Facility. Seller shall amend its quality assurance plan as necessary to be consistent with amendments to Buyer's quality assurance program of which Seller may be advised from time to time.

15.3. Quality Audits

During the Term hereof, Seller shall cooperate with any quality audits conducted by Buyer. The parties agree that Seller's performance also will be evaluated based on Seller's ability to achieve a Satisfactory rating from Buyer's Vendor Evaluation Program as described in Article 10.2.

15.4. Product Contents

Upon Buyer's request, Seller shall provide Buyer with a listing of all materials used or proposed to be used in the manufacture of or incorporated in the Product. Such information shall be deemed Confidential Information subject to Article 19 and Attachment D. Thereafter, Seller

shall notify Buyer in writing if Seller proposes to change any such materials. Buyer shall have the right to review and approve all proposed changes to such materials, and to refuse to purchase or accept any Product that is manufactured with or incorporates any material that Buyer deems unacceptable.

16. MINORITY AND WOMEN-OWNED BUSINESS ENTERPRISES

Every effort is being made by Buyer to use qualified minority and women-owned enterprises in connection with this Agreement. Within the constraints of the competitive bidding process, Seller should actively seek to employ minority or women-owned suppliers to the extent that such utilization is commercially feasible. Seller shall, upon request by Buyer no more than once per year, report to Buyer, on forms approved by Buyer, full details of Seller's actual utilization of minority or women-owned suppliers in Seller's performance hereunder. Buyer shall assist Seller in identifying qualified minority and women-owned business enterprises upon request.

17. FORCE MAJEURE

17.1. Events of Force Majeure

Neither party shall be responsible or liable, or deemed in breach hereof, to the extent the performance of any of its obligations hereunder is delayed or prevented due solely to causes beyond the reasonable control and without the fault or negligence of the party experiencing such delay or prevention. Such causes may include, but shall not be limited to, acts of God, unusually severe weather, war, riots, fire, the demand, failure to act, or requirement of law of any competent governmental authority, or the party's inability despite due diligence to obtain required licenses (such causes are hereinafter called "Force Majeure"). A delay or failure to perform caused by Seller's suppliers is not an event of Force Majeure unless the supplier's delay or failure to perform is due solely to an event of Force Majeure as defined above affecting such supplier. Strikes or other labor difficulties at Seller's or Seller's suppliers' facilities are not events of Force Majeure.

17.2. Force Majeure Procedure

The party experiencing the Force Majeure shall exercise due diligence in endeavoring to overcome and mitigate any resulting delay in, or prevention of, its performance. If Seller is experiencing the Force Majeure, it shall, in addition to the above actions, implement any applicable contingency plan prepared in accordance with Article 17.6. The party experiencing the Force Majeure shall also give prompt written notification to the other party, which notice shall include a full and complete explanation of the Force Majeure and its cause, the status of the Force Majeure, and the actions such party is taking and proposes to take to overcome and mitigate any resulting delay in, or prevention of, its performance.

17.3. Effect of Force Majeure

Subject to Article 17.6, if performance by either party is delayed or prevented due to Force Majeure, the time for that performance shall be extended for a period reasonably necessary to overcome the effect of the Force Majeure. The party experiencing the Force Majeure shall

undertake reasonable measures to make up for the time lost without additional compensation. Buyer shall have the right, upon written notice to Seller, to obtain alternate supplies of Products during any event of Force Majeure that delays or prevents Seller's performance hereunder if the Force Majeure has, or in Buyer's reasonable judgment threatens to have, an adverse effect on Buyer's ability to conduct its operations. Buyer shall not be obligated to purchase additional or "make-up" quantities of Products ordered but not delivered by Seller due to Force Majeure and such quantities shall be treated as quantities purchased hereunder for purposes of determining whether Buyer has purchased its requirements of Products from Seller in any Contract Year.

17.4. Allocation of Seller's Production Capacity

If any event of Force Majeure hereunder delays or prevents Seller from fulfilling its obligations to deliver the quantities of Products to Buyer as ordered, while meeting its obligations to deliver products to its other customers, Seller shall allocate the manufacturing capacity at its Manufacturing Facility first to providing Buyer's requirements hereunder. Seller covenants that it has not and will not enter into contracts with other customers that are inconsistent with this Article 17.4. Seller hereby waives its rights under Va. Code § 8.2-615(b) allocate capacity to regular customers not then under contract.

17.5. Termination for Extended Force Majeure

If Seller's ability to perform hereunder is delayed or prevented, in whole or in part, for a period of 12 consecutive months as a result of an event of Force Majeure, Buyer shall have the right, at its sole option, to terminate this Agreement, in whole or in part, by giving written notice of termination to Seller. Such termination shall be effective no earlier than 30 days after Seller's receipt of such notice and without regard to whether the event of Force Majeure ends prior to the date on which the termination becomes effective.

17.6. Seller's Contingency Plans

17.6.1. Buyer and Seller acknowledge that although the occurrence of any event of Force Majeure will be outside the control of either party, certain types of Force Majeure are more likely to occur than others and the adverse effects of such events can often be reduced or minimized through advance planning. Therefore, no later than 30 days after the Effective Date, Seller shall prepare and submit for Buyer's review contingency plans to address the occurrence of the following Force Majeure events: raw material shortage or supply interruption when such interruption is due to a Force Majeure event experienced by Seller's suppliers, floods, fire, and such other events of Force Majeure as Buyer and Seller may mutually agree. In addition, although the following are not events of Force Majeure, Seller shall prepare and submit for Buyer's review contingency plans to address (a) the occurrence of strikes or other labor disturbances at Seller's Manufacturing Facility and (b) any disruption in production at Seller's Manufacturing Facility which will impair Seller's ability to perform hereunder and which Seller anticipates will last for one month or longer.

17.6.2. If Seller fails to develop mutually acceptable contingency plans for such events of Force Majeure, or if upon the occurrence of such an event Seller fails to implement the applicable contingency plan, any delay in or prevention of Seller's performance due to the

occurrence of such event of Force Majeure shall be deemed to have been within the reasonable control of Seller and therefore not excused under this Article. In such event, Buyer may seek alternate supplies of Products and any expenses incurred by Buyer to obtain such Products in excess of the compensation that would have been due Seller hereunder shall be reimbursed by Seller. Buyer reserves the right to review and comment on such plans on an annual basis and, if reasonably requested by Buyer, Seller shall update such plans as necessary to address Buyer's comments.

18. COMPLIANCE WITH LAWS; NONDISCRIMINATION; FINES

18.1. General

Seller shall comply with all federal, state and local laws, rules, regulations and ordinances applicable to the performance of its obligations under this Agreement. In addition, Seller shall obtain and maintain in good standing all governmental licenses, permits and approvals necessary for the operation of those facilities required in the performance of Seller's obligations under this Agreement.

18.2. No Discrimination

Without limiting Article 18.1, Seller shall comply with all applicable provisions of Executive Order 11246, as amended, § 503 of the Rehabilitation Act of 1973, as amended, § 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended, § 5152 of the Drug-Free Workplace Act of 1988, the implementing regulations set forth in 41 C.F.R. §§ 60-1, 60-250 and 60-741 and 48 C.F.R. §§ 23.5, and all applicable provisions of the Americans with Disabilities Act. The equal opportunity clause set forth in 41 C.F.R. § 60-1.4 and the affirmative action clauses set forth in 41 C.F.R. § 60-250.4 and 41 C.F.R. § 60-741.4 are incorporated by reference and made a part of this Agreement. Seller certifies that it does not and will not maintain any facilities it provides for its employees in a segregated manner and that it does not and will not permit its employees to perform their services at any location under Seller's control where segregated facilities are maintained. Seller further agrees to submit and obtain such certifications of nonsegregated facilities as are required by 41 C.F.R. § 60-1.8. The provisions of this Article 18.2 shall apply to Seller only to the extent that (a) such provisions are required under existing law, (b) Seller is not otherwise exempt from said provisions and (c) compliance with said provisions is consistent with and not violative of 42 U.S.C. § 2000e et seq., 42 U.S.C. § 1981 et seq. or other acts of Congress.

18.3. No Collusion; Business Conduct Policy

18.3.1. Neither Seller nor any person or entity acting or purporting to act on Seller's behalf shall enter into any combination, conspiracy, agreement or other form of collusive arrangement with any person, corporation, limited liability company, partnership or other entity that directly or indirectly lessens competition between potential contractors, vendors or suppliers from whom goods or services may be obtained that will be used by Seller in the performance of its obligations hereunder.

18.3.2. Seller shall comply with Buyer's Business Conduct Policy by not engaging in any conduct when dealing with any employee of Buyer that would cause the

employee to be in violation of such Policy, and in its dealings with any suppliers in connection with this Agreement or any Order, by complying with all obligations otherwise applicable to Buyer's employees. A copy of this Policy has been provided to Seller and Seller's receipt is hereby acknowledged. Seller shall inform all potential suppliers from whom goods may be obtained on Buyer's behalf of Buyer's Policy and shall require compliance therewith.

18.4. Fines

Any fines, legal costs or other penalties incurred by Seller or its agents or employees for noncompliance with any laws, rules, regulations or ordinances with which compliance is required herein shall not be reimbursed by Buyer, but shall be the sole responsibility of Seller. If fines, penalties or legal costs are assessed against Buyer by any government authority or court due to noncompliance by Seller or its agents or employees with any laws, rules, regulations or ordinances, or if Buyer's operations or any part thereof is delayed or stopped by order of any government authority or court due to Seller's noncompliance or the noncompliance of Seller's agents or employees, Seller shall indemnify and hold harmless Buyer against any and all losses, liabilities, damages, claims and costs (including reasonable attorneys' fees) suffered or incurred because of the failure of Seller or its agents or employees to comply therewith.

18.5. Child Labor

Seller warrants that all Product furnished hereunder will comply with, and be manufactured, priced, sold and labeled in compliance with applicable United States (federal, state, and local) and foreign laws, codes, rules, regulations, orders and ordinances, including without limitation, environmental protection, energy and labor laws and regulations and applicable industry codes and standards. Without limiting the foregoing, Seller further warrants that (i) labor utilized in Seller's Manufacturing Facility that are utilized to furnish the Product hereunder complies with the minimum age of employment requirements prescribed by the International Labor Organization conventions or applicable law, whichever is higher, and (ii) it will neither employ forced labor nor impose similar working conditions. Buyer shall have the right (but not the obligation) to audit Seller's compliance with this Article 18.5.

19. CONFIDENTIALITY AND CONFIDENTIAL INFORMATION

This Agreement and the terms and conditions herein are considered confidential. Neither party shall disclose this Agreement or its terms and conditions to any person or entity not a party hereto except as otherwise provided herein or as may be required by law, any court, government agency or proper discovery request. If either party is required to disclose this Agreement or any of its terms and conditions, the disclosing party shall (a) use its Best Efforts to ensure that such disclosure is made on a confidential basis and (b) in the case of disclosure required as the result of an order of any court or government agency or a discovery request in connection with any litigation, give prompt notice thereof so that the other party may, if it so chooses, assert any rights it may have to maintain confidentiality or obtain relief from public disclosure. The parties hereto further acknowledge that their performance of this Agreement is subject to the terms and conditions of the Mutual Confidentiality Agreement executed by them and dated **[*]**, a copy of which is attached hereto as Attachment D. Notwithstanding anything in the Attachment D to the contrary, (a) Attachment D shall remain in effect for as long as this Agreement remains in effect,

and (b) Seller shall be entitled to disclose this Agreement and its terms and conditions to its employees, agents, auditors, attorneys, and other third parties who, in Seller's reasonable judgment, have a reason to know such information, provided such entities have agreed in writing to comply with the obligations undertaken by Seller in this Article and in Attachment D.

20. DISCOVERIES

Any new or improved apparatus, process, formula or product discovered or produced by Seller or Seller's employees or agents in the course of or by reason of Seller's performance hereunder shall be governed by the terms of the Development Services Agreement.

21. RECORDS; AUDITS

21.1. Records

During the Term of this Agreement, Seller shall keep and maintain complete and accurate records, in accordance with Generally Accepted Accounting Principles (GAAP), books of account, reports and other data necessary for the proper administration of this Agreement, including all rebate programs and any other special pricing program extended to Seller by any subcontractor in connection with the Agreement. Seller shall provide Buyer with periodic reports containing such information, if and when requested by Buyer, but no more often than two times per year. Seller shall retain such records and all other written materials prepared by Seller, during the Term of this Agreement and for three years after the expiration, termination or cancellation of this Agreement and for any additional time required by governmental authorities with jurisdiction over Seller.

21.2. Right to Audit

Buyer or its designee shall have the right, upon reasonable notice to Seller, during the Term of this Agreement and for three years following the expiration, termination or cancellation hereof, to audit and inspect Seller's books, records and other materials as described in Article 21.1 with respect to the Prices for the Product, the compensation for the Expansion, and any credits due Buyer hereunder. If any audit or inspection reveals an error or irregularity in the compensation payable to Seller or credits due Buyer hereunder, an appropriate adjustment shall be made (i) by Seller within thirty (30) days after the conclusion of the audit or inspection or (ii) at Buyer's option, by Buyer to amounts properly due Seller hereunder. Buyer shall pay for any audit or inspection unless such audit or inspection is conducted subsequent to Seller's default of this Agreement, in which case Seller shall pay for all audit or inspection costs incurred by Buyer. Seller shall pay all expenses incurred by Seller in supporting the audit and inspection.

21.3. Independent Audit

Seller shall engage an independent Certified Public Accounting firm that is enrolled in an approved practice-monitoring program and has received an unmodified Peer Review report to conduct annual audits of Seller's financial statements. The audit shall be conducted in accordance with Generally Accepted Auditing Standards (GAAS) and shall result in such independent auditor issuing an opinion as to whether Seller's financial statements are fairly stated. The audit will be performed at Seller's expense. Within the later of 90 days following the

end of each of Seller's fiscal years during the Term of this Agreement or 30 days after issuance, Seller shall provide Buyer a copy of Seller's most recent financial statement, including integral footnotes and the opinion letter from Seller's independent Certified Public Accounting firm as to whether the financial statements are fairly stated. Upon request by Buyer, Seller shall provide to Buyer a copy of its most recent quarterly unaudited financial statements. During the Term of this Agreement, Seller shall provide Buyer with a copy of(i) any default notice received from a creditor regarding the payment or financial covenants of any material indebtedness within 5 business days after Seller's receipt thereof; and (ii) any certificate or other notice provided to a creditor indicating noncompliance with a financial covenant with respect to, or nonpayment of any, material indebtedness within 5 business days after provision of such notice to the creditor.

22. DISPUTE RESOLUTION

22.1. Intent

It is the intention of the parties to make a good faith effort to resolve, without resort to litigation, any dispute, controversy or claim arising out of or relating to this Agreement or any breach hereof (a "Dispute") according to the procedures set forth in this Article; provided, however, that the procedures set forth herein shall not preclude either party from exercising any right of termination or cancellation of the Agreement as provided herein or as available at law or in equity.

22.2. Procedure

Buyer's and Seller's designated representatives shall attempt to resolve all Disputes by negotiation. In the event a Dispute cannot be resolved promptly by Buyer's and Seller's representatives, each party shall immediately designate a senior executive with authority to resolve the Dispute. The designated senior executives shall promptly begin discussions in an effort to agree upon a resolution of the Dispute. If the senior executives do not agree upon a resolution of the Dispute within 20 days of the referral to them, either party may elect to abandon negotiations. If a Dispute cannot be resolved pursuant to the procedures outlined in this paragraph, the parties may pursue any remedy available to them at law or in equity.

22.3. Performance During Dispute

Subject to the rights of the parties to cancel this Agreement or suspend their performance as set forth in this Agreement, Seller shall continue to perform its obligations under this Agreement during the pendency of any Dispute; provided, however, that either party may seek preliminary and permanent injunctive relief; including specific performance or other interim or permanent relief, if the Dispute involves (a) a threatened or actual breach of the confidentiality provisions of Article 19 hereof or the terms and conditions of the parties' Confidentiality Agreement set forth in Attachment D or (b) risk to the safety or security of persons or property, if in such party's judgment such relief is necessary to prevent injury or damage; provided further, that despite any such action, the parties shall continue to proceed in good faith in the dispute procedures outlined herein.

23. CANCELLATION

23.1. Default by Seller

23.1.1. If, during the Term hereof, one or more of the following events (each of which shall be deemed an event of "Default") occurs, Seller shall be deemed in Default:

(a) The Product shall fail to achieve a Satisfactory rating during any two calendar years during the Term;

(b) Seller or its Affiliates default in any material respect in the performance of any other covenant, condition or obligation of Seller or its Affiliates contained herein, and such default continues for **[*]** days after Seller's receipt of written notice specifying the default and demanding that the same be remedied;

(c) Seller, for any reason other than (i) delays to the extent caused by Buyer, the Delivering Carrier, or Force Majeure, or (ii) a material breach by Buyer of its obligations hereunder, fails to comply with the applicable Delivery Date(s) established in accordance with Article 5 by more than **[*]** business days in more than **[*]** of the deliveries hereunder during each of any **[*]** (whether or not such consecutive calendar quarters are in the same calendar year);

(d) Seller or its Affiliates makes a representation or warranty herein or in any certificate, statement or document made or given pursuant to this Agreement which proves to be false or misleading in any material respect as of the date on which it was made;

(e) Seller (1) files a petition commencing a voluntary case under the United States Bankruptcy Code, (2) files a petition for liquidation, reorganization or an arrangement pursuant to any other federal or state bankruptcy law, (3) is adjudicated a debtor or declared bankrupt or insolvent under the United States Bankruptcy Code, or any other federal or state law as now or hereafter may be in effect relating to bankruptcy, insolvency, winding-up or adjustment of debts, (4) makes an assignment for the benefit of its creditors, (5) admits in writing its inability to pay its debts as they become due, or (6) if a petition commencing an involuntary case under the United States Bankruptcy Code or an answer proposing the adjudication of Seller as a debtor or a bankrupt or proposing its liquidation or reorganization pursuant to the United States Bankruptcy Code or any other federal or state bankruptcy law is filed in any court, and Seller consents to, or acquiesces in, the filing thereof or such petition or answer is not discharged or denied within 90 days after the filing thereof; or

(f) A custodian, receiver, trustee or liquidator of Seller, or of all or substantially all of the assets of Seller, is appointed in any proceeding brought against Seller and is not discharged within 90 days after such appointment, or if Seller consents to or acquiesces in such appointment.

23.1.2. In the event of a Default by Seller, Buyer may, at its option, (a) cancel this Agreement by providing written notice to Seller, such cancellation to be effective as of the date set forth in such notice but not earlier than **[*]** after such notice is received by Seller or (b) secure an alternate source of supply of Product. Buyer's remedies set forth in this Article shall not be exclusive, but shall be cumulative and may be exercised concurrently or consecutively,

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

and shall be in addition to all other remedies Buyer may have under this Agreement, at law or in equity.

23.2. Default by Buyer

23.2.1. If during the Term one or more of the following events (each of which shall be deemed an event of "Default") occurs, Buyer shall be deemed in Default:

(a) Buyer defaults in any respect in the performance of any covenant, condition or obligation of Buyer contained herein, and such default continues for **[*]** after Buyer's receipt of written notice specifying the default and demanding that the same be remedied;

(b) Any representation or warranty made by Buyer herein or in any certificate, statement or document made or given pursuant to this Agreement (excluding Buyer's Annual Forecasts) proves to be false or misleading in any material respect as of the date on which it was made;

(c) Buyer (1) files a petition commencing a voluntary case under the United States Bankruptcy Code, (2) files a petition for liquidation, reorganization or an arrangement pursuant to any other federal or state bankruptcy law, (3) is adjudicated a debtor or declared bankrupt or insolvent under the United States Bankruptcy Code, or any other federal or state law as now or hereafter may be in effect relating to bankruptcy, insolvency, winding-up or adjustment of debts, (4) makes an assignment for the benefit of its creditors, (5) admits in writing its inability to pay its debts as they become due, or (6) if a petition commencing an involuntary case under the United States Bankruptcy Code or an answer proposing the adjudication of Buyer as a debtor or a bankrupt or proposing its liquidation or reorganization pursuant to the United States Bankruptcy Code or any other federal or state bankruptcy law is filed in any court and Buyer consents to, or acquiesces in, the filing thereof, or such petition or answer is not discharged or denied within **[*]** after the filing thereof; or

(d) A custodian, receiver, trustee or liquidator of Buyer or of all or substantially all of the assets of Buyer, is appointed in any proceeding brought against Buyer and is not discharged within 90 days after such appointment, or if Buyer consents to, or acquiesces in, such appointment.

23.2.2. In the event of a Default by Buyer, Seller may, at its option, cancel this Agreement by providing written notice to Buyer, such cancellation to be effective as of the date set forth in such notice but not earlier than **[*]** after such notice is received by Buyer. Unless Buyer otherwise agrees in writing, Seller shall not sell any Product produced hereunder to any alternate purchasers. Seller's remedies set forth in this Article shall not be exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies Seller may have under this Agreement, at law or in equity.

24. NOTICES

All certificates or notices required hereunder shall be given in writing and addressed or delivered to the representative(s) specified below. Notices shall be deemed received (a) upon

delivery, when personally delivered; (b) upon receipt, when sent via registered or certified mail; (c) the next business day, when sent via overnight courier; and (d) upon transmittal, when sent via facsimile. Copies of all general correspondence regarding this Agreement shall also be sent to these representative(s). Either party may change the representative(s) designated to receive notice hereunder by written notice to the other party. All correspondence and transmittals. Between the parties shall be executed pursuant to coordination procedures that shall be developed by the parties.

Notices to Seller: MonoSol RX, LLC
30 Technology Drive
Warren, New York 07059
Attn: President

with a copy to: Anna Kuzmik, Esq.
Sullivan & Cromwell
125 Broad Street
New York, New York 10004

Notices to Buyer: Philip Morris USA
615 Maury Street
Richmond, Virginia 23224
Attn: Bruce Wells III

25. GOVERNING LAW AND VENUE

This Agreement shall be governed by the laws of the Commonwealth of Virginia, notwithstanding its choice of law provisions that might apply the laws of another jurisdiction. For the adjudication of any disputes arising under this Agreement, the parties hereby consent to personal jurisdiction and venue in (a) the General District Court and Circuit Court of the Commonwealth of Virginia, Henrico County and (b) the United States District Court for the Eastern District of Virginia, Richmond Division.

26. NON WAIVER

The failure of either party to demand strict performance of the terms hereof or to exercise any right conferred hereby shall not be construed as a waiver or relinquishment of its rights to assert or rely on any such term or right in the future.

27. SEVERABILITY

In the event that any provision of this Agreement is deemed as a matter of law to be unenforceable or null and void, such unenforceable or void portion of such provision shall be deemed severable from the Agreement and the remainder of the Agreement shall continue in full force and effect.

28. CHANGE OF CONTROL; ASSIGNMENTS

28.1. Change of Control

28.1.1. Except as otherwise provided in Article 28.1.2 below, Buyer may at its option, terminate this Agreement without any fee, charge or other payment, effective five days after Seller's receipt of Buyer's written notice if(a) after the Effective Date any person or entity (or any group thereof), which does not own any voting securities of Seller on the Effective Date, assumes or otherwise gains beneficial ownership of securities representing 25% or more of the combined voting power of all outstanding voting securities of Seller or (b) during any period of 24 consecutive calendar months commencing on the Effective Date hereof, individuals who were directors of Seller on the first day of such period and individuals elected as directors by not less than two-thirds of the individuals who were directors of Seller on the Effective Date shall cease to constitute a majority of the members of Seller's board of directors. Seller shall notify Buyer promptly of any such change in ownership.

28.1.2. Notwithstanding the foregoing, the parties acknowledge that Seller is contemplating issuing an Initial Public Offering (IPO) of its common shares during the Term. Buyer shall not be entitled to terminate this Agreement solely as result of such IPO, unless (a) a person or entity (or any group thereof) that directly or indirectly manufactures or distributes tobacco products in the United States assumes or otherwise gains beneficial ownership of securities representing 25% or more of the combined voting power of all outstanding voting securities of Seller as a result of such IPO, or (b) individuals who were directors of Seller as of the Effective Date and individuals elected as directors by not less than two-thirds of the individuals who were directors of Seller on the Effective Date shall cease to constitute a majority of the members of Seller's board of directors as a result of such IPO.

28.2. Assignments

This Agreement and each and every covenant, term and condition hereof, shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns. Seller shall not assign, subcontract or otherwise delegate any of its rights or obligations hereunder without Buyer's prior written consent. Any such assignment without Buyer's consent shall be void.

29. SURVIVAL

All warranties, remedial obligations, limitations of liability, indemnities, and confidentiality rights and obligations provided herein shall survive the cancellation, expiration or termination hereof.

30. AMENDMENTS

No amendment, modification or waiver of any term hereof shall be effective unless set forth in a writing signed by both Buyer and Seller.

31. INDEPENDENT CONTRACTOR

Seller is an independent contractor for all purposes in connection with this Agreement, and is solely responsible for workers' compensation, unemployment compensation, social security, payroll taxes and all similar obligations affecting its employees. Seller's employees are not employees of Buyer. Except as provided in Article 8, Seller shall be responsible for any

withholding or other taxes imposed by any tax authority. Seller shall keep all necessary records and make all necessary payments with respect to its employees and the performance of this Agreement. This Agreement is a contract for the sale of goods, and the relationship between the parties is that of buyer and seller. Nothing herein shall be deemed to constitute a partnership or joint venture between the parties hereto.

32. HEADINGS

Headings set forth herein are inserted for convenience and shall have no effect on the interpretation or construction of this Agreement.

33. PUBLICITY

Seller understands that it is Buyer's policy that all agreements with its vendors are confidential and that no vendor may release any information regarding any agreement with Buyer for publication, advertising or any other purpose without Buyer's prior written consent. Any use of Buyer's name and/or logo shall require the prior written approval of Buyer. Such approval may be withheld as deemed necessary and is subject to the sole discretion of Buyer.

34. REMEDIES NOT EXCLUSIVE

Where remedies for breach of contract are provided herein, those remedies are in addition to all other available remedies in the Agreement, at law or in equity, unless otherwise expressly provided herein. Where no specific remedy for a breach of contract is specified, the non- breaching party shall be entitled to pursue all available remedies in this Agreement, at law or in equity.

35. ORDER OF PRECEDENCE

If there is a discrepancy or conflict between or among the handwritten or typed information in an Order, the Articles of this Agreement or the Attachments hereto, they shall be given precedence in the following order:

1. Handwritten or typed information contained on the front of an Order.

2. The Articles of this Agreement, and any amendments hereto.

3. The Attachments (which shall each be given precedence over each other in the order in which they are attached).

36. ENTIRE AGREEMENT

This Agreement, which includes this cover contract, the Attachments hereto and any Order issued by Buyer hereunder, constitutes the entire agreement of the parties with respect to the subject matter herein and supersedes any prior or contemporaneous agreement or understanding between the parties, provided that nothing herein is intended to, nor shall be construed to, modify or amend the Development Services Agreement. No course of dealing, no

usage of trade and no course of performance shall supplement, explain or amend any term, condition or instruction of this Agreement or any Order.

[THE REST OF THIS PAGE IS LEFT BLANK INTENTIONALLY.]

WITNESS the signatures of the authorized representatives of the parties.

PHILIP MORRIS USA INC.

By: /s/ Henry P. Long Jr.
Name: Henry P. Long Jr.
Title: SVP, Procurement & Quality

MONOSOL RX, LLC

By: /s/ Alexander M. Schobel
Name: Alexander M. Schobel
Title: President & CEO

ATTACHMENT A

DESCRIPTION OF PRODUCT

[*]

A-1

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ATTACHMENT B

SELLER'S MANUFACTURING FACILITIES
AND QUALIFIED EQUIPMENT

[*]

B-2

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ATTACHMENT C

COMPENSATION

[*]

C-1

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

C-2

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

C-3

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ATTACHMENT D

MUTUAL CONFIDENTIALITY AGREEMENT

[*]

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securites and Exchange Commission.

AGREEMENT
by and between
Medtech Products inc.
and
MonoSolRx LLC

THIS AGREEMENT (this **"Agreement"**) is made and entered into as of the 12th day of October, 2006 (the **"Effective Date"**), by and between MonoSolRx LLC, a Delaware limited liability company with its corporate headquarters at 30 Technology Drive, Warren, NJ 07059 (hereinafter referred to as **"MonoSolRx"**), and **Medtech** Products Inc., a Delaware corporation with offices at 90 North Broadway, Irvington, NY 10533 (hereinafter referred to as **"Medtech"**).

Whereas **MonoSolRx** owns or has certain rights in a Film Delivery System and expertise and experience in customizing and developing such Film Delivery System for use with pharmaceutical drugs; and

Whereas Medtech is interested in having **MonoSolRx** develop, using **MonoSolRx** expertise and proprietary technology, thin film Products (as herein defined) for the Chloraseptic® brand; and

Whereas **Medtech** desires to purchase the aforementioned film **Products** from **MonoSolRx** and **MonoSolRx** wishes to supply such **Products** to **Medtech**, subject to the terms and conditions set forth in this two-phase **Agreement**.

Now, THEREFORE, in reliance upon and in consideration of the following undertakings, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1.0 Definitions

1.1 "Affiliates" with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified.

1.2 "Confidentiality Agreement" shall mean the Confidentiality Agreement dated January 4, 2005 between **MonSolRx** and Prestige Brands, Inc., an **Affiliate** of **Medtech**.

1.3 "Film Delivery System" (**"Base Film"**) shall mean an oral film dosage drug delivery system composition(s) developed and owned by **MonoSolRx** prior to the date of this **Agreement** and shall include modifications, such as variations of amounts of ingredients to optimize the drug delivery system to comply with the **Product** specifications set forth on Exhibit A to this **Agreement**.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

1.4 "Monosol Intellectual Property" (**"IP"**) shall mean all patents, copyrights, trade secrets, know-how, trademarks and other intellectual property rights owned by **MonoSolRx** anywhere in the world.

1.5 "Person" shall mean any individual, corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or governmental body.

1.6 "Products" shall mean thin film products as follows: (a) a cherry-flavored film that contains benzocaine (3 mg), (b) a citrus-flavored film that contains benzocaine (3 mg) and (c) a grape-flavored film that contains benzocaine (2 mg), in each case substantially in accordance with the specifications set forth in Exhibit A hereto.

2.0 Phase I — Prototype Development and Acceptance

2.1 MonoSolRx agrees to use reasonable best efforts to develop three prototype film **MonoSolRx** in accordance with Exhibit A for review and acceptance by **Medtech**. Each prototype film strip **Product** will be based on **MonoSolRx's Base Film** modified to incorporate combinations of benzocaine and menthol therein.

2.2 MonoSolRx will supply all compounds, materials or other substances necessary for **MonoSolRx** to develop and make the aforesaid prototype Products at its sole expense.

2.3 MonoSolRx will have sole discretion with regard to the development of the prototype film strip Products. **MonoSolRx** also will have sole discretion with regard to testing of film strips during the development of the prototype **Products**. **Medtech** will, however, provide flavor and flavor sourcing

information to **MonoSolRx** upon **MonoSolRx**'s request, subject to the terms of the Confidentiality Agreement. Moreover, **Medtech** agrees to provide prompt written feedback, no later than twenty days following **Medtech**' s receipt, to **MonoSolRx** concerning prototype **Products** supplied by **MonoSolRx**.

2.4 Upon review and acceptance by **Medtech** of the three prototype Products, which shall not be unreasonably withheld, Phase II of this **Agreement** shall commence. For the absence of doubt, **Medtech** agrees that that its organaleptic review of the prototype Products will be conducted with its existing Chloraseptic® film products as a reference, and moreover that the grape prototype **Product** previously supplied by **MonoSolRx** is acceptable for purposes of this Phase I review.

2.5 If the prototype film Products are not accepted within one hundred fifty (150) days of the Effective Date of this **Agreement**, this **Agreement** shall terminate. Such termination shall, provided that **Medtech** has not unreasonably withheld product acceptance pursuant to Section 2.4 (and otherwise materially complied with its obligation to provide feedback under Section 2.3) be without any liability to **Medtech** and its Affiliates.

3.0 Phase II — Stability and Validation

3.1 Upon completion of Phase I and following the entry of the parties into a Quality Agreement and a commercial supply agreement as contemplated in Section 4.1 hereof,

MonoSolRx shall develop stability data for each of the three prototype Products at its own expense for review and acceptance by **Medtech** in accordance with the stability program set forth in Exhibit B hereto. **Medtech** shall find the stability data acceptable if the stability data conforms to the specifications set forth in Exhibit B.

3.2 Following the acceptance of the stability data by **Medtech**, which shall not be unreasonably withheld, **MonoSolRx** shall validate the three prototype **Products** in accordance with process validation guidelines typically used in the pharmaceutical industry and agreed upon between the companies prior to initiation of process validation. **Medtech** agrees to promptly review such Product validations, no longer than twenty days following notice from **MonoSolRx** that validation is completed, and **Medtech** further agrees not to unreasonably withhold acceptance of such validation

3.3 If the stability data and **Product** validation are not accepted within one hundred and eighty (180) days following the completion of Phase I, the **Agreement** shall terminate. Such termination shall, provided that **Medtech** has not unreasonably withheld acceptance of stability data and Product validation pursuant to Section 3.2, be without any liability to **Medtech** and its Affiliates.

4.0 Commercial Supply to Medtech

4.1 During the commencement of Phase I, the Parties shall use reasonable best efforts to enter into a five year commercial supply agreement with the following material terms: (a) an initial supply "Price" as set forth below, (b) minimum batch and order sizes consistent with the first year annual forecasts attached hereto as Exhibit C, (c) a provision for annual supply price reviews based upon input costs of **MonoSolRx**, (d) an all requirements commitment from **Medtech**, and an exclusive supply commitment from **MonoSolRx**, for **OTC thin film products that contain either benzocaine as a sole active ingredient, or benzocaine and menthol as part of a combination, two active ingredient product**, supply to commence with the purchase of the complete validation batches, (e) customary representations and warranties (including, without limitation, a representation from **MonoSolRx** that the **Products** and the technology used to manufacture them will not infringe upon the valid patent rights of third parties, and **Products** will not be adulterated and shall be manufactured in full compliance with cGMP guidelines), (1) a mutual indemnity, under which **MonoSolRx** shall indemnify **Medtech** for any uncured breach of its representations, warranties, obligations and covenants or any acts or omissions in connection with the commercial supply agreement, and under which **Medtech** will indemnify **MonoSolRx** from any liabilities associated with its product labeling or marketing of the product, (g) during the term of the agreement, a disaster plan whereunder **MonoSolRx** will provide a royalty-free license to use **MonoSolRx** Intellectual Property utilized to manufacture the Products should **MonoSolRx** be rendered unable for a prolonged and uncured period from supplying product, provided that such license shall be limited the earlier of the duration of the service interruption or the term of the agreement, and (h) a damages limitation precluding liability for lost profits or consequential damages in connection with the agreement. The effectiveness of the commercial supply agreement shall be conditioned upon the successful stability and validation of the Products as referenced in Section 3 above.

4.2 The initial supply "Price" for each of the three film **Products** shall be $**[*]** per **[*]** for **Products** packaged in polyvinylchloride (PVC).. Each card shall include **[*]** each containing **[*]** strips, as more fully described in Exhibit D hereto. The commercial supply cost for each of the three film **Products** shall increase approximately **[*]** per blister card for prototype film **Products** packaged in Aclar® blister packaging.

5.0 Term and Termination

5.1 The term of this **Agreement** shall commence as of the **Effective Date** and shall continue until the completion of the obligations set forth herein or until otherwise terminated.

6.0 Confidentiality

6.1 Any confidential information exchanged between the parties hereto shall be treated in accordance with the terms of the Confidentiality Agreement.

7.0 Ownership Of Film Products and Intellectual Property

7.1 **MonoSolRx** shall retain ownership of all right, title, and interest in and to the **MonoSolRx Base Film** and to all other **MonoSolRx Intellectual Property**, including all proprietary rights therein. **MonoSolRx** shall own the sole and exclusive rights in and to all IP developed pursuant to this **Agreement** for which **MonoSolRx's** or **MonoSolRx Affiliates'** employees, representatives, agents or consultants have sole inventorship. Notwithstanding the generality of the foregoing, **MonoSolRx** shall have no rights or interest in any trademark applied to the Products, which trademarks shall be and remain the exclusive property of **Medtech**. **MonoSolRx** also shall own the sole and exclusive rights in and to all **IP** developed by **MonoSolRx** pursuant to this **Agreement**.

7.2 **MonoSolRx** represents and warrants to **Medtech** that the **MonoSolRx** Intellectual Property used to develop and manufacture the Products will not infringe any Intellectual Property rights of any third-party.

7.3 **MonoSolRx** acknowledges that the trademark CHLORASEPTIC is the exclusive property of **Medtech** and further agrees to take no action contrary to the interest of **Medtech** respecting said trademark.

8.0 Miscellaneous

8.1 This **Agreement** shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its conflicts of law principles thereof. Any disputes between the parties arising out of or relating to this **Agreement** shall be resolved by final and binding arbitration in New York, New York by a three arbitrator panel pursuant to the rules of the American Arbitration Association.

8.2 In case any one or more of the provisions of this **Agreement** should be invalid, illegal, or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

8.3 Neither party hereto may assign this **Agreement** and its rights and duties under this **Agreement** without the prior written consent of the other party hereto except that consent is not required if either party is purchased by a third party or **Medtech** assigns this **Agreement** to one of its Affiliates. This **Agreement** shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns,

9.4 Any and all provisions, promises and warranties contained herein which by their nature or effect are required or intended to be observed, kept or performed after termination of this **Agreement** will survive the termination of this **Agreement** and remain binding upon and for the benefit of the parties hereto.

9.0 Notices

All notices or other communications which shall or may be given pursuant to this **Agreement** shall be in writing and shall be deemed to be effective when delivered, by facsimile transmission AND (a) when delivered if sent by registered or certified mail, return receipt requested, or (b) on the next business day, if sent by overnight courier, in each case to the parties hereto at the following addresses (or at such other addresses as shall be specified by like notice) with postage or delivery charges prepaid:

If to **MonoSolRx**:

A. Mark Schobel
President, CEO
30 Technology Drive
Warren, NJ 07059
Fax: 908.561.1209

With a copy to:

Joseph Fuisz
MonoSolRx, LLC
1100 Connecticut Avenue, NW
Suite 440
Washington, DC 20036
Fax: 202.223.9069

If to **Medtech**:

Eric Millar
Medtech Products Inc.
90 North Broadway
Irvington, NY 10533
Fax: 914.524.6814

With a copy to:

Legal Department
Medtech Products Inc.
90 North Broadway
Irvington, New York 10533
Fax: 914.524.7488

10.0 Entire Agreement

This **Agreement** contains the entire agreement between the parties hereto concerning the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings (whether written or oral) with respect to the subject matter hereof. No course of dealing or usage of trade shall be used to modify the terms hereof.

IN WITNESS WHEREOF, the parties hereto have caused this **Agreement** to be executed by their duly authorized officers as of the day and year first above written.

Medtech Products Inc.

By: /s/ Charles N. Jeily
Name: Charles N. Jeily
Title: Secretary

Date: October 18, 2006

MonoSolRx LLC

By: /s/ Alexander M. Schobel
Name: Alexander M. Schobel
Title: President & CEO

Date: 10/12/06

Exhibit A

Product Specifications

[*]

Exhibit B

Stability Program

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Exhibit C

Annual Forecast

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Exhibit D

Commercial Supply Cost

[*]

Exhibit 10.11

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Execution Copy

SUPPLY AGREEMENT

This Agreement is entered into on this 20 day of March, 2007 (the "Effective Date"), by and between MonoSolRx LLC, a Delaware limited liability company with its corporate headquarters at 30 Technology Drive, Warren, New Jersey ("Supplier") and L. Perrigo Company, a Michigan corporation, having an address of 515 Eastern Ave., Allegan, Michigan ("Perrigo"), each a "Party" and collectively "the Parties."

WHEREAS, Supplier has experience developing and manufacturing a Product as that term is used herein;

WHEREAS, Perrigo desires to have its requirements for said Product in the Territory, as that term is used herein, fulfilled by Supplier; and

WHEREAS, Supplier desires to supply Perrigo with said Product in said Territory;

NOW, THEREFORE, in consideration of the mutual promises contained in this Agreement and for other good and valuable consideration, the adequacy and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows.

ARTICLE 1 - - DEFINITIONS

"Acceptable Service Level" means Supplier supplying to Perrigo during each rolling period of ninety (90) consecutive days that quantity of Product that conforms to the requirements of this Agreement which represents at least 95% of Perrigo's ordered quantities of the Product that are required to be delivered to Perrigo during that 90 day period by the delivery terms of this Agreement.

"Act" means the Federal Food, Drug and Cosmetic Act, as amended, and the regulations promulgated under such Act.

"Affiliate" means any corporation, firm, partnership or other entity, which directly or indirectly owns, is owned by or is under common ownership with the party in question to the extent of at least fifty (50) percent of the stock of such entity having the power to vote for the election of directors, such to be deemed an Affiliate only as long as such ownership of voting stock continues.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

"Agent-in-Charge" means an individual appointed by a Party to be responsible for directly interacting with individuals conducting an audit and facilitating those individuals in the performance of the audit as necessary.

"API" means Diphenhydramine HCI.

"GMP" means all laws, guidelines and regulations applicable to the manufacture of the Product including the current Good Manufacturing Practices as specified in the United States Code of Federal Regulations, as the same may be amended from time to time.

"COA" means Certificate of Analysis by Supplier in letter form or on its letterhead (a) stating Supplier's name, the Product description as listed on Perrigo's purchase order, the Supplier product code, the Perrigo product code as listed on Perrigo's purchase order, the Product batch/lot number, date of manufacture, date of release, expiration date, quantity of shipment, each assay/test and method number, the Specification limits of each assay/test, the physical, chemical, biological or other test results and % label claim for each API, the correct units of measure to be reported with all assorted values, and the Specifications of or relating to the Product, (b) certifying that the Product meets the Specifications, the Product has been manufactured in accordance with GMP, the Specifications and such other agreed upon requirements of the Parties for the manufacture and packaging of the Product, and the materials used in the manufacture of the Product meet the appropriate requirements of the United States Pharmacopoeia and National Formulary, including any supplements thereto, and (c) containing such other information as Perrigo may request from time to time.

"Certificate of Compliance" means a document or a statement in the COA that each lot received by Perrigo complies with manufacturing requirements for the appropriate regulatory authority (e.g., U.S. GMP).

"Confidential Information" means all information, data, know-how and all other business, technical and financial data disclosed hereunder by one party or any of its Affiliates to the other party or any of its Affiliates, except any portion thereof which:

(a) At the time of disclosure is in the public knowledge;

(b) After disclosure, becomes part of the public knowledge by publication or otherwise, except by breach of this Agreement by the recipient;

(c) The recipient can demonstrate by its written records was in the recipient's possession at the time of such disclosure, and which was not acquired, directly or indirectly, from the disclosing party, or its affiliates;

(d) Is lawfully disclosed to the recipient on a non-confidential basis by a third party who is not obligated to the disclosing party or any other third party to retain such Confidential Information in confidence;

(e) Is required to be disclosed by legal process; provided, in each case the party so disclosing information timely informs the other party and uses its best efforts to

limit the disclosure and maintain confidentiality to the extent possible and permits the other party to attempt by appropriate legal means to limit such disclosure.

Supplier's Confidential Information includes, without limiting the generality of the foregoing, but subject to the exclusions set forth in (a) through (e) above, all material or information relating to Supplier's research, development, trade secrets or business operations and affairs that Supplier treats as confidential and all Intellectual Property Rights owned by Supplier.

Written Confidential Information shall be identified by the disclosing party as being confidential by stamping the cover pages of such information "Confidential." Confidential Information disclosed orally, visually and/or in another tangible form shall be identified by the disclosing party to the receiving party as confidential at the time of such disclosure and confirmed to the receiving party within thirty (30) days after such disclosure in a writing marked "Confidential."

"FDA" means the United States Food and Drug Administration and any successor agency having substantially the same function.

"Intellectual Property Rights" means all patents, copyrights, trade secrets and other intellectual property rights, including applications therefor, now or hereafter protectable by law in any jurisdiction in the world.

"Invention" means any new or improved apparatus, process, composition, formula, information, product, invention, discovery, idea, suggestion, material, data, equipment, design, drawing, prototype, report, computer software, documentation or other intellectual property or know-how invented, discovered, produced, conceived, or reduced to practice by Supplier, or as a result of the performance of the development and manufacture of the Product.

"Product" shall mean a grape-flavored film product that contains Diphenhydramine HCl 12.5 mg individually pouched meeting the Specifications set forth in Exhibit 1.

"Significant Deviation" means any out-of-Specification Product and/or any manufacturing (including but not limited to a defect or latent defect), packaging, labeling or testing deviation that may affect the quality, safety or efficacy of the Product, including but not limited to any reprocessing.

"Specifications" means the written specifications for the Product as set forth in Exhibit 1. The specifications may be amended from time to time upon the mutual agreement of the Parties in writing. Perrigo shall not unreasonably withhold acceptance of amendments to the Specifications which the Parties agree are necessary to comply with FDA requirements or any other applicable rules or regulations.

"Territory" means the United States, Canada, and Mexico.

"Supplier Intellectual Property" means any Intellectual Property Rights owned by Supplier.

"Third Party Facility" means a facility that is not owned by Supplier.

ARTICLE 2- DEVELOPMENT

2.1 Milestone Events: Supplier shall use commercially reasonably efforts and due diligence to develop the Product and to undertake and successfully complete within the time periods below the following tasks in connection with the development of the Product in accordance with the following milestone events:

(a) Milestone 1: Preformulation and Development. Supplier shall undertake preformulation and formulation development tasks as set forth in Exhibit 2. The total time for completion of the tasks for Milestone 1 to the mutual satisfaction of the Parties shall be about 12 to 14 weeks with an anticipated completion date of March 23, 2007.

(b) Milestone 2: Manufacture of Pilot Stability Batch at One-Tenth Scale. Supplier shall undertake tasks for the manufacture of a pilot stability batch as set forth in Exhibit 2. The total time for completion of the tasks for Milestone 2 to the mutual satisfaction of the Parties shall be about 6 to 8 weeks with an anticipated completion date of April 6, 2007.

(c) Milestone 3: Scale-up and Manufacture of Three Validation/Launch Batches at Commercial Scale. Supplier shall undertake the tasks for the manufacture of three validation/launch batches at commercial scale. The total time for completion of the tasks for Milestone 3 to the mutual satisfaction of the Parties shall be about 12 to 16 weeks with an anticipated date of completion and shipment of the three validation/launch batches to Perrigo date of not later than August 15, 2007.

Supplier shall keep Perrigo promptly and regularly informed of the progress of Supplier's development work under this Agreement.

2.2 Assumptions.

(a) Supplier shall develop a pilot stability batch meeting the Specifications set forth in Exhibit 1 hereto on a laboratory scale. The pilot stability batch size will be at a minimum of one-tenth the scale of the Product to be supplied to Perrigo in accordance with the terms of this Agreement and shall have a commercial shelf-life based on a three-month accelerated stability.

(b) All tasks are not cumulative. In some instances, parallel tasks may occur.

(c) All protocols for the development of the pilot stability batch shall be written by Supplier and shall be subject to reasonable review and acceptance by Perrigo. Perrigo agrees not to unreasonably withhold acceptance of the protocols. If such acceptance is unreasonably withheld, Supplier may terminate this Agreement.

2.3 Expenses.

(a) Perrigo shall bear the expenses associated with Supplier generating two-year stability data in accordance with the guidelines of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use

(ICH). Attached to this Agreement as Exhibit 3 is Supplier's good faith estimate of the total amount of these expenses.

(b) Supplier shall bear all expenses associated with obtaining raw materials including active pharmaceutical ingredients for use in the development of the pilot stability batch and the validation/launch batches and all expenses associated with obtaining packaging materials. The Parties understand and agree that Supplier shall not be responsible for the cost of developing the validation/commercial launch batches provided that such batches comply with the warranties and other requirements of this Agreement with respect to Product supplied to Perrigo. Except as set forth above, Supplier shall be responsible for all third party charges and all labor and material costs incurred in developing the Product.

2.4 Sale and Purchase of Validation/Commercial Launch Batches. Supplier shall sell the validation/commercial launch batches to Perrigo and Perrigo shall purchase the validation/commercial launch batches provided that such batches comply with the warranties and other requirements of this Agreement with respect to Product supplied to Perrigo. The price for the validation/commercial launch batches shall be **[*]**. Supplier shall validate commercial batches of approximately **[*]**, and shall not pouch more strips than are required by validation requirements and Perrigo's initial needs. Supplier will charge Perrigo no more than $**[*]** for strips manufactured in connection with validation which are not pouched.

2.5 Development Payments. Perrigo shall make payments to Supplier in accordance with the following schedule:

(a) Upon Supplier's successful completion to mutual satisfaction of the Parties of the preformulation and formulation tasks for Milestone 1 as set forth in Exhibit 2, Supplier will invoice Perrigo the sum of $**[*]**.

(b) Upon Supplier's successful completion to the mutual satisfaction of the Parties of the tasks for the manufacture of a pilot stability batch at one-tenth scale for Milestone 2 as set forth in Exhibit 2, Supplier will invoice Perrigo the sum of $**[*]**.

(c) Upon Supplier's successful completion to the mutual satisfaction of the Parties of the tasks for the scale-up and manufacture of three validation/launch batches at commercial scale as set forth in Exhibit 2, Supplier will invoice Perrigo the sum of $**[*]**.

Perrigo will pay such invoices within forty-five (45) days of their receipt.

ARTICLE 3 - - PRODUCT SUPPLY

3.1 Purchase and Sale. Pursuant to the terms and conditions of this Agreement, Supplier agrees to use diligent and commercially reasonable efforts to manufacture and package sufficient Product to meet Perrigo's requirements for sale of Product in the Territory. Supplier may, with Perrigo's prior written consent, subcontract with third parties for the manufacture or packaging of Product to fulfill its obligations hereunder. Except as otherwise provided in this Agreement, Perrigo agrees to source exclusively from Supplier all of Perrigo's requirements for Product for sale in the Territory.

3.2 Exclusivity.

(a) During the term of this Agreement, Supplier shall not, directly or indirectly, develop or manufacture for, or sell, supply or distribute to, any person or entity other than Perrigo any film product in any flavor that contains the API for marketing, sale or distribution under any store brand, value

brand or other brand other than under a national pharmaceutical company's over-the-counter brand.

(b) If Perrigo does not order a total of at least **[*]** doses of Product from Supplier during each calendar year beginning in the second year of this agreement, then, as the sole consequence, Supplier shall have the right, exercisable by sixty (60) days' prior written notice to Perrigo, to terminate prospectively the exclusivity restrictions of Supplier and Perrigo's corresponding exclusivity rights set forth in Section 3.2(a) unless within thirty (30) days after its receipt of such notice, Perrigo submits to Supplier an order for Product in an amount of not less than the amount of such shortfall. If Supplier should so terminate such exclusivity rights and restrictions, then this Agreement shall otherwise remain in full force and effect, including Supplier supplying the Product to Perrigo in accordance with the provisions of this Agreement, but Perrigo shall not be required to purchase its requirements of the Product from Supplier. Supplier shall not, however, have the right to terminate such exclusivity rights or restrictions if Perrigo does not order the requisite quantity of Product as a result of (i) Supplier's default in performing or complying with any covenant or obligation required to be performed or observed by Supplier in this Agreement, (ii) a force majeure situation described in Article 9, or (iii) the FDA or any other governmental agency taking any action the result of which is to prohibit or impose a significant restriction on the nonprescription, over-the-counter marketing, sale or distribution of the Product in the U.S. or taking any action that has a similar effect. Any Product (or comparable product) that Perrigo orders from another source pursuant to Section 3.11 or Section 4.3 will be considered to be ordered from Supplier for purposes of this Section 3.2(b).

3.3 Sale Outside the Territory. Under no circumstances shall Perrigo sell, resell, distribute or otherwise dispose of Product and/or any part thereof, directly or indirectly, outside the Territory without the prior written consent of Supplier.

3.4 Forecast. Prior to July 1 of each year of this Agreement, Perrigo shall submit to Supplier forecasts of quantities of Product Perrigo intends to have delivered during the following calendar year (budget-quantities). Perrigo shall update the forecast for the following twelve (12) month period on a monthly basis (capacity-planning-quantities). The budget- and capacity-planning-quantities are understood to be non-binding forecasts.

3.5 Order Forms. It is understood that the Parties may use their normal commercial forms in placing and acknowledging orders hereunder. Any such forms shall be used for convenience only, and any terms or provisions which may be contained therein inconsistent with or in addition to those contained herein, other than the identification of the Product being ordered, its quantity and its delivery date, shall have no force or effect whatsoever between the Parties hereto. Orders shall be consistent with validated batch quantities.

3.6 Firm Orders. Firm orders shall be submitted to Supplier at least three (3) months prior to Perrigo's specified delivery date. Within ten (10) working days Supplier shall confirm

receipt of Perrigo's order (order confirmation). If Perrigo makes any changes to a firm order after it is submitted to Supplier that result in additional costs reasonably being incurred by Supplier, Supplier will notify Perrigo of those costs and Perrigo agrees to bear those costs, including restocking costs resulting from excess material due to such changes, costs resulting from graphic changes requested by Perrigo, and material waste due to changes requested by Perrigo.

3.7 Delivery. Delivery of Product from Supplier to Perrigo shall take place either FOB Supplier's facility in Portage, Indiana or FOB the facility of Supplier's contract packager approved by Perrigo, except Supplier or Supplier's contract packager approved by Perrigo, as applicable, shall be responsible for loading Product on Supplier's receiving carrier. Supplier shall ship bulk pouched Product, packaged and labeled per the Specifications, directly to the address and facility specified on Perrigo's purchase order form or as otherwise directed by Perrigo in writing.

3.8 Certificates of Compliance and Analysis. Supplier shall separately package and label any production lot, in whole or in part, supplied to Perrigo. Supplier shall separately provide Perrigo with Certificates of Analysis and Certificates of Compliance, in the English language, related to Product for each production lot released for delivery. The Certificates of Analysis will document that each production lot received by Perrigo conforms to the Specifications. The Certificate of Compliance will document that each lot received by Perrigo complies with GMP. A copy of each certificate shall be included with each production lot delivered to Perrigo.

3.9 Tamper Evident Seals. Supplier will use pallets, containers, container liners, labels and tamper evident seals that are mutually acceptable to Supplier and Perrigo.

3.10 Shortages/ Rejected Goods.

(a) Shortages. Perrigo shall notify Supplier in writing of any shortage in quantity of any shipment of Product within forty-five (45) business days after becoming aware of any such shortage. In the event of such shortage, Supplier shall make up the shortage within seven (7) business days if replacement Product stock is available, or, if no such replacement stock is available, as soon as reasonably practicable after receiving such notice, at no additional cost to Perrigo.

(b) Rejected Product. If Perrigo has a reasonable belief that any Product it receives has a Significant Deviation, Perrigo shall promptly notify Supplier after such discovery, and Supplier shall use best efforts to initiate a full investigation within ten (10) business days of being informed of the alleged Significant Deviation by Perrigo and shall complete such investigation within thirty (30) days. Supplier shall promptly report the results of such investigation to Perrigo. In the event of a dispute regarding whether any Product meets the Specifications or otherwise has a Significant Deviation, Perrigo shall submit a sample of such Product to a mutually acceptable independent laboratory for testing and the test results obtained by such laboratory shall be final and controlling. The fees and expenses of such laboratory testing shall be borne entirely by the Party against whom such laboratory's findings are made. In the event the test results indicate that Product in question fails to meet the Specifications, or

otherwise has a Significant Deviation, Supplier shall replace such Product, at no additional cost to Perrigo, as soon as reasonably possible, but in no event later than twenty (20) business days after receipt of such results. In the event the test results indicate that Product in question does meet the Specifications and does not have a Significant Deviation, Perrigo shall pay all additional shipping and transportation costs for such Product.

(c) Capacity Allocation. In the event Supplier, upon receiving a forecast or a firm order is, or anticipates that it will be, unable to meet such forecast or firm order, either in whole or in part, then Supplier shall give Perrigo written notice of such inability or potential inability within twenty (20) days of receipt of such forecast or firm order. Supplier and Perrigo shall meet within twenty (20) days of such written notice to consider alternatives for meeting Perrigo's requirements for Product, including, but not limited to, third parties outsourcing and expanding Supplier's manufacturing capacity.

3.11 Right to Obtain Products From Other Sources. If at any time or times during the term of this Agreement for any reason (including an event described in Article 9) either (a) Supplier notifies Perrigo that Supplier cannot supply all of Perrigo's requirements of the Product on the delivery dates required by this Agreement, or (b) during any period of ninety (90) consecutive days Supplier does not supply Perrigo with at least 95% of Perrigo's ordered quantities of the Product that are in compliance with the Specifications and other requirements of this Agreement and that are required, in accordance with the delivery terms specified in this Agreement, to be delivered to Perrigo during that ninety (90) day period, then Perrigo may, in addition to its other rights and remedies, obtain all or any part of its requirements of the Product (or any comparable product) from other sources and any such purchases from other sources will be excluded from Perrigo's requirements under this Agreement. If Perrigo so obtains the Product or a comparable product from another source and thereafter (i) Supplier is able to resume supplying the Product to Perrigo in accordance with the provisions of this Agreement, and (ii) Supplier notifies Perrigo in writing that Supplier desires and is able to resume supplying the Product to Perrigo under the terms of this Agreement and Supplier provides reasonable assurances of its ability to do so to Perrigo, then Perrigo will resume purchasing the Product from Supplier and Supplier will resume supplying the Product to Perrigo in accordance with the provisions of this Agreement as quickly as commercially possible after Perrigo satisfies any then outstanding agreement or commitment to purchase the Product or any comparable product from another source.

3.12 As a condition precedent to the sale of the Product by Perrigo in Canada and/or Mexico, Perrigo shall be responsible for obtaining any foreign registrations (i.e., regulatory approval) which may be needed for marketing and/or sale of the Product in Canada and/or Mexico.

ARTICLE 4 - PRICE

4.1 Price. The initial price of the Product is set forth in Exhibit 4. On or about April 1 of each year, beginning April 1, 2008, the Parties will review the price of the Product, and the price of the Product will be increased or decreased by mutual agreement of the Parties effective the following July 1, commencing July 1, 2008 **[*]**. The price of the Product is also subject to the adjustments set forth in Section 4.2 and Section 4.3, with any price adjustment under Section 4.2 or Section 4.3 taking priority over any price adjustment

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under this Section 4.1. Perrigo shall settle invoices within forty-five (45) days following the date of invoice.

4.2 **[*]**.

ARTICLE 5 - MANUFACTURING, SPECIFICATIONS AND INSPECTION

5.1 Good Manufacturing Practices. Supplier shall manufacture, or as permitted by this Agreement, have manufactured, Product to meet GMP, all laws, guidelines and regulations applicable to the manufacture of Product within the Territory, and the terms and requirements set forth in this Agreement.

5.2 Specifications. Supplier shall manufacture, or as permitted by this Agreement, have manufactured, all Product it supplies to Perrigo in accordance with the specifications, GMP and all applicable legal requirements.

5.3 Facilities. Supplier shall manufacture and package, or as permitted by this Agreement, have manufactured or packaged, Product only at facilities that (a) have been registered for the manufacture or packaging of Product with the FDA and any other regulatory authority in the Territory, (b) have been approved by Perrigo, (c) are GMP compliant, and (d) are in good standing with the FDA.

5.4 Non-conformance. Supplier will notify Perrigo within two (2) business days of learning and/or receiving notice, whether before or after delivery of the affected Product to Perrigo, that any Product contains a Significant Deviation, foreign material, contaminant, defect or latent defect, Supplier will thoroughly investigate and document all such events.

5.5 Batch Documentation. Supplier agrees to prepare and complete all appropriate and required manufacturing, production and packaging batch documentation for each batch of Product and to retain such documentation pursuant to an appropriate document retention schedule that complies with all applicable regulatory requirements. Supplier will make any such documentation available for review and inspection at Supplier's facilities by Perrigo and/or regulatory personnel. Representatives of Supplier may be present during such inspections at the discretion of Supplier. Perrigo must supply at least two weeks written notice to Supplier of its intent to inspect unless such inspection is prompted by a quality problem. The time for inspection must be reasonable and mutually acceptable.

5.6 Test Method Validation. Supplier agrees to provide Perrigo with the technology and know-how required to perform and validate all test methods used to characterize and release Product. Supplier will also supply reference standards to Perrigo, as needed, to perform test method validation and periodic audit testing of Product.

5.7 Direction by Perrigo. Perrigo reserves the right to (a) require Supplier to make adjustments to the composition and/or processes that are required to meet FDA standards or requirements; (b) review the validation protocols prior to Supplier's processing Product; (c) review validation data and reports prior to delivery of Product to Perrigo; and (d) request

additional or more in-depth investigations by Supplier of any Significant Deviation. Supplier shall provide to Perrigo copies of all manufacturing batch records, validation protocols, reports, and summaries of raw data related to validation activities.

5.8 Stability. Supplier will conduct and maintain the regulatory stability program that meets Specification for the shelf-life of the marketed Product (as determined by the expiration dating of the Product). Supplier will provide Perrigo with yearly stability reports and an Annual Product Summary (summary of lots produced, complaints, out of specification results, etc.).

5.9 Process Validation. Supplier will complete validation of its equipment, facilities, cleaning processes, and manufacturing process as required by the GMP. Supplier will routinely assemble and retain validation/qualification documents and prepaid validation summary reports relevant to the Product and will make them available for inspection by Perrigo at Supplier's facilities.

5.10 Inspection; Adjustments. Perrigo has the right to inspect the manufacturing and testing sites and premises of Supplier, which includes (but is not limited to) the right of Perrigo representatives to enter such sites and premises, the right to inspect any machines used in the manufacture and testing of Product, and the right to take reasonable amounts of samples for analysis by Perrigo, regardless of whether such premises are those of Supplier, its subcontractor or Affiliate. This right of inspection can be exercised at least once a year, subject to a written notice to Supplier, at least two weeks prior to the inspection unless such inspection is prompted by a quality problem. Supplier shall permit such inspection at reasonable and mutually acceptable times. Perrigo reserves the right to request Supplier to make adjustments to Supplier's systems to meet Perrigo Corporate Policies and Standards for quality, environmental and safety practices (the "Standards"). Supplier will use commercially reasonable efforts to adjust its systems to meet the Standards. Perrigo will provide Supplier with the Standards and any updates of the Standards. Under the same terms and conditions, Supplier shall have the right to inspect Perrigo's warehouses, specifically used for the storage, testing and packaging of Product.

5.11 Auditing of Suppliers. Supplier is responsible for auditing the suppliers of all materials and excipients used in the manufacture and packaging of Product. Supplier will use its best efforts to obtain the authorization from such Supplier suppliers as required in order to enable Perrigo's representatives to participate in all audits of Supplier's suppliers. Supplier will provide to Perrigo, upon Perrigo's request, the results from any such audit of Supplier's suppliers.

5.12 Regulatory Actions. Supplier and Perrigo shall promptly inform each other in writing of any inspection, application for inspection, and other regulatory action, by any regulatory agency within the Territory, relating to Product or the manufacture of Product. Each party will permit the other's representatives to be present in the premises during any such inspection. Inspections will be managed by the premises' Agent in Charge. The Agent in Charge will determine at his/her sole discretion the need for Perrigo and/or Supplier personnel to directly interact with the inspector(s) and/or be present in the inspection room. Each party will provide the other with the results of all regulatory inspection or audits with fourteen (14) business days after such party's receipt of such results.

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5.13 Testing. Supplier, its Affiliates and/or third-party designates must test and inspect all Product and appropriately document such efforts. No Product shall be shipped by Supplier, its Affiliates or third-party designates unless the tests of Supplier, its Affiliates or third-party designates, performed in accordance with procedures set forth in the Specifications, show that Product meets the standards set forth in the Specifications.

5.14 Required Regulatory Changes. Should Supplier learn or receive notice of any changes that are required by the regulatory authorities within the Territory with respect to the quality and/or manufacture of Product, it shall promptly notify Perrigo of such required changes. Supplier shall implement such changes within the time frame required by the regulatory authorities.

5.15 Notice of Changes. Supplier must obtain the prior written consent of Perrigo before making any changes to the Specifications, the method of manufacture of Product, the facilities at which and/or the equipment in which Product is made, the materials and/or source of materials used in the manufacture of Product, Drug Master File, test methods, and/or the validated processes associated with the manufacture of Product. Perrigo will not unreasonably withhold its consent to a change to the Specifications that the Parties agree is necessary to comply with FDA requirements or any other applicable rules or regulations. Any changes in or to the Specifications, Drug Master File, method of manufacturing, the facility or location of manufacture, the equipment used to manufacture, the materials and/or source of materials used in manufacturing, or the process of testing and/or manufacturing Product shall, in each case, comply with GMP

and all applicable laws, regulations, FDA requirements and the terms and conditions of this Agreement. Upon providing Perrigo with the required written notice of any such change, Supplier shall (a) immediately provide Perrigo with all relevant information regarding the change, (b) refrain from proceeding with the change until it receives written consent or approval from the FDA, if such consent is necessary, (c) be responsible, at its expense, to ensure that all Product manufactured following the change meets the Specifications, (d) appropriately document any such change, and (e) amend any necessary regulatory filings maintained with respect to Product. Supplier shall continue to supply Perrigo with Product approved under Supplier's existing regulatory files for Product until such time as the proposed change is permitted under the regulatory filings for Product.

5.16 Storage. Supplier shall adhere to any and all applicable regulations and GMP relative to the storage of Product and any material used to manufacture Product. In no event shall Supplier manufacture, process, package, use or store any other product that may present a potential hazard to Product or the material used to manufacture Product, including but not limited to highly potent drugs and hormones, biological preparations, and non-pharmaceutical chemicals, in the same facilities and/or equipment used for manufacturing Product. Nor will Supplier dispose of and/or destroy any waste product, waste material, or labeling materials in a manner contrary to all applicable regulatory and environmental laws.

5.17 Samples. Supplier shall store and retain sufficient samples of (a) Product that it supplies to Perrigo, and (b) materials released for and used to manufacture and package Product (except water, compressed gases and highly volatile compounds) in conditions and for times consistent with all applicable regulations and GMP and to permit any and all appropriate or required internal and regulatory checks and references.

5.18 Storage Conditions. Supplier agrees to store Product labeling material under appropriate controlled and secured conditions.

5.19 Inspection of Materials. Supplier agrees to inspect all container materials, upon receipt by Supplier or its suppliers or agents, for external condition, intact and authentic seals, and compliance of the type and number of containers and labeling set forth in the delivery of the documents on a batch-by-batch basis.

5.20 Quality Agreement. Attached to this Agreement as Exhibit 5 and made a part of this Agreement is a separate quality agreement between the Parties (the "Quality Agreement") that applies to all Product that Supplier supplies to Perrigo. Any breach of the provisions of the Quality Agreement shall constitute a breach of this Agreement. If there is any conflict, inconsistency or ambiguity between the provisions of the Quality Agreement and the provisions of this Agreement, then the provisions of this Agreement will govern.

ARTICLE 6 - - PRODUCT RECALLS/INQUIRIES AND COMPLAINTS

6.1 Product Recalls. In the event (a) any government authority issues a request, directive or order that Product be recalled, (b) a court of competent jurisdiction orders such a recall, or (c) Supplier or Perrigo shall reasonably determine that Product should be recalled, the Parties shall immediately notify each other and shall take all appropriate corrective actions, and shall cooperate in the investigations surrounding the recall. Perrigo shall be responsible for making the final decision of whether a recall of any Product is necessary or appropriate and for conducting any recalls with respect to Product, and Supplier shall not take any associated corrective action without first conferring with and obtaining the approval of Perrigo, provided, however, that Supplier shall not be prohibited by this section from taking any action that Supplier determines, after conferring with Perrigo, is required by any applicable law, rule or regulation. Supplier shall be responsible for all expenses of any such recall to the extent that such recall results from or arises out of the negligence or willful misconduct of, or any breach of any representation, warranty, covenant or obligation of or by, Supplier, any Affiliate of Supplier or any third party subcontractor engaged by Supplier. Perrigo shall be responsible for all expenses of any such recall to the extent the recall does not result from or arise out of the negligence or willful misconduct of, or any breach of any representation, warranty, covenant or obligation of or by, Supplier, any Affiliate of Supplier, or any third party subcontractor engaged by Supplier. For purposes of this Agreement, the expenses of a recall shall include the expenses of notification and destruction or return of the recalled Product and all other costs incurred in connection with such recall.

6.2 Inquiries and Customer Complaints. Except as otherwise required by law or governmental regulation, Perrigo will be responsible for investigating and responding to all inquiries, complaints and adverse events regarding Product. Supplier agrees to provide assistance on the non-medical evaluation, providing manufacturing or test- results related information and related assistance as Perrigo may reasonably request.

6.3 Claims; Other Actions. As soon as it becomes aware, each Party will give the other prompt written notice of any defect or alleged defect in a Product, any injury alleged to have occurred as a result of the use or application of a Product, and any circumstances that may

reasonably be expected to give rise to litigation or recall of a Product or regulatory action that may affect the sale or manufacture of a Product, specifying, to the extent the Party has such information, the time, place and circumstances thereof and the names and addresses of the persons involved. Each Party will also furnish promptly to the other copies of all papers received in respect of any claim, action or suit arising out of such alleged defect, injury or regulatory action.

ARTICLE 7 - - CONFIDENTIALITY

7.1 Term. Except as otherwise provided in this Article, during the term of this Agreement, including any renewals thereof, and for a period of ten (10) years thereafter:

Supplier will retain in confidence and use only for purposes of this Agreement any Confidential Information disclosed by Perrigo or on behalf of Perrigo to Supplier under this Agreement; and

Perrigo will retain in confidence and use only for purposes of this Agreement any Confidential Information disclosed by Supplier or on behalf of Supplier to Perrigo under this Agreement.

7.2 Exceptions. To the extent it is reasonably necessary or appropriate to fulfill its obligations or exercise its rights under this Agreement or any rights which survive termination or expiration hereof, each party may disclose Confidential Information to its Affiliates, sublicensees, consultants, outside contractors, clinical investigators or other third parties on condition that such entities or persons agree (a) to keep the Confidential Information confidential for the same time periods and to the same extent as each party is required to keep the Confidential Information confidential, and (b) to use the Confidential Information only for such purposes as such party is entitled to use the Confidential Information. Each party or its Affiliates or sublicensees may disclose such Confidential Information to government or other regulatory authorities to the extent that such disclosure (i) is reasonably necessary to obtain patents or authorizations to conduct clinical trials with and to market commercially the Product, provided such party is otherwise entitled to engage in such activities under this Agreement or (ii) is otherwise legally required including to comply with securities laws applicable to a public company.

7.3 Survival. The Sections of this Article shall survive the expiration or termination of this Agreement.

ARTICLE 8 — PROPRIETARY RIGHTS

8.1 Preexisting Intellectual Property. Notwithstanding anything to the contrary herein, each Party shall be the sole owner of all Intellectual Property Rights owned by it as of the date of execution of this Agreement or developed by it during the term independent of this Agreement.

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8.2 Ownership of Intellectual Property Rights. Supplier shall own all Intellectual Property Rights in and to any Inventions associated with the Product, as well as all improvements thereto developed by Supplier during the term of this Agreement.

ARTICLE 9 - - FORCE MAJEURE

To the extent any situations beyond the reasonable control of a party (including but not limited to war, fire, strike, governmental actions, etc.) prevent a party from properly executing its obligations under this Agreement such party shall be excused to such extent. However, after such force majeure situation is resolved, the parties hereto shall resume their shipments under this Agreement and shall negotiate in good faith how to effect and take delivery of the shipments not made due to the force majeure situation. If, after a reasonable period of delay as a result of force majeure, either party is still unable to perform its obligations hereunder and the it does not appear that such force majeure condition is likely to be corrected during the next twelve (12) month period (and the purpose of this Agreement is thereby frustrated), then either party shall have the option to terminate the Agreement as though the term had expired.

ARTICLE 10— LIMITATION OF LIABILITY

THE PARTIES ACKNOWLEDGE AND AGREE THAT IN NO EVENT SHALL EITHER PARTY BE LIABLE OR RESPONSIBLE TO THE OTHER PARTY FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, OR CONSEQUENTIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF USE, OR DAMAGE TO BUSINESS OR GOODWILL IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT, PROVIDED, HOWEVER, THIS ARTICLE 10 SHALL NOT APPLY (A) TO ANY DAMAGES OWING TO AN UNAFFILIATED THIRD PARTY THAT ARE COVERED BY A PARTY'S INDEMNIFICATION OBLIGATIONS TO THE OTHER PARTY UNDER THIS AGREEMENT, OR (B) IN THE CASE OF BAD FAITH OR WILLFUL MISCONDUCT.

ARTICLE 11 - - REPRESENTATIONS AND WARRANTIES

11.1 Supplier represents and warrants to Perrigo that:

(a) FDA Approval. The Product is approved by the FDA for the uses set forth in Product labeling.

(b) Product.

(i) All Product will conform to, and be manufactured by in conformity with, the Specifications, FDA regulations, GMP and any comparable state agency applicable thereto and will be labeled in accordance with the applicable regulations.

(ii) Each Product manufactured by, or on behalf of, Supplier and sold to Perrigo pursuant to this Agreement will meet the Specifications for such Product in effect at the time title to such Product passes from Supplier to Perrigo.

(iii) Each Product delivered to Perrigo pursuant to this Agreement will, at the time of such delivery, not be adulterated within the meaning of the Act or contain a

Significant Deviation, defect or latent defect, and will not be an article which may not, under the provisions of such Act, be introduced into interstate commerce.

(iv) Each Product delivered to Perrigo pursuant to this Agreement will have not less than twenty-two (22) months of remaining expiration dating at the time it is delivered to Perrigo in accordance with Section 3.7 of this Agreement.

(c) No Liens. All Product delivered to Perrigo pursuant to this Agreement will, at the time of such delivery, be free and clear of all liens, security interests and other encumbrances.

(d) No Conflict. The execution, delivery and performance of this Agreement by Supplier does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, and does not violate any law or regulation of any court, governmental body or administrative or other agency having authority over it; Supplier is not currently a party to, and during the term of this Agreement will not enter into, any agreements, oral or written, that are inconsistent with its obligations under this Agreement.

(e) Authority. Supplier is validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to enter into this Agreement. This Agreement has been duly executed and delivered by Supplier and constitutes the valid and binding obligation of Supplier, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Supplier, its officers and directors.

(f) Intellectual Property Infringement. Supplier has no knowledge of the existence of any patent, trademark, or other intellectual property right owned or controlled by a third party that would prevent in any material way Supplier from manufacturing and/or Perrigo from marketing, selling, and distributing Product.

(g) Manufacturing Capability. Supplier has the capability to meet Perrigo's estimated annual requirements for Product as set forth in Exhibit 4.

11.2 Perrigo represents and warrants to Supplier that:

(a) No Conflict. The execution, delivery and performance of this Agreement by Perrigo does not conflict with any agreement, instrument or understanding, oral or written, to which it is a party or by which it may be bound, and does not violate any law or regulation of any court, governmental body or administrative or other agency having authority over it. Perrigo is not currently a party to, and during the term of this Agreement will not enter into, any agreements, oral or written, that are inconsistent with its obligations under this Agreement.

(b) Authority. Perrigo is validly existing and in good standing under the laws of the state of its incorporation and has the corporate power and authority to enter into this Agreement. This Agreement has been duly executed and delivered by Perrigo and constitutes

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the valid and binding obligation of Perrigo, enforceable against it in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Perrigo, its officers and directors.

ARTICLE 12 - - INDEMNIFICATION

12.1 Indemnification by Supplier. Except as otherwise specifically provided herein, Supplier shall indemnify and hold harmless Perrigo and its officers, directors, agents, employees, Affiliates, and licensees against all claims, actions, losses, damages, personal injuries (including death), defects, costs, expenses (including court costs and legal fees on a full indemnity basis) or other liabilities ("Liabilities") arising out of or on account of:

(a) any negligence or willful misconduct of Supplier (or any third party subcontractor engaged by Supplier) in the manufacture, packaging, storage, handling or shipment of any Product; or

(b) any breach or default by Supplier of any of its covenants, agreements, representations, or warranties set forth in this Agreement (including, but not limited to, those set forth in Section 11.1(b)); or

(c) any claim that the Product, the marketing, sale, distribution or use of the Product, or any process, procedure, method of manufacturing, technique or equipment used by Supplier (or any third party subcontractor engaged by Supplier) infringes any Intellectual Property Rights of another person or entity; or

(d) any labeling of any Product to the extent such labeling is supplied by or at the direction of Supplier.

12.2 Indemnification by Perrigo. Except as otherwise specifically provided herein, Perrigo shall indemnify and hold harmless Supplier from all Liabilities arising out of or on account of:

(a) any negligence or willful misconduct of Perrigo in the storage, distribution, handling or sale of Product;

(b) any labeling of any Product to the extent that such labeling has been supplied by or at the direction of Perrigo and applied in accordance with instructions from Perrigo; or

(c) any representation or warranty made by Perrigo to its customers or users with respect to Product in its advertising and marketing materials.

12.3 Procedures. In the event that a third-party claim is made or third-party suit is filed for which either party intends to seek indemnification from the other party pursuant to this Section, the party seeking indemnification (the "Indemnitee") shall promptly notify the other

party (the "Indemnitor") of said claim or suit. The Indemnitor shall have the right to control, through counsel of its choosing, the defense of such third-party claim or suit, but may compromise or settle the same only with the consent of the Indemnitee, which consent shall not be unreasonably withheld. The Indemnitee shall cooperate fully with the Indemnitor and its counsel in the defense of any such claim or suit and shall make available to the Indemnitor any books, records or other documents necessary or appropriate for such defense. The Indemnitee shall have the right to participate at the Indemnitee's expense in the defense of any such claim or suit through counsel chosen by the Indemnitee.

12.4 Survival. The Sections of this Article shall survive the expiration or termination of this Agreement.

ARTICLE 13 - - TERM AND TERMINATION

13.1 Term. The term of this Agreement shall be through December 31, 2011, unless earlier terminated or later extended by agreement of the parties or pursuant to the terms of this Agreement.

13.2 Termination for Breach. If either Party shall breach any material obligation required under this Agreement, the other Party may give written notice of its intention to terminate this Agreement, describing in reasonable detail the breach. If the breaching Party fails to remedy such material breach within ninety (90) days following such written notice, or if such breach is not capable of cure within such period, and the breaching Party fails to commence cure procedures within such period and diligently prosecute such procedures until the breach is cured, then the non-breaching Party may, in addition to all other remedies available at law or in equity, terminate this Agreement immediately upon written notice.

13.3 Termination Upon Bankruptcy. Either Party may terminate this Agreement effective upon issuance of written notice if, at any time, the other Party files a petition in bankruptcy, or enters into an arrangement with its creditors, or applies for or consents to the appointment of a receiver or trustee, or makes an assignment for the benefit of creditors, or suffers or permits the entry of an order adjudicating it to be bankrupt or insolvent.

13.4 Termination for Failure to Receive Launch Quantities of Product. Perrigo may, at its option, terminate this Agreement by written notice to Supplier if validation scale-up of the Product is not successfully completed and Perrigo does not receive its ordered launch quantities of the Product by August 15, 2007.

13.5 Termination for Failure to Obtain or Maintain Acceptable Service Level. Perrigo may, at its option, terminate this Agreement by written notice to Supplier if Supplier fails to attain or maintain the Acceptable Service Level at any time.

13.6 Termination for Intellectual Property Rights Infringement Action. Perrigo may, at its option, terminate this Agreement by written notice to Supplier if any lawsuit or other legal action is commenced or threatened in writing against Perrigo or Supplier alleging the Product, or the marketing, sale, distribution, or use of the Product, or any process, procedure, method of manufacturing, technique, or equipment used by Supplier (or any third party subcontractor

engaged by Supplier) in the production or packaging of Product infringes any Intellectual Property Right of another person or entity.

13.7 Performance on Termination. Upon termination of this Agreement for any reason: (a) Products manufactured pursuant to firm orders shall be delivered on the scheduled delivery dates and Perrigo shall pay Supplier not later than thirty (30) days thereafter (provided, that Perrigo makes advance payment prior to shipment in the event of termination due to payment default by Perrigo); (b) all raw materials, labels and packaging furnished by Perrigo shall be

returned, at Perrigo's expense in the event that termination is caused by default or material breach by Perrigo; and (c) all costs of unused raw materials, labels and packaging incurred by Supplier shall be paid by Perrigo in the event that termination is caused by default or material breach by Perrigo.

13.8 Post-Termination. Any termination of this Agreement shall not relieve either Party of its obligations or liability for breaches or defaults of this Agreement incurred prior to or in connection with such termination. All rights and obligations of the Parties arising prior to the termination of this Agreement, and all provisions of this Agreement either allocating responsibility or liability between the Parties (including the intellectual property provisions in Article 8, indemnification obligations in Article 11), and confidentiality obligations in Article 7) and all rights and obligations of the Parties which, by their terms, are to be performed or complied with subsequent to or survive the termination of this Agreement, shall survive the termination of this Agreement and continue in effect.

ARTICLE 14- MISCELLANEOUS

14.1 Counterparts. This Agreement and any amendment or supplement hereto may be executed in any number of counterparts and any Party hereto may execute any such counterpart, each of which when executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument. The execution of this Agreement and any such amendment or supplement by any Party hereto will not become effective until counterparts hereof have been executed by both Parties hereto.

14.2 Compliance with Laws. Each Party shall comply in all material respects with all applicable laws and regulations including, but not limited to, those concerning drugs or drug manufacture regulatory requirements, the Products in particular, protection of the environment and health and safety of its workers.

14.3 Use of Names. Except as otherwise required by law or by the terms of this Agreement or mutually agreed upon by the Parties, neither Party shall make any use of the name of the other Party in any advertising or promotional material without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

14.4 Independent Contractors. The relationship between Perrigo and Supplier is that of independent contractors, and nothing herein shall be deemed to constitute the relationship of partners, joint venturers, or principal and agent between Perrigo and Supplier. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or

in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any third party.

14.5 Assignment. This Agreement may not be assigned or otherwise transferred by either Party without the prior written consent of the other Party; provided, however, either Party may, without such consent, assign this Agreement (a) in connection with the transfer or sale of all or substantially all of the assets of such Party or the line of business or drug products of which this Agreement forms a part, (b) in the event of the merger or consolidation of a Party hereto with another company, or (c) to any Affiliate of the assigning Party. Any purported assignment in violation of the preceding sentence shall be void. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve either Party of responsibility for the performance of any obligation, which accrued prior to the effective date of such assignment.

14.6 Continuing Obligations. Termination, assignment or expiration of this Agreement shall not relieve either Party from full performance of any obligations incurred prior thereto.

14.7 Waiver. Neither Party's waiver of any breach or failure to enforce any of the terms and conditions of this Agreement, at any time, shall in any way affect, limit or waive such Party's right thereafter to enforce and compel strict compliance with every term and condition of this Agreement.

14.8 Severability. Each Party hereby expressly agrees that it has no intention to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries; that if any word, sentence, paragraph, article or combination thereof in this Agreement is found by a court or executive body with judicial powers having jurisdiction over this Agreement or either party hereto, in a final unappealed order, to be in violation of any such provisions in any country or community or association of countries, such words, sentences, paragraphs, Articles or combination shall be inoperative in such country or community or association of countries and the remainder of this Agreement shall remain binding upon the Parties, so long as enforcement of the remainder does not violate the Parties' overall intentions in this transaction.

14.9 Headings. The headings in this Agreement are for convenience of reference only and shall not affect its interpretation.

14.10 Exhibits. All exhibits referred to herein form an integral part of this Agreement and are incorporated into this Agreement by such reference.

14.11 Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be delivered personally or sent by (a) registered or certified mail, return receipt requested, (b) an internationally-recognized courier service, charges prepaid or (c) facsimile (with the original promptly sent by any of the foregoing manners), and shall be deemed to have been given upon receipt.

Any such notices shall be addressed to the receiving party at such party's address set forth below, or at such other address as may from time to time be furnished by similar notice by either party:

If to Supplier:

A. Mark Schobel
President, CEO
30 Technology Drive
Warren, NJ 07059
Facsimile No.: (908) 561-1209

If to Perrigo:

L. Perrigo Company
515 Eastern Avenue
Allegan, MI 49010
Attn: Vice President of Procurement
Facsimile No.: (269) 673-7534

With a copy of legal notices to:

L. Perrigo Company
Attn:Assistant General Counsel
515 Eastern Avenue
Allegan, MI 49010
Facsimile No.: (269) 673-1386

14.12 Review by Legal Counsel. Each of the Parties agrees that it has had the opportunity to review this Agreement with its legal counsel. Accordingly, the rule of construction that any ambiguity in this Agreement is to be construed against the drafting party shall not apply.

14.13 Entire Agreement. This document constitutes the full understanding of the Parties and a complete and exclusive statement of the terms of their agreement. No terms, conditions, understanding, or agreement purporting to modify or vary the terms of this Agreement shall be binding unless hereafter made in writing and signed by both Parties. No modification to this Agreement shall be effected by the acknowledgment or acceptance of any purchase order or shipping instruction forms or similar documents containing terms or conditions at variance with or in addition to those set forth herein.

14.14 Import Compliance. The Parties agree to comply with all statutes, rules and requirements regarding the importing of Product into the United States, including but not limited to proper declaration of dutiable values.

14.15 Choice of Law. The validity, interpretation and performance of this Agreement shall be governed and construed in accordance with the laws of Michigan without regard to the conflicts of law provisions thereof. The application of the U.N. Convention on Contracts for the International Sale of Goods (1980) is excluded.

14.16 Debarment. Supplier certifies that it is not debarred under subsections 306(a) or 306(b) of the Federal Food, Drug, and Cosmetic Act, as amended, and that it has not and will not use in any capacity the services of any person debarred under such law with respect to services to

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

be performed under this Agreement. Supplier further certifies that it will amend this certification as necessary in light of new information.

14.17 Insurance. Supplier shall carry and maintain at its expense during the term of this Agreement appropriate insurance coverage of the kind acceptable to Perrigo, and with liability limits to protect itself and Perrigo from and against any and all claims or liabilities that may arise directly or indirectly as a result of its performance under this Agreement. Supplier shall provide a certificate evidencing adequate insurance coverage upon Perrigo's request.

The parties hereto have each caused this Agreement to be executed by their duly authorized representatives on the date and year hereinafter set forth.

L. PERRIGO COMPANY

By: /s/ Kitty Cairns

Name: Kitty Cairns

Title: VP Procurement

Date: April 6, 2007

MONOSOLRX LLC

By: /s/ A. Mark Schobel

Name: A. Mark Schobel

Title: President/CEO

Date: March 20 , 2007

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

EXHIBIT 1
to
Supply Agreement
between
MonoSolRx LLC
and
L. Perrigo Company

Product Specifications

[*]

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

EXHIBIT 2
to
Supply Agreement
between
MonoSolRx LLC
and
L. Perrigo Company

Product Development

[*]

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

EXHIBIT 3
to
Supply Agreement
between
MonoSolRx LLC
and
L. Perrigo Company

Supplier's Good Faith Estimate of Total Expenses for Generating Two-Year Stability Data

[*]

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

EXHIBIT 4
to
Supply Agreement
between
MonoSolRx LLC
and
L. Perrigo Company

Initial Price of the Product and Perrigo's Estimated Annual Requirements

[*]

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

EXHIBIT 5
to
Supply Agreement
between
MonoSolRx LLC
and
L. Perrigo Company

Quality Agreement

[Before Supplier manufactures any commercial quantities of the Product for Perrigo, the Parties will, acting in good faith and in a commercially reasonable manner, jointly prepare and sign a mutually acceptable quality agreement between the Parties that applies to all Product that Supplier supplies to Perrigo under this Agreement.]

EXHIBIT 10.12

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as **[*]**. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

EXECUTION COPY

BENZYDAMINE DEVELOPMENT AGREEMENT

This Development Agreement is entered into as of 1 April 2006 by and between MonoSolRx, a Delaware limited liability company with offices at 6560 Mellon Road, Portage IN, USA ("MSRX") and Aziende Chimiche Riunite Angelini Francesco A.C.R.A.F. S.p.A., a company with only one shareholder under direction and coordination of Finaf S.p.A., with offices at Viale Amelia 70, I - 000181 Roma, Italy ("Angelini").

Whereas, MSRX specializes in the development and manufacture of fast dissolving oral film drug delivery dosage forms (the "MSRX Delivery System"), and

Whereas, Angelini wishes to explore the potential development and commercialization of a film containing benzydamine using the MSRX Delivery System.

The parties, for due and sufficient consideration the receipt of which is hereby acknowledged, agree as follows.

1. The Deliverables. MSRX will use its best efforts to develop a mint flavored version of its current Benzydamine film according to the specifications described in Annex 1 (the "Specifications"). Parties agree that Angelini will review if the excipients contained in the formulation comply with the excipients regulations described in Annex 1. Following acceptance of the formulation by Angelini, MSRX - on its production equipments - - will make at least 3 (three) batches. Each batch will contain 300,000 film strips (the "Deliverables"). The Deliverables will be delivered to Angelini within 10 (ten) labour day, from packaging of strips, by and at the cost of MSRX. For the production of the Deliverables, Angelini agrees to supply to MSRX not more than 25 kg of Benzydamine, free of charge, therefore all the quantities of Benzydamine - ordered by MSRX - exceeding 25 kg shall be supplied at the price of USD**[*]**/kg Ex Works Angelini Manufacturing Site.

2. Experimental Stability. Angelini shall conduct experimental stability on the Deliverables according to the Analytical development and pre-stability program set out in Annex 2 and agrees to share those results with MSRX under confidentiality. MSRX shall make personnel available for consultation regarding analytical testing methods as requested by Angelini, it being understood that Angelini shall be ultimately responsible for all analytical testing. Angelini shall make such information and methods available to MSRX as MSRX may reasonably request for use in cleaning validation of its production equipment in connection with the Benzydamine production.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

3. Further Commercialization. Angelini may continue with further development and/or commercialization efforts, at its sole option, in the territories listed in the Annex 3. In the event that Angelini wishes to continue such efforts, including the negotiation of commercial supply of product, MSRX will negotiate a commercial supply agreement on the basis of foil-foil pouched cassettes **[*]** for less than $**[*]** per item (subject to certain batch size minimums etc, exclusive of the cost of the drug to be supplied by Angelini and ex works Portage)

4. Development Cost for Deliverables. MSRX shall invoice Angelini forty thousand ($40,000) US dollars, half upon commencement and half upon delivery to Angelini of the materials for experimental stability.

5. Terms. This agreement shall be governed in accordance with the laws of the Republic of Italy.

In witness whereof, this agreement was duly executed.

A.C.R.A.F. S.p.A	**MONOSOLRX, LLC**
By: /s/ Gianloigi Mariafrozza	By: /s/ Alexander M. Schobel
Name: GIANLOIGI MARIAFROZZA	Name: Alexander M. Schobel
Title: MANAGING DIRECTOR	Title: Pres. & CEO

DATE, 25TH MAY 2006

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ANNEX I

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ANNEX II

Analytical Development and Pre-Stability Program

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

ANNEX III

[*]

Exhibit 10.13

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

Commercial Supply Agreement

This Commercial Supply Agreement is entered into as of June 4 2004 by and between MonoSolRx LLC, a limited liability company with a principal place of business at 6560 Melton Road, Portage, Indiana 46368 (together with its affiliates, "MONOSOLRX") and Dr. Harold Katz LLC, a limited liability company with a principal place of business at 370 South Fairfax Ave., Los Angeles, CA 90036 (together with its affiliates, "THERABREATH" and, together with MONOSOLRX, the "Parties").

Whereas, THERABREATH is a leading retailer and marketer of oral care products with a specific concentration in the mouthwash and breathe categories;

Whereas, MONOSOLRX is a manufacturer of film-based oral fast-dissolve OTC, nutraceutical and confection products;

Whereas, the Parties wish to enter into an arrangement wherein THERABREATH and MONOSOLRX jointly market certain film-based oral care products containing stabilized C102, to be manufactured exclusively by MONOSOLRX;

For good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. The Product. The "Product" is defined as any oral dissolvable film-based mouthwash and/or bad breath product that contains stabilized C102 (or any close variant thereof) as an active ingredient whether alone or in combination with other active ingredients.

2. Joint exclusivity. MONOSOLRX covenants to manufacture, supply and/or market the Product exclusively for THERABREATH. THERABREATH covenants to market the Product exclusively in conjunction with MONOSOLRX, The geographical area for the exclusivity stated herein will be worldwide.

3. Agreement to Market the Product. THERABREATH covenants that it will make reasonable and good-faith efforts to market the Product. In particular:

A. THERABREATH will market the Product on its web-site (www.thereabreath.com).

B. Therabreath will use reasonable efforts to market the Product to retail chains and wholesale distributors, and it will bear its own costs in so doing.

4. Fulfillment of Orders by MonoSolRx. MONOSOLRX will accept orders for the Product from Therabreath, subject to both (a) the minimum lot requirements of Section 5 and (b) MONOSOLRX's good faith appraisals of its then current production capacity and production schedule.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

5. Minimum Lot Requirements. The Parties recognize the certain production lot-specific costs make small production lots impractical. Accordingly, MonoSolRx will not be required to accept Product orders in amounts lower than **[*]** Units (defined as a container holding 24 individual strips, as the case may be) provided that the Parties recognize that such lot sizes are substantially below MONOSOLRX's standard lot sizes and the Parties will attempt in good faith to coordinate supply issues so that production lot sizes can be increased. THERABREATH agrees to place its initial product order within sixty days of the execution of this Agreement.

6. Supply Cost. The initial Product price shall be **[*]** per packaged 24 count box, inclusive of secondary packaging which shall be reasonably agreed upon between the Parties with Product similar and/or identical to the Product samples previously supplied to THERABREATH. Freight is EXW (Ex Works) and the Product price is subject to commercially reasonable increases linked to MONOSOLRX' s production energy, raw material and packaging costs. MONOSOLRX will notify THERABREATH of any price changes 30 days prior to increases or decreases being implemented. Payment shall be due in full 60 days following delivery of Product to THERABREATH.

7. Trade dress. The Product will be sold under the THERABREATH name, using standard THERABREATH trade dress, and the packaging shall contain a reference to MONOSOLRX as manufacturer and a small marketing indicia.

8. Intellectual Property. MONOSOLRX shall have the right, but not the duty, to take commercially reasonable steps to secure intellectual property rights in inventions relating to the Product in film form and in this event THERABREATH will assign all inventions to MONOSOLRX that relate to the Product. To the extent necessary, MONOSOLRX will provide a royalty-free license to THERABREATH for its existing product portfolio. Additionally, THERABREATH represents that it has a valid license to use any applicable third-party intellectual property in connection with the Product and shall be solely responsible for any royalties related to such license.

9. Ongoing Condition. It shall be an ongoing condition precedent for all duties and obligations created hereby for MONOSOLRX that MONOSOLRX should be reasonably satisfied that (a) the manufacturing, distribution and sale of the Product meets all applicable regulatory requirements, (b) the Product is technically feasible and that the Product is sufficiently stable, and (c) that any third-party intellectual property is available thru a valid, paid-up license through THERABREATH.

10. Minimum Total Product Orders. The number of Product units ordered, including orders by third parties as well as by THERABREATH, will meet or exceed a minimum of **[*]** total Units (defined as a container holding 16 or 24 individual strips, as the case may be) in year one, a minimum of **[*]** Units during the second year, and a minimum of **[*]** Units during each year thereafter for the duration of the Agreement.

11. Sole Remedies for Breach of Minimums. If aggregate Product orders fail to meet or exceed the yearly product order requirement, MONOSOLRX will have the right to terminate the Agreement. This termination right shall be the sole remedy of MonoSolRx in connection with the failure of the Product orders to meet or exceed the yearly minimums.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

12. Confidentiality. The terms of this Agreement shall be kept confidential, provided that either Party may issue a press release concerning the existence of a business relationship with the other party.

13. Sub-Licensing. THERABREATH and MONOSOLRX may sell the Product under brands or trade-names other than THERABREATH, provided tile Parties jointly agree to do so,

14. Other Products. Nothing in this Agreement shall prevent MONOSOLRX from distributing any products other than the Product.

15. Quarterly Estimates. MONOSOLRX and THERABREATH will communicate quarterly, providing each other with information pertinent to future planning that will best allow the Parties to meet their obligations under this Agreement. These estimates will be covered by this confidentiality agreement between the Parties.

16. Damages. IN NO EVENT SHALL MONOSOLRX OR THERABREATH BE LIABLE FOR LOST PROFITS, INJURY FOR LOST PROFITS, INJURY TO GOOD WILL OR ANY OTHER SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES.

17. Acts of God. Neither Party shall not be responsible for delays in delivery or any failure to deliver due to causes beyond such Party's control, including but not limited to acts of God, war, mobilization, civil commotion, riots, embargoes, domestic or foreign governmental regulations or orders, fires, floods, strikes, lockouts, and other labor difficulties, or shortages of or inability to obtain materials, shipping space or transportation.

18. Term. This Agreement shall be in effect for a term of four (4) years, with automatic one-year extensions unless a Party notifies the other of an intention to cancel within three months of the extension.

19. Applicable Law. This Agreement shall be governed by, construed, and enforced in accordance with tile laws of tile State of Illinois.

20. Arbitration. All controversies and claims arising out of or relating to this Agreement, or the breach thereof, shall be settled solely by arbitration held in Chicago, Illinois in accordance with the rules then obtaining of the American Arbitration Association, and judgment upon any award thereon, may be entered in any court having jurisdiction thereof, any demand for arbitration hereunder shall be made not later than one hundred and twenty (120) days after delivery of the goods.

21. Amendment. This Agreement may be amended, modified or supplemented only by a writing signed by the Parties.

22. Waivers. The failure of a Party at any time or times to require performance of any provision of this Agreement shall in no manner affect its right at a later time to enforce the same provision. No waiver by a Party shall be effective unless in writing.

23. Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective permitted successors and assigns.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

24. Severability and Reform. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected by that holding, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.

25. Entire Understanding. This Agreement (including schedules) sets forth the entire agreement and understanding of the Parties with respect to the transactions described in this Agreement supersedes any and all prior agreements, arrangements and understandings among the Parties relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the Parties have executed and delivered this Agreement on the date first above written.

MONOSOLRX LLC	Dr. Harold Katz LLC
/s/ P. Scott Bening	/s/ Harold Katz
By: P. Scott Bening	By: Harold Katz
Title: CEO	Title:

Confidential treatment has been requested for portions of this exhibit. The copy herewith omits the information subject to the confidentiality request. Omissions are designated as [*]. A complete version of this exhibit has been filed separately with the Securities and Exchange Commission.

DEVELOPMENT AND SUPPLY AGREEMENT

Parties: MonoSol RX LLC ("MONOSOL") and Vita Health Products Inc. ("VITA")

Dated on June 29, 2006

WHEREAS, MONOSOL desires to sell to VITA, and VITA desires to purchase from MONOSOL all of its requirements of the Product as defined below;

The parties further agree as follows:

1) Definitions. For the purposes of this Agreement unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

a) "DIN" means a drug identification number (within the meaning of the Food and Drug Regulations) issued by the TPD, as defined below, representing the market authorization in respect of the Products.

b) "Drug Establishment License" means a drug establishment license issued by the HBFBI, as defined below, and required for all businesses in Canada engaged in activities related to the manufacture, packaging, labeling, distribution, importation, wholesale and testing of drugs as outlined in the Food and Drug Regulations.

c) "Effective Date" means the date that this Agreement is executed by the parties.

d) "FDA" means the United States Food and Drug Administration or any successor agency from time to time, or such other agency having regulatory jurisdiction over the manufacture, distribution and sale of drugs in the United States.

e) "Formulary" means a compendium of formulae used in the preparation of medicinal drugs.

f) "GMP" means good manufacturing practices as defined by Health Products and Food Branch Inspectorate of Health Canada, as amended from time to time.

g) "HPFBI" means the Health Products and Food Branch Inspectorate of Health Canada or any successor agency from time to time having jurisdiction over compliance monitoring activities related to the activities outlined on a firm's Drug Establishment License.

h) "Patent" means pending patent application as per Appendix C.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

i) "Person" means an individual, corporation, partnership, trust, unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity.

j) "Product Information" means all information and data developed, generated or compiled by MONOSOL for submission to Health Canada in support of a DIN application. This includes but is not limited to, the file specification, test method and method validation documents, ingredient listing, mater batch record, packaging specifications, process validation summary report, and allergen/animal tissue forms.

k) "Products" means those products described in Appendix A.

l) "Regulatory Approvals" means the issuance of a DIN by Health Canada and/or the issuance/maintenance of licenses, approvals, authorizations, consents, Formulary listings, licenses and registrations by municipalities, provinces and territories required to sell Products in a given jurisdiction.

m) "Regulatory Authority" means the TPD and/or any provincial government ministry, department or agency, the regulatory body or other Person responsible in the province or territory in Canada in question for issuing Regulatory Approvals or licenses and/or for enacting, monitoring and/or enforcing the applicable laws relating to the sale of pharmaceutical Products in such market or jurisdiction, the designation or listing of any pharmaceutical product as interchangeable with one or more pharmaceutical Products or the listing or acceptance of a pharmaceutical product for listing in the Formulary published in that jurisdiction.

n) "Initial Term" means the initial term of five (5) years from the Effective Date.

o) "Renewal Term" means any successive one (1) year term of this Agreement subsequent to the Initial Term.

p) "Territory" means Canada.

q) "TPD" means the Therapeutic Products Directorate of Health Canada (or whatever such agency might be called from time to time), or any successor agency having regulatory jurisdiction over the manufacture, distribution and sale of drugs in Canada.

2) Ownership Product Information and Patent. MONOSOL is or is entitled to be the owner of the Product Information and the Patent.

3) Batch Size. Orders of the Products by VITA from MONOSOL may be in partial or full batch quantities as may be agreed to by the parties from time to time.

4) Product Information. MONOSOL shall promptly provide to VITA all Product Information and relevant information which MONOSOL shall from time to time have available to it regarding changes or additions to the Product Information.

5) License. MONOSOL hereby grants to VITA, for the Term, and VITA hereby accepts, a license to use the Product Information for the purposes related to this Agreement, including obtaining the required Regulatory Approvals and manufacturing, distributing and selling the Products within the Territory. VITA shall use the Product Information only as set forth in this Agreement, and for no other purpose. VITA further consents to protect, and keep confidential, the Product Information, and shall not disclose the Product Information to any Person who is not an employee of VITA, without having said Person agree to keep the Product Information confidential and not to utilize the Product Information for any purpose other than facilitating VITA's performance under this Agreement. VITA shall use commercially reasonable efforts to obtain and maintain a DIN to market, sell and distribute the Products.

6) Sub-License. Vita may request written permission to sub-license its rights under this Agreement in whole or in part to a specified third party, which may not be unreasonably withheld.

7) No Infringement. MONOSOL warrants that to the best of its knowledge and belief the Product Information and Patent do not infringe the valid rights of any Person and that it is not aware of any pending or potential claim by a Person with respect to any of MONOSOL's rights to the Product Information and Patent.

8) Product Development/Trade-mark Litigation. MONOSOL shall use commercially reasonable efforts to complete the development of the Products, and provide the Product Information to VITA. VITA, at its cost is responsible to satisfy the requirements such that a Product does not infringe trade-mark rights of any Person. In the event that a claim arises, based upon an allegation that a Product infringes trade-mark rights of any Person, the party receiving notice of such claim shall, promptly after becoming aware of same, give written notice to the other party of the existence of such claim and, thereafter, VITA shall defend and pay all costs related to such claim using its own counsel and if required co-counsel with MONOSOL.

9) Patent Litigation. MONOSOL, at its cost, will take all reasonable and customary steps to produce Product which does not infringe the patent rights of any Person. In the event that a claim arises, based upon an allegation that a Product infringes patent rights of any Person, the party receiving notice of such claim shall, promptly after becoming aware of same, give written notice to the other party of the existence of such claim and, thereafter, MONOSOL shall defend and pay all costs related to such claim using its own counsel and if required co-counsel with VITA.

10) General Communication with Regulatory Authorities. VITA shall promptly deal with any request by the TPD or other Regulatory Authority and forward to MONOSOL a copy of such request, any reply thereto and any other correspondence (and otherwise notify the other party of any other communication) with or reports from the TPD or other

Regulatory Authority. MONOSOL shall strive to provide all necessary information within the time specified in support of responses required by the Regulatory Authority.

11) Funding of Product Registration Costs. VITA, at its cost, shall be responsible for preparing and filing (including fees) for obtaining, maintaining and renewing all Regulatory Approvals for the Products and all other costs and expenses incurred in connection with obtaining Regulatory Approvals.

12) Mutual Disclosure of Adverse Effects. Each party shall inform the other of all information that comes into its control and is not otherwise public knowledge concerning side effects, injury, toxicity or sensitivity reactions and incidents and severity thereof associated with commercial and clinical uses, studies, investigations or tests (animal and human) directly relating to the Products, whether or not determined to be attributable to the Products.

13) Pricing and Payment. The prices paid by VITA to MONOSOL for the PRODUCTS shall be as per the attached Appendix B. The net invoiced amount shall be due and payable by VITA to MONOSOL forty-five (45) days after delivery of the Products to VITA. **[*]**

14) Labeling. VITA shall supply label copy and artwork to comply with the DIN and applicable law.

15) Expiry. MONOSOL agrees to deliver to VITA Products that shall have no less than 21 months expiry dating upon receipt by VITA.

16) Packaging and Transportation. MONOSOL shall package the Products in bulk in containers suitable for cross border transport. The containers shall be non-returnable and shall be disposed of by VITA in accordance with applicable policy. MONOSOL shall be responsible for delivery of the Products in accordance with INCOTERMS 2000 as specified in Section 16 below.

17) Delivery Terms. EXW — Ex-works

18) Permits & Licenses. VITA, at its cost, shall be responsible for the application and receipt of import licenses required by the Canadian government for the specific Products (if required). VITA shall supply a copy of such license to MONOSOL for the purpose of applying for an export license to the U.S. government (if required).

a) For the purposes of adding MONOSOL to VITA's Drug Establishment License, MONOSOL shall provide appropriate evidence of GMP compliance such as MONOSOL's most recent FDA Exit Inspection Report.

b) MONOSOL, at its cost, shall be responsible for preparing, executing, and receiving all required export permissions and shipping documentation with the exception of 17(a) above.

19) Forecasts. VITA shall provide MONOSOL with non-binding rolling 2 month forecasts of volume projections.

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Pursuant to 17 C.F.R. §§200.80(b) and 230.406

20) Purchase Orders. MONOSOL shall deliver requested Products ninety (90) days after receipt of VITA's firm purchase order, **[*]**.

21) Certificate of Analysis. MONOSOL shall provide VITA with a certificate of analysis for each batch of Product, that shall confirm the Product meets the specifications identified in Appendix D attached hereto.

22) Certificate of Manufacture. MONOSOL shall provide VITA with a certificate of manufacture for each batch of Product, that shall confirm the Product was manufactured in accordance with its master production document and GMP as identified in Appendix E attached hereto.

23) Ownership of Trade Dress. VITA owns all trade-marks and trade dress used by VITA to market the Product.

24) Insurance. MONOSOL and VITA shall carry (for the Term and three (3) years thereafter), commercial general liability insurance including product liability coverage of at least five million ($5,000,000.00) dollars. Each party shall provide a copy of its insurance certificate to the other party upon request.

25) Indemnification. The parties shall be responsible for indemnifying each other in accordance with the terms of the indemnification attached as Appendix F.

26) Audit. VITA and MONOSOL shall each have the right, at its sole expense, and during normal business hours and upon at least seven (7) days' written notice, to audit the others' facilities where the Products are manufactured, packaged or stored for compliance with applicable law and this Agreement, not more than once in each calendar year. Each such party hereby agrees that they shall take all reasonable steps, at their own expense, as may be necessary to comply with applicable law.

27) Representations and Warranties of MONOSOL. MONOSOL makes the Representations and Warranties to VITA, as are set forth in Appendix G-1 to this Agreement.

28) Representations and Warranties of VITA. VITA makes the Representations and Warranties to MONOSOL as are set forth in Appendix G-2 to this Agreement.

29) Renewal. Unless otherwise terminated in accordance with this Agreement, this Agreement shall be automatically renewed for successive terms of one (1) year each.

30) Termination. This Agreement may be terminated by either party, as the case may be: (i) if either party commits a material breach of this Agreement which has not been remedied within sixty (60) days of receipt of written notice of the breach; (ii) if either party commits a violation of law which materially impacts performance of this Agreement and is not cured within sixty (60) days; (iii) if MONOSOL receives a Form 483 from the FDA regarding the Products, and has not complied within a commercially reasonable time thereafter; (iv) if MONOSOL has entered into a consent agreement with the FDA, or a similar event has occurred, which significantly impairs its ability to perform its obligations under this contract, (v) if either party becomes insolvent, makes or

has made an assignment for the benefit of creditors, is the subject of proceedings in voluntary or involuntary bankruptcy instituted on behalf of or it (except for involuntary bankruptcies which are dismissed within ninety (90) days), or has a receiver or trustee appointed for substantially all of its property; (vi) if VITA is unable to obtain Regulatory Approvals for a Product, in which case this Agreement shall be terminated with respect to that Product only; (vii) if the parties mutually agree in writing to terminate this Agreement upon terms and conditions satisfactory to both, (viii) in the event of a claim against either party to this agreement for patent infringement based on Product, MONOSOL is free to stop the manufacture of PRODUCT and terminate this Agreement; or (ix) upon either party providing written notice to the other party at least six (6) months prior to the then current term of this Agreement.

31) Assignment. This Agreement shall inure to the benefit of, and shall be binding upon each of, the parties hereto and their respective successors and assigns. This Agreement may, without the prior written consent of the other party, be assigned, in whole or in part, to an affiliate or to any third party acquiring all or substantially all of the assets of a party, provided that such party remains fully responsible for performance of the obligations of its affiliates under this Agreement.

32) Dispute Resolution. In the event of any dispute, including that regarding a potential recall or compliance issue, the parties agree that written notice shall be given to the President of the other party and such officers shall meet in person within thirty (30) days of such notice to use good faith efforts to resolve such issue. In the event that the officers of the parties are unable to resolve such issue, then the same shall be resolved by arbitration. Such arbitration shall be conducted by a single arbitrator, if the parties can agree upon one, failing which such arbitrator shall be appointed by a judge of the Court of Queen's Bench, upon the application of any of the said parties and a judge of the Court of Queen's Bench shall be entitled to act as such arbitrator, if he or she so desires. The arbitration shall proceed in accordance with the provisions of The Arbitration Act (Manitoba) (the "Act"). The decision arrived at by the arbitrator shall be final and binding and no appeal shall lie therefrom. The provisions of this Section 32 shall be deemed to be a submission to arbitration within the provision of the Act and any statutory modification or reenactment thereof.

33) Confidentiality. Both Parties agree to be subject to the confidentiality provisions as are set forth in Appendix H hereto.

34) Entire Agreement. This is the entire agreement of the parties regarding the matters set forth herein. This Agreement nay not be revised, altered or amended without the written consent of each party and supersedes all agreements, whether oral or written, and obligations existing among the parties with respect to the matters set forth herein.

35) No Special Damages. In no event shall either party be liable to the other under this Agreement for punitive, exemplary, consequential, or special damages including, without limitation, damages related to lost good will, lost customers, or lost profits, beyond those damages expressly provided herein.

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

36) Facility Licensing. VITA shall apply each calendar year for MONOSOL to be included as a Foreign Site on VITA's Drug Establishment License. MONOSOL shall provide at VITA's request a copy of the most recent EIR and all related correspondence required for Health Canada to assess compliance with GMP for the purposes of inclusion on the Drug Establishment License.

37) Quality Agreement. VITA and MONOSOL shall enter into a quality agreement for the manufacture of the Product which shall outline each party's respective responsibility for the manufacture and compliance with regulatory matters associated with the Product.

38) Governing Law and Consent to Jurisdiction. This Agreement shall be governed by and construed in all respects in accordance with the laws of Toronto and Canada. The Toronto and Canadian Courts shall have the jurisdiction to settle any disputes, which may arise out of or in connection with this Agreement.

39) Entire Agreement. This Agreement shall not be modified or amended except in writing signed by duly authorized representatives of both parties.

Accepted and agreed as of the Effective Date set forth above.

MONOSOL RX LLC		**VITA HEALTH PRODUCTS INC.**	
By:	/s/ Alexander M. Schobel	By:	/s/ Rachel Cahill
Name:	Alexander M. Schobel	Name:	Rachel Cahill
Title:	President and CEO	Title:	Sr. Vice-President Finance

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX A

PRODUCTS

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX B

PRODUCT PRICE LIST

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX C

LIST OF PATENTS PENDING

[*]

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX D

CERTIFICATE OF ANALYSIS

*TO BE PROVIDED BY MONOSOL

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX E

CERTIFICATE OF MANUFACTURE

*TO BE PROVIDED BY MONOSOL

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

APPENDIX F

INDEMNIFICATION

"Affiliate" means any corporation or business entity controlled by, controlling, or under common control with the applicable Party as the case may be. For the purpose of this definition, "control means direct or indirect beneficial ownership of greater than fifty (50%) percent of the voting stock of such corporation or other business entity, or a greater than fifty (50%) percent interest in the income of such corporation or other business entity, or the power to direct or cause the direction of the management and policies of such corporation or other business entity whether by ownership of voting securities, by contract or otherwise, or such other relationship as, in fact, constitutes control.

MONOSOL agrees to indemnify, defend and hold harmless, and to pay and reimburse VITA, its Affiliates, and its and their respective employees, agents and representatives, from and against any and all third party claims and losses, damages and liabilities (including those relating to personal injury, death or property damage), including reasonable attorneys' fees, relating thereto, incurred by any of them arising out of, relating to or occurring as a result of MONOSOL's negligence or willful misconduct or the breach of any representation, warranty or covenant made by MONOSOL in this Agreement or any defect in any Product except and to the extent incurred as a result of VITA's negligence or primarily incurred as a result of VITA's breach of any representation, warranty or covenant made by either of them.

VITA agrees to indemnify, defend and hold harmless, and to pay and reimburse, MONOSOL, its Affiliates, and its and their respective employees, agents and representatives, from and against any and all third party claims and losses, damages and liabilities (including those relating to personal injury, death or property damage), including reasonable attorneys' fees, relating thereto, incurred by any of them arising out of, relating to or occurring as a result of VITA's negligence or willful misconduct or the breach of any representation, warranty or covenant made by VITA in this Agreement except and to the extent incurred as a result of the negligence of MONOSOL or primarily incurred as a result of MONOSOL's breach of any representation, warranty or covenant made by either of them.

If VITA, MONOSOL or any other indemnitee (in each case an "Indemnified Party") receives any claim which it believes is the subject of indemnity hereunder, the Indemnified Party shall, as soon as reasonably practicable after forming such belief, give notice thereof to the indemnifying party, including all particulars of such claim to the extent known to the Indemnified Party; provided that the failure to give timely notice to the indemnifying party as contemplated hereby shall not release the indemnifying party from any liability to the Indemnified Party except to the extent the indemnifying party is materially prejudiced in defending any claim by such failure. The indemnifying party shall assume the defense of such claim with counsel of its choice reasonably satisfactory to the Indemnified Party, and at the cost of the indemnifying party. The Indemnified Party may participate in the action through counsel of its choice, but the cost of such counsel shall be at the expense of the Indemnified Party (unless (i) the Indemnified Party determines in good faith that there may be a conflict of interest between the indemnifying party, and the Indemnified Party or there may be one or more legal defenses available to the Indemnified Party that are different from or additional to those available to the

CONFIDENTIAL TREATMENT REQUESTED
Pursuant to 17 C.F.R. §§200.80(b) and 230.406

indemnifying party or (ii) the indemnifying party fails to assume the defense of such action within fifteen (15) days of receipt of notice of such action). If the indemnifying party does not so assume the defense of such claim, or, having assumed such defense fails to vigorously prosecute such defense, the Indemnified Party may assume such defense, with counsel of its choice, to be paid or reimbursed by the indemnifying party.

The Party not assuming the defense of any such claim shall render all reasonable assistance to the other Party assuming the defense, and all reasonable out-of-pocket costs of such assistance shall be promptly paid or reimbursed by the Indemnifying Party.

No such claim shall be settled and no admission may be made other than by the Party defending the same, and then only with the written consent each other Party, which shall not be unreasonably withheld; provided that the Indemnified Party shall have no obligation to consent to any settlement of any such claim which imposes on the Indemnified Party any liability or obligation which shall not be assumed and performed in full by the Indemnifying Party.

APPENDIX G-1

REPRESENTATIONS AND WARRANTIES OF MONOSOL

As of the Effective Date, there are no actual or threatened enforcement actions by the FDA or other federal, state or foreign agency which has jurisdiction over MONOSOL's operations or products, including, without limitation, any fines, injunctions civil or criminal penalties, investigations, debarments or suspensions.

MONOSOL shall maintain all equipment and facilities utilized in the storage of the API and the development, manufacture and supply of the Products hereunder in good operating condition and shall maintain such facilities and such equipment in accordance with all applicable laws.

MONOSOL, at its expense, shall perform all stability, validation and other raw material and in-process and finished product tests or checks required by the specifications and applicable laws in order to assure the conformity of the Products to the specifications.

MONOSOL shall advise VITA of any known noncompliance and of the testing or inspection results of batches of the Product and Products that do not strictly comply with the specifications, applicable law or this Agreement.

MONOSOL shall have good and marketable title to each shipment of Products sold to VITA, and all such Products shall be free from any lien or encumbrances of any third party.

If the Products delivered to VITA are used according to the Product's label, the Products shall be safe, non-injurious and fit for consumption or other use in accordance with the Product's label as approved in the Product ANDS.

MONOSOL is not debarred under the Generic Drug Enforcement Act of 1992 and it does not and shall not use in any capacity the services of any person debarred under the Generic Drug Enforcement Act of 1992; neither MONOSOL nor, to the best of its knowledge, any of its employees, agent or contractors, has engaged in any activity which could lead to it becoming debarred under the Generic Drug Enforcement Act of 1992.

MONOSOL owns and shall maintain all applicable ANDAs for the Product.

MONOSOL shall promptly inform VITA of any allegation and/or notification of infringement of third-party intellectual property regarding the manufacture, use or sale of the Product.

APPENDIX G-2

REPRESENTATIONS AND WARRANTIES OF VITA

The Products shall be packaged, labeled, stored, transported, marketed and sold in conformance with all applicable laws.

As of the Effective Date, there are no actual or threatened enforcement actions by the Health Canada or other provincial or territorial agency which has jurisdiction over VITA's operations or products, including, without limitation, any fines, injunctions, civil or criminal penalties, investigations, debarments or suspensions.

VITA shall maintain all equipment and facilities utilized in the packaging, labeling, storage, transportation, marketing and sale of the Products hereunder in good operating condition and shall maintain such facilities and such equipment in accordance with, or in a manner that shall meet or exceed the requirements of all applicable laws.

VITA has the physical ability and financial resources available to package, label, store, transport, market and sell the Products to be sold to it under this Agreement.

VITA is not debarred under the Generic Drug Enforcement Act of 1992 and it does not and shall not use in any capacity the services of any person debarred under the Generic Drug Enforcement Act of 1992; neither MONOSOL, nor, to the best of its knowledge, any of its employees, agents or contractors, has engaged in any activity which could lead to it becoming debarred under the Generic Drug Enforcement Act of 1992.

APPENDIX H

CONFIDENTIALITY AND NON-USE

During the Term of this Agreement and any renewal thereof, and for a period of three (3) years thereafter, each Party shall hold in confidence, and may not use or disclose to a third party, any and all proprietary information, trade secrets, customer lists, business strategies, including without limitation, the terms and conditions of this Agreement, disclosed to it by any other Party (whether visually, orally or in writing) that is either indicated to be proprietary or confidential information of the disclosing party or which by its nature the receiving party would reasonably deem to be confidential or proprietary information of the disclosing party regardless of marking ("Confidential Information"), provided by the disclosing party, except with the express prior written consent of the disclosing party, provided that the non-disclosing party shall not be prevented from disclosing information which;

at, prior or subsequent to the time of such disclosure is independently known to or developed by the receiving party without obligation of secrecy or non-use to a third party;

at, prior or subsequent to the time of disclosure, becomes part of the public knowledge through no breach hereof by the receiving party;

subsequent to the time of such disclosure is the subject of another agreement between the parties hereto which explicitly permits use or disclosure;

is required by law, subpoena or other judicial process to be disclosed, after giving the other party notice of intent to disclose and an opportunity to contest such disclosure;

at, prior or subsequent to the time of such disclosure was disclosed to the non-disclosing party by a third party who had no obligation to the disclosing party not to disclose such information to others; and/or

is required by applicable securities laws or securities and exchange commission regulations to be publicly disclosed.

Without limiting the generality of the foregoing, each Party shall limit disclosure of the Confidential Information to its employees who need to receive the Confidential Information in order to further the activities contemplated in this Agreement. Each Party shall take sufficient precautions to safeguard the Confidential Information in the same manner that such Party protects its own Confidential Information, which in no event shall be less than commercially reasonable measures. Each Party understands and agrees that the wrongful disclosure of Confidential Information shall result in serious and irreparable damage to the other Party, that the remedy at law for any breach of this covenant may be inadequate, and that the Party seeking redress hereunder shall be entitled to injunctive relief, without prejudice to any other rights and remedies to which such Party may be entitled.

The above notwithstanding, each Party shall have the right, with the exercise of reasonable discretion, to make disclosures of such portions of Confidential Information to third party consultants, attorneys, contractors, subcontractors, advisors, Affiliates and Regulatory

Authorities where in the recipient's judgment such disclosure is useful to development, approval or marketing of a finished product pursuant to this Agreement, and who agree to be bound by the confidentiality obligations under this Section or who otherwise enter into written confidentiality agreements having provisions no less stringent than those contained herein.

Except as otherwise set forth in this Agreement, upon termination of this Agreement and at the written request of the disclosing party, the receiving party shall return all the Confidential Information of the applicable disclosing party (including all copies thereof) or destroy such Confidential Information at the option of such disclosing party.

Exhibit 10.20

Summary of Director Compensation

We provide cash compensation and stock options to non-employee members of our board of directors for serving on our board of directors. After the closing of this offering, we will pay each of our non-employee directors $25,000 per year for serving on our board of directors. In addition to compensation for board services, we will pay the members of our committees $10,000 per year to each member of our audit committee and $5,000 per year to each member of our compensation committee and governance and nominating committee. In addition to any payments for being a member of the various committees of our board of directors, we will also pay the chair of the audit committee $10,000 and the chairs of each of the compensation committee and the governance and nominating committee $5,000. We also pay each member of the board of directors $1,500 per meeting of the board of directors. Members of our board of directors are reimbursed for some expenses in connection with attendance of board and committee meetings.

Each of our directors, on the date the director is first elected or appointed to the board of directors, will automatically be granted an option to acquire 15,000 shares of common stock on the date of the grant. The initial grant will vest quarterly over three years. In addition, upon election of directors each year, each director will receive an automatic grant of options to acquire 5,000 shares of common stock on a fully diluted basis on the date of the grant. These options will also vest quarterly over three years.

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

Amended and Restated Effective September 18, 2006

TABLE OF CONTENTS

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan (hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan B established by the Company effective as of January 22, 2004.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $12,500,000.00, the Base Value determined by the Advisory Board on January 22, 2004.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful, reckless or negligent conduct by such Participant in connection with his employment with, or provision of services to, the Company, (ii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iii) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (iv) such Participant's engaging in the unlawful use (including being under the influence) or possession of illegal drugs on the Company's premises, (v) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vi) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the

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interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

"Company" shall mean Monosol RX, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the

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Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to the following individuals: Richard C. Fuisz, Joe Fuisz, Garry Myers and Robert Yang.

3.02 Performance Units. On January 22, 2004, Performance Units were granted under this Plan to the Participants as follows:

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	125,000

The grant of Performance Units to a Participant does not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein. The 2,500,000 Performance Units granted to the Participants listed above equaled the maximum number of Performance Units available under the Plan on January 22, 2004 (with such number subject to adjustment pursuant to the provisions of Section 3.04). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may not be granted again under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his Performance Units except to the extent the Participant is Vested in his Performance Units. Based upon the number of Performance Units granted on January 22, 2004, the Participants hold the following unadjusted number of Vested Performance Units (with such number subject to adjustment pursuant to the provisions of Section 3.04 to reflect the changes made to the Outstanding Unit Amount since January 22, 2004). The Participants' Vested Performance Units remain subject to the forfeiture provisions of Section 4.02.

Individual	Performance Units
Richard C. Fuisz	1,000,000
Joe Fuisz	750,000
Garry Myers	625,000
Robert Yang	62,500

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion, spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, the Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units or the

authorization and issuance of additional performance units under the Additional Performance Units Plan. Additionally, in the event of an adjustment under Section 3.2 of the Acquisition Agreement dated effective as of January 22, 2004 by and between Kosmos Pharma Limited, the Company, and Monosol LLC, the

number of Vested Performance Units held by each Participant shall be reduced by one-half while the total Outstanding Unit Amount shall not be changed.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Change in Control. Following a Change in Control, each Participant shall receive payments in an amount equal to the following:

Number of such Participant's Vested Performance Units Outstanding Unit Amount	**X**	(Market Value minus Base Value)	=	Total Payments

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control.

Amounts payable under this Section 4.01 shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if the Participant's employment or other service-

providing relationship with the Company is terminated for Cause, as defined for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a majority vote, shall be final as to the whether the Participant has been terminated for Cause.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his death prior to complete distribution to the Participant of the benefits due him under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his Beneficiary.

6.02 Termination. The Company may not terminate this Plan without the consent of all Participants.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;
(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his Claim; and
(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;
(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and
(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld

such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Plan to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: MONOSOL RX GENPAR, a Texas limited partnership

By: BRATTON CAPITAL, INC., its general partner

By: /s/ John Cochran
Name: John Cochran
Title: Vice President

MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

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MONOSOL RX, LLC
AMENDED AND RESTATED
PERFORMANCE UNITS PLAN B

Amended and Restated Effective September 18, 2006

MONOSOL RX, LLC, a Delaware limited liability company (the "Company"), does hereby amend and restate the Performance Units Plan B (newly designated as Performance Units Plan B and hereinafter referred to as the "Plan"). The Plan was established by the Company, effective as of January 22, 2004, for the purpose of enhancing the long-term growth in earnings of the Company by providing incentives to key employees and/or other service providers of the Company. The Plan helps the Company attract and retain employees and other service providers of exceptional ability.

ARTICLE I

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Additional Performance Units Plan" shall mean the other Performance Units Plan established by the Company effective as of January 22, 2004 for the following participants: Richard C. Fuisz, Joe Fuisz, Garry Myers, and Robert Yang.

"Advisory Board" shall mean the Advisory Board contemplated by the Company Agreement which administers the Plan pursuant to Article II.

"Base Value" shall mean $100,000,000.00 as of September 18, 2006. The Base Value is determined by the Advisory Board as of the date of grant of Performance Units and separate Base Values may apply to blocks of Performance Units based upon the date of grant.

"Beneficiary" shall mean the person, persons or entity designated by the Participant, as provided in Article V, to receive any benefits payable under the Plan following the death of the Participant.

"Cause" shall mean the involuntary termination of a Participant's employment or other service-providing relationship with the Company resulting from (i) willful and continued failure of such Participant to perform his or her duties, including, without limitation, such Participant's failure or refusal to follow the legitimate directions of the Company and/or of any of the persons to whom such Participant reports (other than any such failure resulting from his or her death or permanent disability), (ii) willful, reckless or negligent conduct by such Participant in connection with his or her employment with, or provision of services to, the Company, (iii) the conviction of such Participant of any felony or any crime involving moral turpitude, (iv) such Participant's reporting to work or performing services impaired by or under the influence of alcohol or illegal drugs, (v) such Participant's engaging in the unlawful use (including being under the influence) or possession of

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illegal drugs on the Company's premises, (vi) such Participant's engaging in sexual harassment or otherwise violated any harassment or discrimination law, or (vii) dishonesty of such Participant.

"Change in Control" shall mean the occurrence, after the effective date of the Plan, in a single transaction or series of transactions, of any one of the following events or circumstances: (i) merger, consolidation or reorganization of the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the merger, consolidation or reorganization beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the survivor entity, after giving effect to such merger, consolidation, or reorganization; (ii) acquisition by any person or group, as defined for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, of beneficial ownership of interests or securities possessing the right to vote with respect to the Company where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding such acquisition own less than 20% of the interests or securities possessing the right to vote with respect to the Company, after giving effect to such acquisition; (iii) approval by the members of the Company of a plan of liquidation or dissolution with respect to the Company, provided such liquidation or dissolution is consummated; (iv) the sale, exchange, or contribution of all or substantially all the Company's assets to an entity where the beneficial owners of the interests or securities possessing the right to vote with respect to the Company immediately preceding the sale, exchange, or contribution beneficially own less than 20% of the interests or securities possessing the right to vote with respect to the acquiring entity; or (v) an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public which does not otherwise meet the definition of a Change in Control in clause (i) — (iv) hereof. In the event the exact date of a Change in Control cannot be determined, such Change in Control will be deemed to have occurred on the earliest date on which it could have occurred.

"Claim" shall mean a request by a Claimant in accordance with Article VII for a benefit under the Plan.

"Claimant" shall mean any Participant or Beneficiary who claims to be entitled to a benefit under the Plan.

"Company" shall mean MonoSol Rx, LLC, a Delaware limited liability company, and any successor to the business thereof.

"Company Agreement" shall mean the Limited Liability Operating Agreement of the Company, as amended from time to time.

"Market Value", at any point in time, shall mean the fair market value of the Company's business as of such time. The fair market value of the Company's business shall be the price a willing buyer would pay to purchase the Company's entire business, subject to existing liabilities, in a lump sum, cash payment. In the case of an actual sale of the Company's business or other transaction resulting in a Change in Control, the sale price or value of consideration given shall be determinative of the fair market value of the Company's business. In the absence of an actual sale or other transaction resulting in a Change in Control of the Company, the fair market value of the Company's business shall be the Advisory Board's most recent determination thereof (unless otherwise determined by mutual agreement between the Advisory Board and the Participant);

provided, however, that if the Participant objects to the Advisory Board's most recent determination of the fair market value of the Company's business, or if the Advisory Board and the Participant are unable to agree on the fair market value of the Company's business, within 30 days following the Participant's retirement or termination of employment or a Change in Control, as the case may be, the Participant may retain, at his or her own expense, a qualified, independent appraiser to perform an appraisal of the Company's business. If the fair market value determined by the appraisal commissioned by the Participant is not greater than 110% of the most recent fair market value determined by the Advisory Board, then the most recent fair market value determined by the Advisory Board shall be determinative. If the fair market value determined by the appraisal commissioned by the Participant is more than 110% of the most recent fair market value determined by the Advisory Board, then the Advisory Board may, in its sole discretion, (i) select another appraiser jointly with the Participant whose appraisal shall conclusively bind the parties or (ii) use the average value based on the most recent fair market value determined by the Advisory Board and the appraised value based on the appraisal commissioned by the Participant. In determining the fair market value, the appraiser(s) shall be instructed to ignore any liability recorded on the books of the Company which represents the liability under the Plan to the Participant in question. The Advisory Board may determine the fair market value of the Company's business at any time; provided, however, that it is anticipated that such determination will be made at least once each fiscal year of the Company.

"Outstanding Unit Amount" at any point in time (and subject to adjustment under Section 3.04) shall mean (i) the maximum number of Performance Units that may be granted under the Plan as of such time, plus (ii) the number of Performance Units that, solely for purposes of the Plan, represents the maximum number of Performance Units that may be granted under the Additional Performance Units Plan, plus (iii) the number of Performance Units that, solely for purposes of the Plan, represents the total outstanding member interests of members of the Company as of such time (as determined by the Advisory Board). Based upon adjustments under Section 3.04 since the establishment of the Plan on January 22, 2004, the Outstanding Unit Amount as of September 18, 2006, shall be 100,000,000.

"Participant" shall mean an individual who is eligible to participate in the Plan as provided in Article III.

"Performance Units" shall mean contractual rights awarded to a Participant as provided in Article III.

"Target Year of Service" shall mean a one-year period established by the Advisory Board for a particular Participant on the last day of which such Participant is employed by the Company.

"Vested" shall mean the extent to which a Participant has earned a right to receive benefit payments with respect to his or her Performance Units pursuant to Section 3.03, subject to the forfeiture provisions of Section 4.02.

ARTICLE II

ADMINISTRATION

2.01 Advisory Board; Duties. The Plan shall be administered by the Advisory Board. Members of the Advisory Board may be Participants under the Plan. The Advisory Board shall also have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in connection with the Plan.

Subject to the provisions of the Plan, the Advisory Board shall have exclusive power to (a) designate the employees and/or other service providers to become Participants and be granted Performance Units; (b) determine the number of Performance Units to be granted and/or criteria for granting Performance Units to each Participant; (c) determine the time or times when Performance Units will be granted; (d) determine whether Participants shall be of a single class or in different classes; and (e) determine the one-year periods for Target Years of Service. The one-year period for Target Years of Service may vary from Participant to Participant.

2.02 Agents. In the administration of the Plan, the Advisory Board may, from time to time, employ agents and delegate to them such administrative duties as it sees fit and may from time to time consult with legal counsel who may also be legal counsel to the Company.

2.03 Binding Effect of Decisions. The decision or action of the Advisory Board in respect of any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.

2.04 Indemnity of Advisory Board. The Company shall indemnify and hold harmless the members of the Advisory Board against any and all claims, loss, damage, expense or liability arising from any action or failure to act with respect to the Plan, except in the case of gross negligence or willful misconduct by the Advisory Board.

ARTICLE III

PARTICIPATION

3.01 Participation. Participation in the Plan shall be limited to a select group of key employees and/or other service providers of the Company designated by the Advisory Board. The Advisory Board shall notify all employees and/or other service providers who are designated to participate in the Plan of their designation and of their grant of Performance Units within 30 days of their designation and/or grant.

3.02 Performance Units. Performance Units granted by the Advisory Board to Participants shall be credited to a Performance Unit account to be maintained by the Advisory Board for each Participant. The grant of Performance Units to a Participant shall not entitle the Participant to voting or any other rights belonging to a member of the Company. All rights of a Participant are set forth herein.

Following the adjustments described below, the maximum number of Performance Units that may be granted under the Plan shall be 2,500,000 in the aggregate (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). Initially, 3,750,000 Performance Units could be granted under the Plan and such number was increased by amendment to 5,000,000. Pursuant to the establishment of the Additional Performance Units Plan, 2,500,000 Performance Units were transferred to, and granted pursuant to, the Additional Performance Units Plan leaving 2,500,000 Performance Units for issuance under the Plan (with such number subject to adjustment pursuant to the provisions of Section 3.04 to correspond to the changes to the Outstanding Unit Amount). If any Performance Units granted under the Plan are forfeited or cancelled, such Performance Units may again be granted under the Plan.

3.03 Vesting of Performance Units. A Participant shall have no right to receive benefit payments on account of any specified part of his or her Performance Units except to the extent the Participant is Vested in his or her Performance Units.

For purposes of benefit payments under the Plan, a Participant shall become Vested in his or her Performance Units based on the following schedule:

Target Years of Service	Percent Vested
0	0%
1	25%
2	50%
3	100%

A Participant shall be credited with a Target Year of Service only if the Participant is employed by, or providing services to, the Company on the last day of such one-year period. Anything else to the contrary notwithstanding, the Advisory Board may grant Vested status to a Participant with respect to all of such Participant's Performance Units who would not otherwise be Vested under this Section 3.03 in all granted Performance Units (including all previously granted Performance Units). A Change in Control will accelerate vesting of Performance Units so that a Participant will become Vested in all of his or her Performance Units as of the date of such Change in Control.

Certain Participants (the "MonoSol Participants") were employees of MonoSol, LLC, a Delaware limited liability company and member of the Company ("MonoSol"), and they were granted Performance Units in recognition of their services, as key employees of MonoSol, to the Company in connection with its formation and acquisition of business assets from Kosmos Pharma Limited and their continuing provision of administrative services on behalf of MonoSol to the Company. Notwithstanding anything to the contrary contained in this Plan, the MonoSol Participants shall be credited with a Target Year of Service only if the MonoSol Participant is employed by MonoSol (or its successors or assigns) on the last day of such one-year period.

3.04 Dilution and Other Adjustments. In the event of any change in the outstanding ownership interests of the Company by reason of any issuance of new or additional member interests in the Company, or any restructuring, recapitalization, merger, consolidation, conversion,

spin-off, reorganization, combination or exchange of interests or other similar change, the Advisory Board may equitably adjust the Outstanding Unit Amount (including adjustment to the component thereof which represents the total outstanding member interests of members of the Company) and/or the number or kind of Performance Units then subject to the Plan and/or held in Participants' Performance Unit accounts in order to reflect such changes. The Advisory Board's determination as to the terms of any such adjustment shall be binding and conclusive on all persons. Notwithstanding the foregoing, Performance Units may be diluted as the result of the authorization and issuance of additional Performance Units.

ARTICLE IV

BENEFITS

4.01 Benefit Payments Following Retirement, Termination or Change in Control. If the Advisory Board so elects in its sole discretion within 12 months following a Participant's retirement or termination of employment or other service-providing relationship for any reason, including an involuntary termination by reason of death or permanent disability (subject to the forfeiture provisions of Section 4.02) with the Company, the Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \times (\text{Market Value minus Base Value}) = \text{Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Participant's retirement or termination of employment or other service-providing relationship. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value. If the Advisory Board does not so elect within 12 months following a Participant's retirement or termination of employment or other relationship, the Participant or his or her estate or heirs shall continue to be eligible for benefit payments upon a Change in Control.

If the Advisory Board so elects, amounts payable under this Section 4.01 following a Participant's retirement or termination of employment or other service-providing relationship shall be paid at the sole discretion of the Advisory Board either (a) in a single, lump sum or (b) in 24 equal monthly installments, together with interest on

the unpaid balance at the minimum rate of interest required to be charged on such obligation at the date of the Participant's retirement or termination of employment or other service-providing relationship to avoid the imputation of interest for federal income tax purposes under the Internal Revenue Code of 1986, as amended, but in no event shall such interest rate exceed the applicable legal maximum interest rate then prevailing. Benefits payable under this Section 4.01 shall be paid or commenced no later than 12 months following the date of the retirement or termination of the Participant's employment or other service-providing relationship (other than for Cause) with the Company. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of such Participant's Performance Units.

Following a Change in Control, each Participant shall receive cash payments in an amount equal to the following:

$$\frac{\text{Number of such Participant's Vested Performance Units}}{\text{Outstanding Unit Amount}} \textbf{ X } \text{(Market Value minus Base Value)} = \text{Total Payments}$$

The number of such Participant's Vested Performance Units, the Outstanding Unit Amount, and the Market Value shall be determined as of the date of such Change in Control. Separate calculations pursuant to the above formula shall be made for each block of Performance Units having a separate Base Value.

Amounts payable under this Section 4.01 with respect to a Change in Control shall be paid either in cash or, at the sole discretion of the Advisory Board, in kind in the same consideration received by the Company or the members of the Company as a result of the Change in Control. Benefits payable under this Section 4.01 shall be paid to the Participants under this Section 4.01 within three months following the Change of Control; provided, however, that if the consideration received by the Company or members of the Company as a result of the Change in Control is deferred and paid over time, then the Participants payments hereunder shall be deferred and paid as received by the Company or members as the case may be. The payment of a Participant's entire benefit, if any, under this Section 4.01 shall terminate the Participant's interest and status as a Participant under the Plan and result in the cancellation of his or her Performance Units. For purposes of illustration of these provisions and not by way of limitation, in connection with a Change in Control resulting from the occurrence of an initial public offering under the Securities Act of 1933, as amended, of the business of the Company to the public, the Advisory Board may elect to pay all or any portion of the amount payable to such Participant under this Section 4.01 in securities of the newly formed public company. In any event in which the consideration is paid in kind to the Participants, the Advisory Board will place a value on the in kind consideration distributed hereunder for purposes of calculating the amount paid under this plan for purposes of Article IV of the Company Agreement. Notwithstanding anything to the contrary contained in this Agreement, with respect to the occurrence of a Change in Control which does not constitute a permissible distribution event under Code Section 409A(a)(2)(A)(v), all amounts payable under this Section 4.01 shall be paid no later than the later of (i) the date that is 2 ½ months from the end of the Participant's tax year in which such Change in Control occurred or (ii) the date that is 2 ½ months from the end of the Company's tax year in which such Change in Control occurred.

4.02 Forfeiture Provisions. Notwithstanding anything herein contained to the contrary, all rights to any benefits payable under the Plan, shall be immediately forfeited, whether or not the Participant holds Vested Performance Units, if any of the following events occur:

(a) The Participant's employment or other service-providing relationship with the Company is terminated for Cause, as defined either in such Participant's employment agreement with the Company or, if none, for the purposes of this Plan. The judgment of the Advisory Board, as expressed by a majority vote, shall be final as to the whether the Participant has been terminated for Cause.

(b) While employed by, or otherwise retained to provide services to, the Company or during the 12-month period following the Participant's retirement or other termination of employment or other service-providing relationship with the Company for

any reason, the Participant directly or indirectly (1) induces, requests or advises any person or entity to withdraw, curtail, or cancel that person's or entity's business with the Company, or to obtain services from any person or entity that competes with the Company, or (2) solicits or induces any employee of the Company to leave the employ of the Company.

4.03 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Participant's benefit for the federal or any state or local government.

ARTICLE V

BENEFICIARY DESIGNATION

5.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as his or her Beneficiary or Beneficiaries (both primary as well as contingent) to whom payment under this Plan shall be paid in the event of his or her death prior to complete distribution to the Participant of the benefits due him or her under the Plan. If a Participant fails to designate a Beneficiary or if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's Beneficiary shall be deemed to be the estate of the Participant. The payment to the Beneficiary or deemed Beneficiary shall completely discharge the Company's obligations under the Plan.

5.02 Amendments. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Advisory Board. The filing of a new Beneficiary designation form will, upon receipt by the Advisory Board, cancel all Beneficiary designations previously filed.

ARTICLE VI

AMENDMENT AND TERMINATION

6.01 Right to Amend. The Company reserves the right, through its Advisory Board, to amend any provisions under the Plan at any time; provided, however, that (a) such amendment is in writing, (b) such amendment is executed by a duly authorized member of the Advisory Board of the Company, and (c) such amendment does not adversely affect the rights of a Participant or his or her Beneficiary with respect to benefits which have accrued under the Plan prior to such amendment.

6.02 Termination. The Company reserves the right at any time and at its sole discretion to terminate the Plan; provided, any termination of the Plan shall not affect any benefits previously accrued hereunder; provided further, any termination of the Plan must be structured to comply with the requirements of Code Section 409A regarding the permissible acceleration of payments upon the termination of an arrangement to defer compensation.

ARTICLE VII

CLAIMS PROCEDURE AND DISPUTES

7.01 Claim Filing Procedure. If a dispute arises over benefits payable under the Plan, a Claimant shall have the right to submit a Claim with respect to such benefits. Such Claim shall be in writing, signed by the Claimant under oath, and addressed and delivered to the Advisory Board either personally or by certified or registered mail, return receipt requested. The Claim shall state with particularity:

(a) The benefit claimed;

(b) The provisions of the Plan and the particular provisions of law, if any, upon which the Claimant relies in support of his or her Claim; and

(c) All facts believed to be relevant in connection with such Claim.

7.02 Consideration of Claim; Rendering of Decision. Upon receipt of a Claim hereunder, the Advisory Board shall consider the merits of the Claim and shall within 90 days from the receipt of the Claim render a decision on the merits and communicate the same to the Claimant. In the event the Advisory Board denies the Claim in whole or in part, the Claimant shall be so notified in writing, which shall be addressed and delivered to the Claimant personally or by certified or registered mail, return receipt requested, and shall set forth the following:

(a) The reason or reasons for rejection of the Claim;

(b) The provisions of the Plan and the particular provisions of law, if any, relied upon in reaching such determination; and

(c) A description of any additional information needed from the Claimant in order for the Claimant to perfect his or her Claim.

The failure of the Advisory Board to render a decision on the merits of a Claim shall be deemed to be a denial of such Claim and notice of such denial shall be deemed to have been given to the Claimant on the ninetieth (90th) day from receipt by the Advisory Board of the Claim.

7.03 Limitation on Claims Procedure. Any Claim under this Claims procedure must be submitted within six months from the earlier of (1) the date on which the Claimant learned of facts sufficient to enable him or her to formulate such Claim, or (2) the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such Claim. For this purpose, the first date on which any document that is either given to or made available to a Participant or Beneficiary (in pay status), and which discloses facts sufficient to enable a reasonable person to formulate a Claim hereunder, shall be conclusively deemed to be the date on which the Claimant should reasonably have been expected to learn the facts sufficient to enable him or her to formulate such a Claim. Claims submitted after such period shall be deemed to have been waived by the Claimant and shall thereafter be wholly unenforceable.

7.04 Dispute over Benefits. If a dispute arises as to the amount or proper recipient of any payment, the Advisory Board, in its sole discretion, may withhold or cause to be withheld such payment until the dispute shall have been settled by the parties concerned or shall have been determined by an arbitration proceeding. In addition, if a dispute continues to exist after a Claim has been filed and a decision rendered by the Advisory Board under the Claims procedure set forth above, or in the event of any dispute or controversy concerning the construction, interpretation, performance or breach of the Plan arising between a Participant, the Company or the Advisory Board, the same shall be submitted to arbitration under the appropriate rules of the American Arbitration Association. Any arbitration shall be conducted in Fort Worth, Texas, unless mutually agreed otherwise by the parties. All administrative fees connected with initiating a demand for arbitration shall be split between and advanced by the parties to the arbitration; subject, however, to final apportionment by the arbitrator in his or her award. The parties agree that the arbitrator's award shall be binding and may be enforced in any court having jurisdiction thereof by filing a petition for enforcement of such award.

ARTICLE VIII

MISCELLANEOUS

8.01 Headings and Gender. The headings of the Plan have been inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof. Whenever a personal pronoun is used in the masculine gender, it shall be deemed to include the feminine also, unless the context indicates the contrary.

8.02 No Right to Employment or Retention. Nothing herein contained shall be construed as giving any Participant the right to be retained in the service of the Company.

8.03 Action by Officers. Whenever under the terms of this Plan the Company is permitted or required to take some action, such action may be taken by any duly authorized member of the Advisory Board or officer of the Company.

8.04 Assignment of Benefits. Except as provided in this Section 8.04, no interest in this Plan shall be subject to assignment, alienation, transfer or anticipation, either by voluntary or involuntary act of any Participant or Beneficiary or by operation of law, nor shall payment or right of interest be subject to the demands or claims of any creditor of such person, nor be liable in any way for such person's debts, obligations or liabilities.

The Company shall not merge or consolidate with any other entity or otherwise reorganize unless and until such succeeding entity agrees to assume and discharge the obligations of the Company under the Plan. Upon such assumption, the term "Company" as used in this Plan shall be deemed to refer to such successor entity.

8.05 Applicable Law; Validity. The validity of the Plan or any of its provisions shall be determined under and construed according to the laws of the State of Delaware. If any provision of the Plan shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Plan and it shall be construed as if said illegal or invalid provision had never been included.

8.06 Expenses. The administration costs incurred with respect to the Plan shall be paid by the Company as an ordinary and necessary business expense incurred in the operation of the Company's business.

8.07 Plan Funding. Benefits under the Plan are payable solely by the Company. The Company may, in its sole discretion, determine to set aside funds in a trust or other arrangement to satisfy its obligations hereunder; provided, the trust or other arrangement shall be unfunded for purposes of the Code, such trust or other arrangement shall not be structured in a manner which would cause the assets to be deemed to have been paid to the Participants under Code Section 409A(b), and no Participant or Beneficiary shall be considered to have an interest in any such trust or other arrangement, or the assets held pursuant thereto, except as may be specifically provided for therein. Participants shall be regarded as general creditors of the Company with respect to any rights derived by Participants from the existence of the Plan.

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IN WITNESS WHEREOF, the Company has caused this Amended and Restated Performance Units Plan B to be executed by its duly authorized officers to be effective as of September 18, 2006.

MONOSOL RX, LLC

By: /s/ John Cochran
Name: John Cochran
Title: V.P.

SCHEDULE I

One-Year Periods

(To be determined by Advisory Board)

Exhibit 10.23

May 13, 2007

Mr. Joseph M. Fuisz
1200 23rd Street, Apartment 911
Washington, DC 20037

Dear Mr. Fuisz:

Reference is made to the Performance Units Plan of Monosol Rx, LLC, a Delaware limited liability company (the "Company"), established effective January 22, 2004, as amended and restated effective September 18, 2006 ("Plan A"), and the Performance Units Plan B of the Company amended and restated effective September 18, 2006 ("Plan B;" and, together with Plan A, the "PUP"). Each of the Company and Joseph M. Fuisz ("Fuisz") acknowledges that the execution of this letter agreement (this "Letter Agreement") is in consideration of the mutual covenants and agreements set forth in one or more instruments or agreements entered into in connection herewith as of the date hereof between the parties hereto (collectively the "Agreements"), and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

Notwithstanding anything to the contrary contained in the Agreements or the PUP (including any subsequent amendment thereto after the date hereof), the parties hereto agree as follows:

1. Definition of Cause in PUP. With respect to all of Fuisz's outstanding units under the PUP, including those granted under Plan A and Plan B, the Company will apply the definition of "Cause" as set forth in Plan A as originally adopted effective January 22, 2004 and prior to any amendment to the original Plan A.

2. Vesting. All unit awards granted to Fuisz under Plan A are fully vested. Certain unit awards granted to Fuisz under Plan B are not fully vested. Subject to the provisions of this Letter Agreement, unvested unit awards granted to Fuisz under Plan B remain subject to vesting as set forth in Plan B.

3. Special Vesting Rules.

a. Notwithstanding anything to the contrary in Plan B, unvested unit awards under Plan B will continue to vest in accordance with the vesting schedule set forth in Plan B and any award thereunder except under the following circumstances: (i) a termination by the Company of Fuisz's employment with, or engagement as a consultant by, the Company for Cause (as defined in accordance with paragraph 1 of this Letter Agreement); or (ii) a voluntary termination by Fuisz of his employment and consultant relationships with the Company (except for Good Reason, as defined in Fuisz's employment agreement with the Company). For avoidance of doubt, unvested unit awards under Plan B will continue to vest following: (i) any termination by the Company of Fuisz's employment with, or engagement as a consultant by, the Company (except for a termination for Cause as defined in accordance with paragraph 1 of this Letter Agreement), (ii) expiration of any employment or consulting agreement between the

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Company and Fuisz, and (iii) a voluntary termination by Fuisz of his employment for Good Reason (as defined in Fuisz's employment agreement with the Company).

b. To the extent that Section 3.2 of that certain Asset Purchase and Sale Agreement between Kosmos Pharma Limited, a Delaware corporation ("Kosmos"), the Company and Monosol, LLC, a Delaware limited liability company, dated January 22, 2004 (the "Asset Purchase Agreement"), which provides, among other things, that the performance units granted to Fuisz and others in connection with the transactions contemplated by the Asset Purchase Agreement will be automatically reduced by 50 percent under certain circumstances, have not terminated and remain in effect, the Company agrees: (i) to hereby terminate the provisions relating to the performance units granted to Fuisz in connection with the transactions contemplated by the Asset Purchase Agreement, (ii) to delete from the PUP, or waive, any adjustment to the unit award granted to Fuisz related to such provisions, and (iii) not to include in any amendment or modification to the PUP any adjustment to the unit award granted to Fuisz related to such provisions.

4. Forfeiture Provisions. Notwithstanding anything to the contrary in the PUP, all outstanding unit awards to Fuisz under the PUP shall be subject to forfeiture under the PUP only under the following circumstances: (i) a termination by the Company of Fuisz's employment with, or engagement as a consultant by, the Company for Cause (as defined in accordance with paragraph 1 of this Letter Agreement); or (ii) a voluntary termination by Fuisz of his employment and consultant relationships with the Company (except for Good Reason, as defined in Fuisz's employment agreement with the Company). For avoidance of doubt, all outstanding unit awards to Fuisz under the PUP shall not be subject to forfeiture under the PUP following: (i) any termination by the Company of Fuisz's employment with, or engagement as a consultant by, the Company (except for a termination for Cause as defined in accordance with paragraph 1 of this Letter Agreement), (ii) expiration of any employment or consulting agreement between the Company and Fuisz, and (iii) a voluntary termination by Fuisz of his employment for Good Reason (as defined in Fuisz's employment agreement with the Company).

This letter agreement will binding on, inure to the benefit of and be enforceable by any legal representative, heir, executor, or testamentary administrator, trustee or beneficiary, successor or permitted assigns of the parties hereto. Each of the parties hereto hereby further acknowledges and agrees that notwithstanding anything to the contrary in the PUP or the Agreements, except to the extent expressly modified by the terms and provisions of this Letter Agreement, each and every term and provision of the PUP and the Agreements is and shall remain in full force and effect.

If the foregoing accurately reflects our agreement with respect to all of your outstanding units under the PUP, please execute a counterpart of this letter in the space indicated below and return it to the Company.

[signature page follows]

Sincerely,

MONOSOL RX, LLC,
A Delaware limited liability company

By: /s/ JOHN COCHRAN
John Cochran, as Vice President of Bratton Capital, Inc., the general partner of Monosol RX Genpar, L.P., as manager of MonoSol Rx, LLC

ACKNOWLEDGED AND AGREED AS OF MAY 13, 2007:

/s/ JOSEPH M. FUISZ
Joseph M. Fuisz

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Members
Monosol Rx LLC:

We consent to the use of our report dated May 14, 2007, with respect to the balance sheets of Monosol Rx LLC as of December 31, 2006 and 2005, and the related statements of operations, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2006, included herein and to the reference to our firm under the heading "Experts" in the prospectus.

/S/ KPMG LLP

Chicago, Illinois
May 14, 2007

QuickLinks