FORM SC 13D

Schedule filed to report acquisition of beneficial ownership of 5% or more of a class of equity securities

Filing Date: **1998-11-23**
SEC Accession No. 0001047469-98-042042

SUBJECT COMPANY

ARONEX PHARMACEUTICALS INC

CIK:**854691**| IRS No.: **760196535** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **SC 13D** | Act: **34** | File No.: **005-48253** | Film No.: **98757739**
SIC: **2834** Pharmaceutical preparations

Mailing Address
8707 TECHNOLOGY FOREST PLACE
THE WOODLANDS TX
77381-1191

Business Address
8707 TECHNOLOGY FOREST PLACE
THE WOODLANDS TX
77381-1191
281-367-1666

FILED BY

ABBOTT LABORATORIES

CIK:**1800**| IRS No.: **360698440** | State of Incorp.:**IL** | Fiscal Year End: **1231**
Type: **SC 13D**
SIC: **2834** Pharmaceutical preparations

Business Address
100 ABBOTT PARK ROAD
D-322 AP6D
ABBOTT PARK IL 60064-3500
(708)-937-6100

OMB APPROVAL

OMB NUMBER: 3235-0145

EXPIRES: AUGUST 31, 1999
ESTIMATED AVERAGE BURDEN
HOURS PER RESPONSE: 14.90

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

SCHEDULE 13D
UNDER THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. ___)*

Aronex Pharmaceuticals, Inc.

(Name of Issuer)

Common Stock, par value $0.001 per share

(Title of Class of Securities)

042666206

(CUSIP Number)

Jose M. de Lasa, 100 Abbott Park Road
Abbott Park, Illinois 60064-3500; Phone 847 937 8905

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

November 12, 1998

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following box [_].

NOTE: Six copies of this statement, including all exhibits, should be filed with the Commission. See Rule 13d-1(a) for other parties to whom copies should be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

POTENTIAL PERSONS WHO ARE TO RESPOND TO THE COLLECTION OF INFORMATION CONTAINED IN THIS FORM ARE NOT REQUIRED TO RESPOND UNLESS THE FORM DISPLAYS A CURRENTLY VALID OMB CONTROL NUMBER.

CUSIP No. 042666206

1.	Names of Reporting Persons I.R.S. Identification Nos. of Above Persons (entities only) Abbott Laboratories IRS Identification No. 36-0698440	
2.	Check the Appropriate Box if a Member of a Group (See Instructions)	(a) [___] (b) [___]
3.	SEC Use Only	
4.	Source of Funds (See Instructions) OO (see Item 3 below)	
5.	Check If Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e)	[___]
6.	Citizenship or Place of Organization Illinois	
Number of Shares Beneficially Owned by Each Reporting Person With	7. Sole Voting Power 837,989	
	8. Shared Voting Power 0	
	9. Sole Dispositive Power	

	837,989
10. Shared Dispositive Power	0

11. Aggregate Amount Beneficially Owned by Each Reporting Person 837,989
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) [ ]
13. Percent of Class Represented by Amount in Row (11) 5.13% (see Item 5 below)
14. Type of Reporting Person (See Instructions) CO

ITEM 1. SECURITY AND ISSUER

This statement relates to shares of the common stock, par value $0.001 per share (the "Common Stock"), of Aronex Pharmaceuticals, Inc., a Delaware corporation (the "Issuer"), whose principal executive offices are located at 3400 Research Forest Drive, The Woodlands, Texas 77381-4223.

ITEM 2. IDENTITY AND BACKGROUND

(a) - (c), and (f) The person filing this statement is Abbott Laboratories ("Abbott"), an Illinois corporation. Abbott's principal business is the discovery, development, manufacture, and sale of a broad and diversified line of health care products and services. Abbott's principal office is located at 100 Abbott Park Road, Abbott Park, Illinois 60064-3500.

The names, citizenship, business addresses, present principal occupation or employment and the name, and the principal business and address of any corporation or other organization in which such employment is conducted of the directors and executive officers of Abbott are as set forth in Exhibit 1 hereto and incorporated herein by this reference.

(d) and (e) Neither Abbott, nor to the best of its knowledge, any person listed on Exhibit 1 has during the last five years (i) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a

judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

The aggregate purchase price of the 837,989 shares of Common Stock (the "Shares") which is the subject of the Stock Purchase Agreement, dated as of November 12, 1998, between the Issuer and Abbott is $3,000,000 (the "Purchase Price"). See Item 6 below. The source of the funds is the general assets of Abbott.

ITEM 4. PURPOSE OF THE ACQUISITION

The purpose of the transaction is for investment and to establish a long term product development and marketing alliance between Abbott and the Issuer.

(a) - (j) At present, Abbott does not have any plans or proposals which would relate to or result in transactions of the kind described in paragraphs (a) through (j) of Item 4 of Schedule 13D of the Securities and Exchange Commission. Abbott does, however, reserve the right to adopt such plans or proposals subject to compliance with applicable regulatory requirements. In addition, the Issuer has the right to require Abbott to purchase additional shares

of Common Stock if certain conditions are met. See Item 6.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) Abbott may be deemed the beneficial owner of the Shares. This represents approximately 5.13% of the outstanding shares of the Common Stock.

(b) Abbott will have sole power to vote or to direct the vote and the sole power to dispose or to direct the disposition of the Shares.

(c) Except as described herein, there have been no transactions by Abbott or the persons whose names are listed on Exhibit 1 in securities of the Issuer during the past sixty days.

(d) No one other than Abbott is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from a sale of the Shares.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

The summaries of certain terms of the following agreements do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the agreements and reference is made to the full text of such agreements which are filed as exhibits to this Statement and are incorporated herein by reference.

A. STOCK PURCHASE AGREEMENT

Abbott purchased the Shares pursuant to the terms of the Stock Purchase Agreement. In addition, the Stock Purchase Agreement permits the Issuer to require Abbott to purchase additional shares of Common Stock (the "Additional Shares") if certain conditions are satisfied within a specified time period for an aggregate price not to exceed a stated amount. The Issuer is entitled to exercise this right on only one occasion.

Abbott acquired certain registration rights under the Stock Purchase Agreement. Subject to certain conditions, under Section 7.1, the Issuer must notify the registered holder of the Shares and the Additional Shares (collectively, the "Registrable Shares") of the registration of the Issuer's securities (except a registration on Form S-4 or Form S-8) if the registration form may be used for registration of the Registrable Shares. The Issuer will include in such registration all Registrable Shares with respect to which the Issuer receives a written request to include in the registration within 21 days of the notice.

Subject to certain conditions, under Section 7.2, the registered holder of the Registrable

Shares may request at any time the registration of all or part of the Registrable Shares on a Form S-3 or any similar short form, if available, so as to permit the resale of the Shares. The Stock Purchase Agreement also sets forth the desire of the Issuer and Abbott to enter into a license agreement.

B. LICENSE AGREEMENT

The License Agreement, between the Issuer and Abbott, is dated as of November 12, 1998. Under the terms of the License Agreement, Abbott has certain exclusive rights to manufacture, distribute, market and sell the Issuer's injectable formulation of a compound for the treatment of systemic fungal infections (the "Product"). Abbott has the right to sublicense its rights under certain conditions. Subject to certain conditions, Abbott is obligated to make certain milestone, research and development funding, and royalty payments to the Issuer. Both the Issuer and Abbott undertake development and registration activities for the Product in specified territories. Abbott will fund the Issuer's research and development activities for the Product. The Issuer has the right to co-promote the Product with Abbott in certain territories subject

to the conditions of Section 8 of the License Agreement.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

Exhibit 1 - Information Concerning Executive Officers and Directors of Abbott Laboratories.
Exhibit 2 - Stock Purchase Agreement, dated as of November 12, 1998.
Exhibit 3 - License Agreement, dated as of November 12, 1998.

****

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Abbott Laboratories

DATED: November 20, 1998

By: /s/ Gary P. Coughlan

Gary P. Coughlan, Senior Vice President, Finance and Chief Financial Officer

EXHIBIT INDEX

PORTIONS OF EXHIBITS 2 AND 3 HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED NOVEMBER 20, 1998

Exhibit Number	Description
1	Information Concerning Executive Officers and Directors of Abbott Laboratories.
2	Stock Purchase Agreement, dated as of November 12, 1998.
3	License Agreement, dated as of November 12, 1998.

EXHIBIT 1

Information Concerning Executive Officers and Directors of Abbott Laboratories

The current corporate officers and directors of Abbott Laboratories are listed below. The address of Abbott Laboratories is: Abbott Laboratories, 100 Abbott Park Road, Abbott Park, Illinois 60064-3500. Abbott Laboratories does not consider all of its corporate officers to be executive officers as defined by the Securities Exchange Act of 1934 or Releases thereunder. Unless otherwise indicated, all positions set forth below opposite an individual's name refer to positions within Abbott Laboratories, and the business address listed for each individual not principally employed by Abbott Laboratories is also the address of the corporation or other organization which principally employs that individual.

<TABLE>
<CAPTION>

NAME	POSITION/PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND BUSINESS ADDRESS	CITIZENSHIP
CORPORATE OFFICERS		
<S>	<C>	<C>
Duane L. Burnham(1)	Chairman of the Board and Chief Executive Officer	U.S.A.
Thomas R. Hodgson(1)	President and Chief Operating Officer	U.S.A.
Robert L. Parkinson(1)	Executive Vice President	U.S.A.
Miles D. White(1)	Executive Vice President	U.S.A.
Joy A. Amundson(1)	Senior Vice President, Ross Products	U.S.A.
Thomas D. Brown(1)	Senior Vice President, Diagnostic Operations	U.S.A.
Gary P. Coughlan(1)	Senior Vice President, Finance and Chief Financial Officer	U.S.A.
Jose M. de Lasa(1)	Senior Vice President, Secretary and General Counsel	U.S.A.
William G. Dempsey(1)	Senior Vice President, Chemical and Agricultural Products	U.S.A.
Richard A. Gonzalez(1)	Senior Vice President, Hospital Products	U.S.A.
Arthur J. Higgins(1)	Senior Vice President, Pharmaceutical Operations	United Kingdom

CORPORATE OFFICERS

Continued

Ellen M. Walvoord(1)	Senior Vice President, Human Resources	U.S.A.
Josef Wendler(1)	Senior Vice President, International Operations	Germany
Catherine V. Babington(1)	Vice President, Investor Relations and Public Affairs	U.S.A.
Patrick J. Balthrop	Vice President, Diagnostic Commercial Operations	U.S.A.
Mark E. Barmak	Vice President, Litigation and Government Affairs	U.S.A.
Christopher B. Begley	Vice President, Abbott Health Systems	U.S.A.
Douglas C. Bryant	Vice President, Diagnostic Operations, Asia and Pacific	U.S.A.
Gary R. Byers(1)	Vice President, Internal Audit	U.S.A.
Thomas C. Chen	Vice President, Pacific, Asia, and Africa Operations	U.S.A.
Kenneth W. Farmer(1)	Vice President, Management Information Services and Administration	U.S.A.
Edward J. Fiorentino	Vice President, Pharmaceutical Products, Marketing, and Sales	U.S.A.
Thomas C. Freyman(1)	Vice President and Treasurer	U.S.A.
David B. Goffredo	Vice President, European Operations	U.S.A.
Guillermo A. Herrera	Vice President, Latin America and Canada Operations	Colombia
Jay B. Johnston	Vice President, Diagnostic Assays and Systems	U.S.A.
James J. Koziarz, Ph.D.	Vice President, Diagnostic Products Research and Development	U.S.A.
John F. Lussen(1)	Vice President, Taxes	U.S.A.
Edward L. Michael	Vice President, Diagnostic Operations, Europe, Africa, and Middle East	U.S.A.
Theodore A. Olson(1)	Vice President and Controller	U.S.A.

CORPORATE OFFICERS
Continued

Andre G. Pernet, Ph.D.	Vice President, Pharmaceutical Products Research and Development	U.S.A.
William H. Stadtlander	Vice President, Ross Medical Nutritional Products	U.S.A.
Marcia A. Thomas(1)	Vice President, Corporate Quality Assurance and Regulatory Affairs	U.S.A.
Steven J. Weger(1)	Vice President, Corporate Planning and Development	U.S.A.
Susan M. Widner	Vice President, Diagnostic Operations,	U.S.A.

	U.S. and Canada	
Lance B. Wyatt(1)	Vice President, Corporate Engineering	U.S.A.

</TABLE>

(1) Pursuant to Item 401 (b) of Regulation S-K Abbott has identified these persons as "executive officers" within the meaning of Item 401 (b).

<TABLE>
<CAPTION>

NAME	POSITION/PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND BUSINESS ADDRESS	CITIZENSHIP
DIRECTORS		
<S>	<C>	<C>
K. Frank Austen, M.D.	Smith Building, Room 638 One Jimmy Fund Way Boston, Massachusetts 02115	U.S.A.
Duane L. Burnham	Officer of Abbott	U.S.A.
H. Laurance Fuller	Chairman and Chief Executive Officer Amoco Corporation 200 East Randolph Drive Mail Code 3000 Chicago, Illinois 60601	U.S.A.
Thomas R. Hodgson	Officer of Abbott	U.S.A.
David A. Jones	Chairman of the Board Humana Inc. 500 W. Main Street Humana Building Louisville, Kentucky 40202	U.S.A.
The Rt. Hon. the Lord Owen CH	Physician, Politician, and Businessman House of Lords Westminster, London SW1A OPW, England	United Kingdom

Robert L. Parkinson	Officer of Abbott	U.S.A.
Boone Powell, Jr.	President and Chief Executive Officer Baylor Health Care System and Baylor University Medical Center, 3500 Gaston Avenue Dallas, Texas 75246	U.S.A.

DIRECTORS - Continued

Addison Barry Rand	Executive Vice President Xerox Corporation 800 Long Ridge Road Stamford, Connecticut 06904-1600	U.S.A.
Dr. W. Ann Reynolds	President The University of Alabama at Birmingham 701 S. 20th Street Birmingham, Alabama 35294-0110	U.S.A.
Roy S. Roberts	Vice President and Group Executive North American Vehicle Sales, Service and Marketing General Motors Corporation 100 Renaissance Center Mail Code 482-A30-D10 Detroit, Michigan 48243	U.S.A.
William D. Smithburg	Retired Chairman, President and Chief Executive Officer The Quaker Oats Company 676 N. Michigan Avenue Suite 3860 Chicago, IL 60611	U.S.A.
John R. Walter	Chairman, Ashlin Management Corp. 100 South Wacker Drive Suite 2100 Chicago, IL 60606 (telecommunications company)	U.S.A.
William L. Weiss	Chairman Emeritus, Ameritech Corporation One First National Plaza Suite 2530C Chicago, Illinois 60603-2006 (telecommunications company)	U.S.A.
Miles D. White	Officer of Abbott	U.S.A.

</TABLE>

EXHIBIT 2

PORTIONS OF THIS DOCUMENT HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED NOVEMBER 20, 1998

STOCK PURCHASE AGREEMENT

BETWEEN

ABBOTT LABORATORIES

AND

ARONEX PHARMACEUTICALS, INC.

DATED AS OF NOVEMBER 12, 1998

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<TABLE>

<S> <C>

</TABLE>

EXHIBITS

Exhibit A -- License Agreement
Exhibit B -- Form of Opinion of Counsel
Exhibit C -- Dispute Resolution

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT (the "Agreement"), entered into as of the 12th day of November, 1998, by and between ABBOTT LABORATORIES, an Illinois corporation ("Abbott"), and ARONEX PHARMACEUTICALS, INC., a Delaware corporation (the "Company").

RECITALS

A. Abbott desires to purchase from the Company, and the Company desires to sell to Abbott, shares of common stock, par value $0.001 per share, of the Company (the "Common Stock"), all as more fully described below, on the terms and conditions set forth herein.

B. The Company and Abbott desire to enter into a License Agreement (the "License Agreement") in the form attached hereto as Exhibit A.

C. The Company and Abbott desire to make certain representations, warranties, covenants and agreements in connection with the purchase and sale of the Common Stock and desire to prescribe certain conditions precedent to such purchase and sale.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and of the mutual provisions, agreements and covenants contained herein, the Company and Abbott

hereby agree as follows:

1. PURCHASE AND SALE OF COMMON STOCK.

1.1 INITIAL PURCHASE. Subject to the terms and conditions hereof and on the basis of the representations, warranties, covenants and agreements set forth herein, the Company agrees to sell to Abbott, and Abbott agrees to purchase from the Company, on the Initial Closing Date (as defined below), 837,989 shares of Common Stock (the "Initial Shares") for an aggregate purchase price of $3,000,000.

The closing of the purchase and sale of the Initial Shares will occur at Abbott's principal executive offices, against payment of the purchase price therefor by wire transfer in immediately available funds, at 10:00 a.m., local time, on November 30, 1998, or such later date as shall mutually be agreed upon by the Company and Abbott (the "Initial Closing Date"). The Company shall deliver to Abbott written wire transfer instructions for the payment of the purchase price of the Initial Shares at least 48 hours prior to the Initial Closing Date, which instructions shall include the Company's bank name and address, ABA routing number and the Company's account number.

1.2 ADDITIONAL PURCHASE.

(a) At any time beginning *, the Company shall have the right (the "Put Right") to require Abbott to purchase additional shares of Common Stock (the "Additional Shares") for an aggregate purchase price of up to *; provided, however, that the Put Right shall terminate if *. The Company shall be entitled to exercise the Put Right on only one occasion.

(b) To exercise the Put Right, the Company shall deliver to Abbott a written notice (the "Exercise Notice"), which shall be dated as of the date the

Exercise Notice is transmitted by facsimile transmission to Abbott (with a confirmation copy sent by mail or personal delivery), and which shall set forth (i) the number of shares of Common Stock to be sold to and purchased by Abbott in connection with the exercise of the Put Right (the "Additional Shares"), (ii) the aggregate purchase price for the Additional Shares (the "Additional Purchase Price"), and (iii) the date on which the closing of the purchase and sale of the Additional Shares shall take place (the "Additional Closing Date"), which shall be the tenth Business Day after the date of the Exercise Notice or such other date as shall be agreed to in writing by Abbott and the Company. The Company shall deliver to Abbott written wire transfer instructions (setting forth the information specified in Section 1.1 hereof) for the payment of the Additional Purchase Price at least 48 hours prior to the Additional Closing Date.

(b) The number of Additional Shares to be sold to and

purchased by Abbott pursuant to the Put Right shall be determined by dividing the Additional Purchase Price by the lesser of (i) * (as adjusted to reflect any stock splits, reverse stock splits, stock dividends, subdivisions, combinations or similar transactions the record date for which shall occur after the date hereof), or (ii) the Fair Market Value on the date of the Exercise Notice.

(c) Notwithstanding any other provision of this agreement to the contrary, (i) the Company shall not be entitled to exercise the Put Right at any time that the Fair Market Value of the Common Stock is less than * (as adjusted to reflect any stock splits, reverse stock splits, stock dividends, subdivisions, combinations or similar transactions the record date for which shall occur after the date hereof), which is the Fair Market Value of the Common Stock on the date hereof; and (ii) the number of Additional Shares subject to the Put Right shall be reduced to the extent that the Initial Shares and the Additional Shares shall, in the aggregate, equal or exceed * of the outstanding Common Stock on the Additional Closing Date (after giving effect to the exercise of the Put Right).

2. INTERPRETATION OF AGREEMENT; DEFINITIONS.

2.1 DEFINITIONS. Unless the context otherwise requires, the terms hereinafter set forth when used herein shall have the following meanings, and the following definitions shall be equally applicable to both the singular and plural forms of any of the terms herein defined:

"Additional Closing Date" shall have the meaning specified in Section 1.2 hereof.

"Additional Purchase Price" shall have the meaning specified in Section 1.2 hereof.

"Additional Shares" shall have the meaning specified in Section 1.2 hereof.

"Affiliate" shall mean any Person (other than a Subsidiary) (i) which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Company, (ii) which beneficially owns or holds ten percent (10%) or more of any class of the Voting Stock of the Company or (iii) ten percent (10%) or more of the Voting Stock (or in the case of a Person which is not a corporation, ten percent (10%) or more of the equity interest) of which is beneficially owned or held by the Company or a Subsidiary. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of Voting Stock, by contract or otherwise.

"Agreement" shall mean this Stock Purchase Agreement.

"Board of Directors" shall mean either the board of directors of the Company or any duly authorized committee thereof.

"Board Resolution" shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of

Directors and to be in full force and effect on the date of such certification.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which commercial banks located in Houston, Texas or Chicago, Illinois are authorized or required by law to be closed.

"Change of Control" shall mean any change in control of the Company which includes any consolidation of the Company with, or merger of the Company into, any other Person, any merger of another Person into the Company (other than a merger which does not result in any reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), any acquisition of at least a majority of the Voting Stock of the Company or any sale or transfer of all or substantially all of the business or assets of the Company.

"Commission" shall mean the Securities and Exchange Commission or any successor regulatory entity.

"Common Stock" shall mean the Common Stock, par value $0.001 per share, of the Company.

"Company" shall mean Aronex Pharmaceuticals, Inc., a Delaware corporation, and any Person that, in accordance with the terms of this Agreement, succeeds to all or substantially all of the assets or the business of Aronex Pharmaceuticals, Inc.

"Company Balance Sheet" shall have the meaning specified in Section 3.5 hereof.

"Company Balance Sheet Date" shall have the meaning specified in Section 3.5 hereof.

"Company Financial Statements" shall have the meaning specified in Section 3.5 hereof.

"Company SEC Documents" shall have the meaning specified in Section 3.6 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, together with the regulations thereunder, in each case as in effect from time to time. References to sections of ERISA shall be construed to also refer to any successor sections.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Exercise Notice" shall have the meaning specified in Section 1.2 hereof.

"Fair Market Value of the Common Stock" as of any day shall mean (i) the average last sale price (or average closing bid and asked price if no sales were reported) of the Common Stock on the Nasdaq National Market for the preceding 10 Business Days; or (ii) if the Common Stock is not included in the Nasdaq National Market, the average closing price of the Common Stock on the principal national securities exchange on which the Common Stock is listed for the preceding 10 Business Days; or (iii) if the Common Stock is not listed on a national securities exchange, the average of the high bid and the low asked price of the Common Stock in the over-the-counter market as reported for the preceding 10 Business Days; or (iv) if no such quotations are available, the fair market value per share on such date as determined by an independent investment banker or appraiser, nationally recognized to be an expert in making such valuations, selected by mutual agreement of the Company and Abbott.

"FDA" shall mean the United States Food and Drug Administration or any successor regulatory entity.

"GAAP" shall mean generally accepted accounting principles in effect at the applicable time in the United States.

"Governmental Entity" shall have the meaning specified in Section 3.4 hereof.

"Holder" shall mean the registered holder of the Shares.

"Initial Closing Date" shall have the meaning specified in Section 1.1 hereof.

"Initial Shares" shall have the meaning specified in Section 1.2 hereof.

"Lien" shall mean any interest in property securing an obligation owed to, or a claim by, a Person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes. The term "Lien" shall include reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances (including, with respect to stock, stockholder agreements, voting trust agreements, buy-back agreements and all similar arrangements) affecting property. For the purposes of this Agreement, the Company or a Subsidiary shall be deemed to be the owner of any property which it has acquired or holds subject to a conditional sale agreement, capitalized lease or other arrangement pursuant to which title to the property has been retained by or vested in some other Person for security purposes and

such retention or vesting shall constitute a Lien.

"NDA" shall mean an FDA New Drug Application with respect to the Company's proprietary formulation of the compound nystatin, which as of the date hereof is being developed under the name Nyotran-Registered Trademark-.

"NDA Acceptance Date" shall *.

"Permits" shall have the meaning specified in Section 3.9 hereof.

"Person" shall mean an individual, partnership, corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

"Preferred Stock" shall mean stock of the Company or a Subsidiary of any class or series ranking prior to any other class or series of stock of the Company or the Subsidiary with respect to the payment of dividends or the distribution of assets upon the liquidation, dissolution or winding up of the Company or the Subsidiary.

"Proprietary Rights" shall have the meaning specified in Section 3.13 hereof.

"Put Right" shall have the meaning specified in Section 1.2 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended.
"Shares" shall mean the Initial Shares and the Additional Shares.

"Subsidiary" shall mean a corporation, partnership or other entity at least a majority of whose Voting Stock is owned directly or indirectly by the Company.

"Voting Stock" shall mean securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

2.2 Accounting Principles. Where the character or amount of any

asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

2.3 Directly or Indirectly. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is

prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

3. Representations and Warranties of the Company and its Subsidiaries. Except as otherwise described or set forth in the Company SEC Documents, the Company and its Subsidiaries represent and warrant to Abbott as of the date hereof, as of the Initial Closing Date and as of the Additional Closing Date as follows:

3.1 Corporate Organization and Authority. The Company and each of its Subsidiaries: (a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (b) has all requisite power and authority to own and operate its properties and to carry on its business as now conducted and as presently proposed to be conducted; and (c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary.

3.2 Capital Structure. The authorized capital stock of the Company consists of 30,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock, par value $0.001 per share. As of the date hereof, 15,503,745 shares of Common Stock were issued and outstanding and no shares of the Company's Preferred Stock were issued and outstanding. Except as described in the Company SEC Documents, there are no outstanding options, warrants, rights or other securities convertible into or exchangeable for shares of Common Stock, other than stock options granted to employees and directors of the Company in the ordinary course and consistent with past practice.

All of the outstanding Common Stock was issued in compliance with applicable federal and state securities laws and regulations. All of the outstanding shares of the Common Stock are, and when issued in accordance with this Agreement the Shares will be, duly authorized, validly issued, fully paid and nonassessable, free and clear of any Liens or encumbrances created by the Company, and not subject to preemptive rights created by statute, the Company's Certificate of Incorporation or Bylaws, or any agreement to which the Company is a party or by which it is bound.

3.3 Equity Investments; Subsidiaries. The Company does not own any equity stock or interest, directly or indirectly, in any corporation, partnership, joint venture, firm or other entity other than (i) its Subsidiaries, which are Triplex Pharmaceutical Corporation, a Delaware corporation, Oncologix, Inc., a Delaware corporation and Aronex Europe Limited, a company limited by shares organized under the laws of England, and (ii) a minority interest in Targeted Genetics, Incorporated, a Delaware corporation. The Company owns all of the outstanding capital stock of each of its Subsidiaries, free and clear in each case of any Lien.

3.4 Authority. The Company has all requisite corporate power and authority to enter into this Agreement and to execute, issue, sell and deliver the Shares and, subject to satisfaction of the conditions set forth

herein, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the certificates representing the Shares and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar laws affecting the rights of creditors and the effect or

availability of rules of law governing specific performance, injunctive relief or other equitable remedies. Provided the conditions set forth in Section 6 hereof are satisfied, the execution and delivery of this Agreement and the certificates representing the Shares does not or will not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation under (a) any provision of the Certificate of Incorporation or Bylaws of the Company, or (b) any material agreement or instrument, permit, franchise, license, judgment or order applicable to the Company or its respective properties or assets.

No consent, approval, order or authorization of, or registration, declaration or filing with, any court, administrative agency or commission or other governmental authority (a "Governmental Entity") or other Person, is required by, or with respect to, the Company in connection with the execution and delivery of this Agreement or the certificates representing the Shares or the consummation by the Company of the transactions contemplated hereby, except for such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and the laws of any foreign country.

3.5 Financial Statements. The Company has furnished to Abbott its audited consolidated statements of operations, statements of stockholders' equity and statements of cash flows for the fiscal year ended December 31, 1997 and the Company's audited consolidated balance sheet at December 31, 1997; and the unaudited consolidated statement of operations and statement of cash flows for the nine months ended September 30, 1998 and the unaudited consolidated balance sheet at September 30, 1998. The balance sheet at September 30, 1998 is hereinafter referred to as the "Company Balance Sheet," and all such financial statements are hereinafter referred to collectively as the "Company Financial Statements." The Company Financial Statements have been prepared in accordance with GAAP applied on a consistent basis, except for any change due to the adoption of an accounting principle established by the FASB, AICPA, Commission or any other accounting standard setting board, during the periods involved, and fairly present the consolidated financial position of the Company and the results of its operations as of the date and for the periods indicated thereon. At the date of the Company Balance Sheet (the "Company Balance Sheet Date"), neither the Company nor its consolidated Subsidiaries had

any liabilities or obligations, secured or unsecured (whether accrued, absolute, contingent or otherwise) required to be reflected on the Company Balance Sheet or in the accompanying notes thereto that were not so reflected.

3.6 Securities and Exchange Commission Documents. The Company has furnished to Abbott a true and complete copy of the Company's Proxy Statement relating to the Company's 1998 annual meeting of shareholders, the Company's Annual Report on Form 10-K for the year ended December 31, 1997, the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1998 and June 30, 1998, and the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 in the form delivered to Abbott on October 23, 1998 (the "Company SEC Documents"). As of their respective filing dates and, in the case of the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, as of the date delivered to Abbott, the Company SEC Documents comply in all material respects with the requirements of the Exchange Act and none of the Company SEC Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, except to the extent corrected by a subsequently filed Company SEC Document.

3.7 Business Changes. Since September 30, 1998, except as otherwise contemplated by this Agreement or as described in the Company SEC Documents, the Company has conducted its business only in the ordinary and usual course and, without limiting the generality of the foregoing:

(a) There have been no changes in the condition (financial or

otherwise), business, net worth, assets, properties, employees, operations, obligations or liabilities of the Company which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the condition, business, net worth, assets, prospects, properties or operations of the Company.

(b) The Company has not issued, or authorized for issuance, or entered into any commitment to issue, any equity security, bond, note or other security of the Company other than stock options granted to employees and directors of the Company in the ordinary course and consistent with past practice.

(c) The Company has not incurred debt for borrowed money, nor incurred any obligation or liability except in the ordinary and usual course of business and in any event not in excess of $250,000 for any single occurrence.

(d) The Company has not paid any obligation or liability, or discharged, settled or satisfied any claim, lien or encumbrance, except for current liabilities in the ordinary and usual course of business and in any event not in excess of $250,000 for any single occurrence.

(e) The Company has not declared or made any dividend, payment or other distribution on or with respect to any share of capital stock of the Company.

(f) The Company has not purchased, redeemed or otherwise acquired or committed itself to acquire, directly or indirectly, any share or shares of capital stock of the Company.

(g) The Company has not mortgaged, pledged or otherwise encumbered any of its assets or properties, other than leasehold improvements and equipment acquired with purchase money financing or under a capital lease, inventory sold in the normal course of business or accounts receivable.

(h) The Company has not disposed of, or agreed to dispose of, by sale, lease, license or otherwise, any asset or property, tangible or intangible, except in the ordinary and usual course of business, and in each case for a consideration believed to be at least equal to the fair value of such asset or property and in any event not in excess of $250,000 for any single item or $500,000 in the aggregate other than inventory sold or returned in the normal course of business.

(i) The Company has not purchased or agreed to purchase or otherwise acquire any securities of any corporation, partnership, joint venture, firm or other entity; the Company has not made any expenditure or commitment for the purchase, acquisition, construction or improvement of a capital asset, except in the ordinary and usual course of business and in any event not in excess of $250,000 for any single item or $500,000 in the aggregate.

(j) The Company has not entered into any material transaction or contract, or made any commitment to do the same, except in the ordinary and usual course of business.

(k) The Company has not sold, assigned, transferred or conveyed, or committed itself to sell, assign, transfer or convey, any material Proprietary Rights (as defined in Section 3.13 hereof).

(1) The Company has not adopted or amended any material bonus, incentive, profit-sharing, stock option, stock purchase, pension, retirement, deferred-compensation, severance, life insurance, medical or other benefit plan, agreement, trust, fund or arrangement for the benefit of employees of any kind whatsoever, nor entered into or amended any material agreement relating to employment, services as an independent contractor or consultant, or severance or termination pay, nor agreed to do any of the foregoing.

(m) The Company has not effected or agreed to effect any change in its officers or key employees.

(n) The Company has not effected or committed itself to effect any amendment or modification in its Certificate of Incorporation or Bylaws.

(o) The Company has not modified its accounting principles in any material respect, except for those changes required by the adoption of an accounting principle promulgated by the FASB, the AICPA, the Commission or any other accounting standards setting bodies.

3.8 Litigation. There is no material claim, dispute, action, proceeding, notice, order, suit, appeal or investigation, at law or in equity, pending against the Company, or involving any of its assets or properties, before any court, agency, authority, arbitration panel or other tribunal (other than those, if any, with respect to which service of process or similar notice has not yet been made on the Company), and none have been threatened. The Company is aware of no facts which, if known to stockholders, customers, governmental authorities or other Persons, would result in any such claim, dispute, action, proceeding, suit or appeal or investigation which would have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of the Company. The Company is not subject to any order, writ, injunction or decree of any court, agency, authority, arbitration panel or other tribunal, nor is it in default with respect to any order, writ, injunction or decree.

3.9 Compliance with Law. All material licenses, franchises, permits, clearances, consents, certificates and other evidences of authority of the Company which are necessary to the conduct of the Company's business ("Permits") are in full force and effect and the Company is not in violation of any Permit in any material respect. Except for possible exceptions, the curing or non-curing of which would not have a material adverse effect on the condition (financial or otherwise), business, net worth, assets, prospects, properties or operations of the Company, the business of the Company has been conducted in accordance with all applicable laws, regulations, orders and other requirements of governmental authorities.

3.10 Title to Properties. The Company and each of its Subsidiaries has good title to all material items of property it purports to own, except for items of property sold or otherwise disposed of in the ordinary course of business.

3.11 Licenses, etc. The Company and each of its Subsidiaries owns or possesses all material trade names, service marks, licenses, governmental approvals, and rights with respect to the foregoing necessary for the present conduct of its business, without any known conflict with the rights of others.

3.12 No Default.

(a) Each of the Company's material agreements or contracts is a legal, binding and enforceable obligation by or against the Company, subject to the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity). To the Company's knowledge, no party with whom the Company has an agreement or contract is in default thereunder or has breached any term or provision thereof which is material to the conduct of the Company's business.

(b) The Company has performed, or is now performing, the obligations of, and the Company is not in material default (or would by the lapse of time and/or the giving of notice be in material default) in respect of, any contract, agreement or commitment binding upon it or its assets or properties and material to the conduct of its business. No third party has raised any claim, dispute or controversy with respect to any material contract of the Company, whether fully performed or currently being performed, nor has the Company received written notice or warning of alleged nonperformance, delay in delivery or other noncompliance by the Company with

respect to its obligations under any such contract, nor to the Company's knowledge are there any facts (other than contractual provisions allowing parties to terminate such contract without cause) which exist indicating that any such contract may be totally or partially terminated or suspended by the other parties thereto.

3.13 Proprietary Rights.

(a) The Company has entered into agreements with each officer, employee or consultant of the Company necessary to provide the Company with title and ownership to all material patents, patent applications, trade secrets and inventions developed or used by the Company in its business, and all of such agreements are valid, enforceable and legally binding, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar laws affecting the rights of creditors or availability of rules of law governing specific performance, injunctive relief or other equitable remedies (regardless of whether any such remedy is considered in a proceeding at law or in equity).

(b) The Company owns or possesses licenses or other rights to use all material patents, patent applications, trademarks, trademark applications, trade secrets, service marks, trade names, copyrights, inventions, drawings, designs, customer lists, proprietary know-how or information, or other rights with respect thereto (collectively referred to as "Proprietary Rights"), used in the business of the Company, and the same are sufficient to conduct the Company's business as it has been and is now being conducted.

(c) To the Company's knowledge, the operations of the Company do not violate or infringe, and no one has asserted to the Company that such operations violate or infringe, on any Proprietary Rights, owned, possessed or used by any third party. There are no claims, disputes, actions, proceedings, suits or appeals pending against the Company with respect to any Proprietary Rights (other than those, if any, with respect to which service of process or similar notice may not yet have been made on the Company), and none has been threatened against the Company. To the knowledge of the Company, there are no facts which would reasonably serve as a basis for any claim that the Company does not have the right to use, free of any rights or claims of others, all Proprietary Rights in the development, manufacture, use, sale or other disposition of any or all products or services presently being used, furnished or sold in the conduct of the business of the Company as it has been and is now being conducted.

(d) To the Company's knowledge, no employee of the Company is in violation of any term of any employment contract, proprietary information and inventions agreement, non-competition agreement, or any other contract or agreement relating to the relationship of any such employee with the Company or any previous employer.

3.14 Taxes. All tax returns required to be filed by the Company or its Subsidiaries in any jurisdiction have been filed, and all taxes, assessments, fees and other governmental charges upon the Company or its Subsidiaries or upon any of their respective properties, income or franchises, which are shown to be due and payable in such returns have been paid. For all taxable years ending on or before December 31, 1997, the federal income tax liability of the Company and its Subsidiaries has been satisfied. The Company does not know of any proposed additional tax assessment against it for which adequate reserves have not been made on its balance sheet, and no material controversy in respect of additional federal or state income taxes due since such date is pending or, to the knowledge of the Company, threatened. The reserves for taxes on the books of the Company and each of its Subsidiaries are adequate in all material respects for all open years, and for its current fiscal period.

3.15 Use of Proceeds. The net proceeds from the sale of the Shares will be used to make an infusion of capital into the Company and for other corporate purposes.

3.16 Private Offering. The offering and sale of the Shares is and will be exempt from the registration requirements of the Securities Act and applicable state securities and blue sky laws. Neither the Company nor any agent on its behalf has made or will make any offers to sell or solicited or will solicit any offers to buy the Shares to any Person so as to bring the offer or sale thereof within the registration requirements of the Securities Act.

3.17 Employee Plans and Relations.

(a) Except as disclosed in the Company SEC Documents, the Company does not have any: (i) employee benefit plans, multi-employer plans and employee benefit plans (as defined in section 3(2) or section 3(3) of ERISA); (ii) material bonus, deferred compensation, incentive, restricted stock, stock purchase, stock option, stock appreciation right, phantom stock, debenture, supplemental pension, profit-sharing, royalty pool, commission or similar plans or arrangements; (iii) material employment, consulting, termination or severance agreements; or (iv) other material plans, programs, agreements, procedures, policies, commitments, understandings or other arrangements relating to employee benefits, executive compensation, fringe benefits, severance pay, terms of employment or services as a director, officer, employee or independent contractor.

(b) The Company has not been and is not a party to, or subject to, or affected by, any collective bargaining agreement or other labor contract. The Company has complied in all material respects with all laws, rules and regulations relating to employment, equal employment opportunity, nondiscrimination, immigration, wages, hours, benefits, collective bargaining, the payment of social security and similar taxes, occupational safety and health and plant closing.

3.18 Environmental Matters. The Company is, and at all times during the period prior to the date hereof the Company has been, in material compliance with all applicable local, state and federal statutes, orders, rules, ordinances and regulations relating to pollution or protection of the environment, including, without limitation, laws relating to zoning and land use and to emissions, discharges, releases or threatened releases of pollutants, contaminants, hazardous or toxic materials or wastes into or on land, ambient air, surface water, ground water, personal property or structures (including the protection, cleanup, removal, remediation or damage thereof), or otherwise related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, discharge or handling of pollutants, contaminants or hazardous or toxic substances, materials or wastes.

3.19 Brokers or Finders. The Company has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement. The Company has not incurred, and shall not incur, directly or indirectly, any liability for any brokerage or finders' fees or agents' commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

3.20 Full Disclosure. Neither the Company Financial Statements referred to in Section 3.6 hereof, nor this Agreement or any other written statements furnished by the Company to Abbott in connection with the negotiation of the sale of the Shares, contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained herein or therein, taken as a whole, not misleading. There is no fact peculiar to the Company or the Subsidiaries which the Company has not disclosed to Abbott in writing which materially adversely affects nor, so far as the Company can now reasonably foresee, will materially adversely affect, the

properties, business, profits or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole.

4. Representations and Warranties of Abbott. Except as contemplated by this Agreement, Abbott represents and warrants to the Company as of the date hereof as follows:

4.1 CORPORATE ORGANIZATION. Abbott is a corporation duly

incorporated, validly existing and in good standing under the laws of Illinois. Abbott is duly qualified to do business and is in good standing in its state of incorporation and in each other jurisdiction in which it owns or leases property or conducts business, except where the failure to be so qualified would not have a material adverse effect on the business of Abbott. Abbott has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and possesses all licenses, franchises, rights and privileges material to the conduct of its business.

4.2 Authority. Abbott has all requisite corporate power and authority to enter into this Agreement and, subject to satisfaction of the conditions set forth herein, to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Abbott. This Agreement has been duly executed and delivered by Abbott and constitutes the valid and binding obligation of Abbott enforceable in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization or other similar federal or state laws affecting the rights of creditors and the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies. Provided the conditions set forth in Section 6 are satisfied, the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation under (a) any provision of the Articles of Incorporation or Bylaws of Abbott, or (b) any material agreement or instrument, permit, license, judgment, order, statute, law, ordinance, rule or regulation applicable to Abbott or its properties or assets, other than any such conflicts, violations, defaults, terminations, cancellations or accelerations which individually or in the aggregate would not have a material adverse effect on Abbott.

No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or other Person is required by or with respect to Abbott in connection with the execution and delivery of this Agreement by Abbott or the consummation by Abbott of the transactions contemplated hereby.

4.3 Restricted Shares. Abbott represents and agrees, and in entering into this Agreement the Company understands, that (a) Abbott is acquiring the Shares for Abbott's own account, and for the purpose of investment and not with a view to the distribution thereof, and that Abbott has no present intention of selling, negotiating or otherwise disposing of the Shares, it being understood, however, that the disposition of Abbott's property shall at all times be and remain within its control, and (b) the Shares have not been registered under Section 5 of the Securities Act and that Abbott will only re-offer or resell the Shares purchased by Abbott under this Agreement pursuant to an effective registration statement under the Securities Act or in accordance with an available exemption from the requirements of Section 5 of the Securities Act.

4.4 NO CONFLICT. The execution and delivery of this Agreement by Abbott and the performance of Abbott's obligations hereunder, (a) are not in violation or breach of, and will not conflict with or constitute a default under, any of the terms of the Articles of Incorporation or Bylaws of Abbott or any of its Subsidiaries, or any material contract, agreement or commitment binding upon Abbott or any of its assets or properties; (b) will not result in the creation or imposition of any Lien, encumbrance, equity or restriction in favor of any third party upon any of the assets or properties of Abbott; and (c) will not conflict with or violate any applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court having jurisdiction over Abbott or any of its assets or properties.

4.5 Brokers or Finders. Abbott has not dealt with any broker or finder in connection with the transactions contemplated by this Agreement. Abbott has not incurred, and shall not incur, directly or indirectly, any liability for any brokerage or finders' fees or agents commissions or any similar charges in connection with this Agreement or any transaction contemplated hereby.

5. Covenants of the Company. From and after the Initial Closing Date and continuing so long as any Shares remain outstanding, the Company covenants and agrees with Abbott that:

5.1 Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may permit the sale of the restricted Common Stock to the public without registration, as long as a public market exists for the Common Stock, the Company shall use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

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

the Exchange Act;

(c) So long as a Holder owns any restricted Common Stock, furnish to the Holder forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company and other information in the possession of or reasonably obtainable by the Company as a Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing a Holder to sell any such securities without registration.

5.2 Listing of Shares.

(a) The Company shall (i) promptly following the Initial Closing Date prepare and file with The Nasdaq Stock Market, Inc. (as well as any national securities exchange on which the Common Stock is then listed) an application for listing of the Initial Shares and, concurrently with the delivery of the Exercise Notice, prepare and file with The Nasdaq Stock Market, Inc. (as well as any national securities exchange on which the Common Stock is then listed) an application for listing of the Additional Shares, and (ii) take all reasonable steps necessary to cause all Shares to be approved for listing on the Nasdaq National Market (as well as any national securities exchange on which the Common Stock is then listed) as soon as practicable thereafter.

(b) The Company shall use its best efforts to keep effective the registration of the Common Stock under the Exchange Act and maintain the listing of the Common Stock on the Nasdaq National Market or a national securities exchange.

5.3 Press Releases. Any press release or other public announcement concerning this Agreement or the transactions contemplated hereby shall be mutually satisfactory to the Company and Abbott, except that the Company may issue such press releases or make such public statements as it reasonably believes to be required by law or the rules of The Nasdaq Stock Market.

6. Conditions Precedent.

6.1 Conditions to Obligations of Abbott to Purchase the Initial Shares. The obligations of Abbott to consummate this Agreement and purchase the Initial Shares are subject to the satisfaction on or prior to the Initial Closing Date of all of the following conditions, unless waived by Abbott:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Initial Closing Date, and Abbott shall have received a certificate or certificates signed by the Chief Executive Officer of

the Company to such effect.

(b) PERFORMANCE OF OBLIGATIONS. The Company shall have performed all obligations required to be performed by it under this Agreement prior to the Initial Closing Date, and Abbott shall have received a certificate signed by the Chief Executive Officer of the Company to such effect.

(c) NO MATERIAL ADVERSE CHANGE. There shall have been no changes in the condition (financial or otherwise), business, prospects, employees, operations, obligations or liabilities of the Company which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the financial condition, business, or operations of the Company on a consolidated basis.

(d) LICENSE AGREEMENT. The Company and Abbott shall have entered into a License Agreement in the form attached hereto as Exhibit A.

(e) OTHER DOCUMENTS. The Company shall have delivered to Abbott (i) a copy of the Certificate of Incorporation of the Company, as in effect on the Initial Closing Date, certified by the Secretary of State of the State of Delaware, (ii) a certificate of the Secretary of State of the State of Delaware and of the State of Texas, as of the most recent practicable date, as to the good standing of the Company, (iii) a certificate of the Secretary of the Company dated as of the Initial Closing Date, certifying as to (A) the Board Resolutions authorizing the execution and delivery of this Agreement, the Licencing Agreement and the other transactions contemplated hereby (with a copy attached), (B) the Bylaws of the Company as in effect on the Initial Closing Date (with a copy attached), and (C) the incumbency of the officers executing the Agreement and the License Agreement; and (iv) a copy of the Company Financial Statements, certified by the Chief Executive Officer or the Chief Financial Officer of the Company.

(f) OPINION OF COUNSEL. The Company shall have delivered an opinion of its counsel substantially in the form of Exhibit B.

(g) CERTIFICATES FOR INITIAL SHARES. The Company shall have delivered to Abbott valid certificates for the Initial Shares, registered in Abbott's name.

6.2 Conditions to Obligations of the Company for the Initial Shares. The obligations of the Company to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Initial Closing Date of all of the following conditions, unless waived by the Company:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Abbott set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Initial Closing Date.

(b) PERFORMANCE OF OBLIGATIONS OF ABBOTT. Abbott shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Initial Closing Date.

(c) LICENSE AGREEMENT. The Company and Abbott shall have entered into a License Agreement in the form attached hereto as Exhibit A.

(d) PAYMENT. Abbott shall have tendered to the Company $3,000,000 in payment for the Initial Shares.

6.3 Conditions to Obligations of Abbott to Purchase the Additional Shares. The obligations of Abbott to purchase the Additional Shares are subject to the satisfaction on or prior to the Additional Closing Date of all of the following conditions, unless waived by Abbott:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Company set forth in this Agreement shall be true and correct in

all material respects as of the date of this Agreement and as if made at and as of the Additional Closing Date, except for such changes as are disclosed in the Company's filings with the Commission after the date of this Agreement, and Abbott shall have received a certificate or certificates signed by the Chief Executive Officer of the Company to such effect.

(b) PERFORMANCE OF OBLIGATIONS. The Company shall have performed all obligations required to be performed by it under this Agreement prior to the Additional Closing Date, and Abbott shall have received a certificate signed by the Chief Executive Officer of the Company to such effect.

(c) NO MATERIAL ADVERSE CHANGE. There shall have been no changes in the condition (financial or otherwise), business, prospects, employees, operations, obligations or liabilities of the Company which, in the aggregate, have had or may be reasonably expected to have a materially adverse effect on the financial condition, business or operations of the Company on a consolidated basis, except for any such changes that have been publicly disclosed for a period of at least 15 Business Days prior to the Additional Closing Date. For purposes of this Section 6.3(c), a change shall not be deemed to have been publicly disclosed unless it shall have been disclosed in a press release issued by the Company and transmitted for immediate release to at least five of the following news sources: the Associated Press; Business Wire; Dow Jones & Company, Inc.; Moody's Investors Service, Inc.; PR Newswire; Reuters Economic Services; Standard & Poor's Corporation; and United Press International.

(d) OTHER DOCUMENTS. The Company shall have delivered to Abbott (i) a copy of the Certificate of Incorporation of the Company, as in

effect on the Additional Closing Date, certified by the Secretary of State of the State of Delaware, (ii) a certificate of the Secretary of State of the State of Delaware and of the State of Texas, as of the most recent practicable date, as to the good standing of the Company, and (iii) a certificate of the Secretary of the Company dated as of the Additional Closing Date, certifying as to the Board Resolutions authorizing the execution and delivery of this Agreement and the other transactions contemplated hereby.

(e) REGISTRATION AND LISTING OF COMMON STOCK. The Common Stock shall be registered under the Exchange Act and listed on the Nasdaq National Market or a national securities exchange.

(f) CHANGE OF CONTROL. There shall not have occurred or be pending a Change of Control other than a Change of Control to which Abbott has consented in writing, which consent shall not be unreasonably withheld or delayed. Without limiting the foregoing, Abbott's refusal to consent to a Change of Control shall not be deemed to be unreasonable where the Change of Control involves a Person that is a competitor of Abbott

(g) OPINION OF COUNSEL. The Company shall have delivered an opinion of its counsel substantially in the form of Exhibit B.

(h) CERTIFICATES FOR THE ADDITIONAL SHARES. The Company shall have delivered to Abbott valid certificates for the Additional Shares, registered in Abbott's name.

(i) License Agreement. The Company shall have complied in all material respects with terms and conditions of the License Agreement, and the License Agreement shall be in full force and effect and no notice of termination shall have been given thereunder.

6.4 Conditions to Obligations of the Company for the Additional Shares. The obligations of the Company to consummate the transactions contemplated hereby in connection with the Additional Shares are subject to the satisfaction on or prior to the Additional Closing Date of all of the following conditions, unless waived by the Company:

(a) REPRESENTATIONS AND WARRANTIES. The representations and warranties of Abbott set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as if made at and as of the Additional Closing Date.

(b) PERFORMANCE OF OBLIGATIONS OF ABBOTT. Abbott shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Additional Closing Date.

(c) PAYMENT. Abbott shall have tendered to the Company the Additional Purchase Price in payment for the Additional Shares.

7. Registration Rights. The Holder shall have registration rights as provided in this Section 7 with respect to the Shares (the "Registrable Shares").

7.1 Piggyback Registration.

(a) Whenever securities of the Company are to be registered under the Securities Act, other than pursuant to a registration statement on Form S-4 or Form S-8, and the registration form to be used may be used for the registration of the Registrable Shares (a "Piggyback Registration"), the Company will give prompt written notice to the Holder of its intention to effect such a registration and will include in such registration all Registrable Shares with respect to which the Company has received written requests for inclusion therein within 21 days after the Company's notice has been given.

(b) If a Piggyback Registration relates to an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such offering will have an adverse effect on the offering (including the price at which the shares of Common Stock can be sold), the Company will include in such registration (i) first, the securities the Company proposes to sell for its own account, if any, and (ii) second, the Registrable Shares requested to be included in such registration and the securities requested to be included therein by any other holders of the Company's securities that have been granted piggyback registration rights prior to the date of this Agreement and which are applicable to such registration (all such Registrable Shares and other securities being collectively referred to as the "Secondary Shares") which in the opinion of such underwriters can be sold in such offering without creating such an adverse effect, allocated pro rata among the holders of such Secondary Shares on the basis of the number of Secondary Shares owned or deemed to be owned by such holders.

7.2 Demand Registration.

(a) The Holder may request at any time the registration under the Securities Act of all or part of their Registrable Shares on Form S-3 or any similar short-form registration ("Short-Form Registration"), if available, so as to permit the resale thereof (a "Demand Registration"). The Holder will be entitled to request one Short-Form Registration for the Initial Shares and one Short-Form Registration for the Additional Shares. The Company will use its best efforts to make the Short-Form Registration available for the sale of Registrable Shares. If the Company is unable to make the Short-Form Registration available for the sale of the Registrable Shares within 90 days of the Holder's request, the Company shall cause the registration of the Registrable Shares on Form S-1 or S-2 or any similar long-form registration so as to permit the resale thereof. The Company shall keep such registration effective for at least 12 months or for such shorter period of time as is necessary for the distribution of the Registrable Shares thereunder to be completed in accordance with the Holder's intended method of distribution.

(b) The Company may postpone for a reasonable period not to exceed 90 days the filing or the effectiveness of a registration statement for a Demand Registration if the Board of Directors determines reasonably and in good faith that such

filing would require disclosure of a material fact that would have a material adverse effect on the Company or any plan by the Company or any of its Subsidiaries to engage in any acquisition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other material transaction.

7.3 Payment of Expenses. The Company will pay all registration expenses incurred in connection with the filing of the registration statements provided for in this Section 7, including all registration and filing fees, fees and expenses of compliance with federal, state and foreign securities laws, printing expenses, and fees and disbursements of counsel for the Company and its independent certified public accountants, underwriters, and other Persons retained by the Company, but excluding discounts and commission attributable to the Registrable Shares. The Holder will be responsible for the fees and expenses of its own counsel.

7.4 Additional Covenants of the Company. The Company agrees to use its reasonable best efforts to effect the registration of the Registrable Shares in accordance with the intended method of disposition thereof, and pursuant thereto, the Company agrees to:

(a) prepare and file with the Commission such amendments and supplements to any registration statement filed pursuant hereof and the prospectus used in connection therewith as may be necessary to keep any such registration statement effective and available for resale of the Registrable Shares, and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by any such registration statement during such effective period in accordance with the intended methods of disposition by the Holder set forth in any such registration statement;

(b) furnish to the Holder such number of copies of any registration statement filed pursuant to this Section 7, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as the Holder may reasonably request in order to facilitate the disposition of the Registrable Shares;

(c) use its reasonable best efforts to register or qualify the Registrable Shares under such other securities or blue sky laws of such states of the United States as the Holder reasonably requests and of any and all other things which may be reasonably necessary or advisable to enable the Holder to consummate the disposition in such jurisdictions of the

Registrable Shares owned by the Holder; provided, however, that the Company will not be required (A) to qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 7.4, (B) to subject itself to taxation in any such jurisdiction or (C) to consent to general service of process in any such jurisdiction;

(d) notify the Holder, at any time when a prospectus relating to any registration statement filed pursuant to this Section 7 is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading, and, at the request of the Holder, the Company will promptly prepare (and, when completed, give notice to each seller of Registrable Shares) a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Shares, such prospectus will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading; provided, however, that upon such notification by the Company, the Holder will not offer or sell Registrable Shares until the Company has notified the Holder that it has prepared a supplement or amendment to such prospectus and delivered copies of such supplement or amendment to each such seller;

(e) in the event of the issuance of any stop order suspending the effectiveness or any registration statement filed pursuant to this Section 7, or of any order suspending or preventing the use of any related prospectus or suspending the

qualification of any Registrable Shares included in such registration statement for sale in any jurisdiction, the Company will use its reasonable best efforts promptly to obtain the withdrawal of such order;

(f) in the event of any underwritten public offering in which Registrable Shares are to be offered and sold, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriters of such offering; and

(g) use its best efforts to furnish, on the date that such Registrable Shares are delivered to the underwriters for sale in connection with a registration pursuant to this Section 7 and, in the case of the letter of the independent public accountants referred to in clause (ii) below, on the effective date of the registration statement, if such Registrable Shares are being sold through underwriters, or, if such Registrable Shares are not being sold through underwriters, on the effective date of the registration statement, (i) an opinion, dated such date, of counsel to the Company, in form and substance as is customarily given to the underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder, and (ii) a letter, dated such date, from the Company's independent public accountants in

form and substance as is customarily given to the underwriters in an underwritten public offering, addressed to the underwriters, if any, and to the Holder.

7.5 Indemnification.

(a) The Company agrees to indemnify the Holder, its officers and directors and each Person who controls the Holder (within the meaning of the Securities Act) against all losses, claims, damages and liabilities caused by any untrue or alleged untrue statement of material fact contained in any registration statement filed pursuant to this Section 7, prospectus or preliminary prospectus or any amendment thereof or supplement thereto, or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are (A) caused by or contained in any information furnished in writing to the Company by the Holder for use therein, (B) caused by the Holders' failure to deliver a copy of any such registration statement or prospectus or any amendments or supplements thereto after the Company has furnished the Holder with a sufficient number of companies of the same, or (C) caused by the Holder's sale of Registrable Shares in violation of the proviso to Section 7.4(d) hereof.

(b) In connection with any registration statement filed pursuant to this Section 7, the Holder will furnish to the Company in writing such information and affidavits as the Company reasonable requests for use in connection with any registration statement or prospectus and will indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages and liabilities resulting from any untrue or alleged untrue statement of material fact contained in any such registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto, or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue or alleged untrue statement or omission or alleged omission is attributable to the information furnished by the Holder to the Company in writing expressly for use in such registration statement or prospectus or supplement thereto.

(c) Any Person entitled to indemnification hereunder will (A) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification and (B) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be

unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim. Subject to the foregoing terms and provisions of this Section 7.5(c), each indemnifying party hereunder will reimburse the person entitled to indemnification hereunder for all legal and other expenses reasonably incurred in connection with investigating and defending the action or claim for which such indemnified party seeks indemnification, as such expenses are incurred.

(d) The indemnification provided for under this Section 7.5 will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such indemnified party and will survive the transfer of securities.

7.6 Limitations on Registration Rights. The Company shall not be obligated to register the Registrable Shares under the Securities Act (or deliver any notice with respect to a Piggyback Registration) if, in an opinion of counsel to the Company addressed to the Holder and the Company, reasonably satisfactory to the Holder and its counsel, the Registrable Shares may be offered and sold by the Holder without registration under the Securities Act pursuant to Rule 144(k) and that following such offer and sale, such Registrable Shares shall not be "restricted securities" within the meaning of the Securities Act and the rules thereunder. The Company shall defend and indemnify the Holder and its respective Affiliates, directors, officers, employees and shareholders and their respective successors and assigns against and hold each of them harmless from any and all losses, liabilities, claims, suits, proceedings, demands, judgments. damages, expenses and costs, including, without limitation, reasonable counsel fees, costs and expenses incurred in the investigation, defense or settlement of any claims, arising out of or relating the offer and sale of Registrable Shares in reliance on such opinion of counsel.

8. Indemnification.

8.1 Indemnification by the Company.

(a) The Company agrees to defend and indemnify Abbott, its Subsidiaries and their respective Affiliates, directors, officers, employees and shareholders, and their respective successors and assigns (collectively, the "Abbott Indemnitees"), against and hold each of them harmless from any and all losses, liabilities, taxes, claims, suits, proceedings, demands, judgments. damages, expenses and costs, including, without limitation, reasonable counsel fees, costs and expenses incurred in the investigation, defense or settlement of any claims covered by this indemnity (in this Section 8 collectively, the "Indemnifiable Damages") which any such indemnified person may suffer or incur by reason of the inaccuracy or breach of any of the representations, warranties and covenants of the Company contained in this Agreement or any documents,

certificate or agreement delivered pursuant hereto; provided, however, that the total indemnity shall not exceed the consideration received by the Company. Nothing herein shall limit in any way Abbott's remedies in the event of breach by the Company of any of its covenants or agreements hereunder which are not also a representation or warranty or for willful fraud or intentionally deceptive material misrepresentation or omission by the Company in connection herewith or with the transactions contemplated hereby.

(b) No Abbott Indemnitee shall be entitled to recovery under the indemnities set forth herein unless and until the Indemnifiable Damages of all Abbott Indemnitees exceed $25,000, at which point such indemnity shall apply to all Indemnifiable Damages.

(c) No claim for indemnification may be brought by an Abbott Indemnitee under this Section 8.1 more than 18 months (540 days) following the later of the Initial Closing Date or, if the Put Right has been exercised, the Additional Closing

Date.

8.2 INDEMNIFICATION BY ABBOTT. After the Initial Closing Date, Abbott shall indemnify and hold harmless the Company and its officers and directors from and against:

(a) any damage, deficiency, losses or costs incurred by the Company resulting from any material misrepresentation or breach of warranty or any non-fulfillment of any covenant or agreement on the part of Abbott under this Agreement; and

(b) any claim, action, suit, proceeding, demand, judgment, assessment, cost and expense, including reasonable counsel fees, incident to the foregoing; provided that the total indemnity shall not exceed the purchase price paid by Abbott for the Shares pursuant to this Agreement.

No claim for indemnification may be brought under this Section 8.2 more than 18 months (540 days) following the later of the Initial Closing Date or, if the Put Right has been exercised, the Additional Closing Date.

8.3 Indemnification Procedure. A party seeking indemnification (the "Indemnitee") shall use its commercially reasonable best efforts to minimize any liabilities, damages, deficiencies, claims, judgments, assessments, costs and expenses in respect of which indemnity may be sought under this Agreement. The Indemnitee shall give prompt written notice to the party from whom indemnification is sought (the "Indemnitor") of the assertion of a claim for indemnification; provided, however, that the Indemnitee's failure to notify the Indemnitor shall not excuse the Indemnitor's obligation to indemnify the Indemnitee except to the extent that such failure prejudices the Indemnitor's defense of any such claim. No such notice of assertion of a claim

shall satisfy the requirements of this Section 8.3 unless it describes in reasonable detail and in good faith the facts and circumstances upon which the asserted claim for indemnification is based. If any action or proceeding shall be brought in connection with any liability or claim to be indemnified hereunder, the Indemnitee shall provide the Indemnitor 20 calendar days to decide whether to defend such liability or claim. During such period, the Indemnitee shall take all necessary steps to protect the interests of itself and the Indemnitor, including the filing of any necessary responsive pleadings, the seeking of emergency relief or other action necessary to maintain the status quo, subject to reimbursement from the Indemnitor of its expenses in doing so. The Indemnitor shall (with, if necessary, reservation of rights) defend such action or proceeding at its expense, using counsel selected by the insurance company insuring against any such claim and undertaking to defend such claim, or by other counsel selected by it and approved by the Indemnitee, which approval shall not be unreasonably withheld or delayed. The Indemnitor shall keep the Indemnitee fully apprised at all times of the status of the defense and shall consult with the Indemnitee prior to the settlement of any indemnified matter. The Indemnitee agrees to use its reasonable best efforts to cooperate with the Indemnitor in connection with its defense of indemnifiable claims. In the event the Indemnitee has a claim or claims against any third party growing out of or connected with the indemnified matter, then upon receipt of indemnification, the Indemnitee shall fully assign to the Indemnitor the entire claim or claims to the extent of the indemnification actually paid by the Indemnitor and the Indemnitor shall thereupon be subrogated with respect to such claim or claims of the Indemnitee.

9. MISCELLANEOUS.

9.1 Powers and Rights Not Waived; Remedies Cumulative. No delay or failure on the part of Abbott in the exercise of any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of the same preclude any other or further exercise thereof, or the exercise of any other power or right, and the rights and remedies of Abbott are cumulative to, and are not exclusive of, any rights or remedies Abbott would otherwise have.

9.2 NOTICE. Except as otherwise expressly provided herein, any notice, consent or document required or permitted hereunder shall be given in writing and it or any certificates or other documents delivered hereunder shall be deemed effectively given or delivered (as the case may be) upon personal delivery (professional courier permissible) or upon facsimile transmission (with receipt confirmed by telephone), or on the third Business Day after being sent by United States certified or registered mail (postage prepaid, return receipt requested). Such certificates, documents or notice may be personally delivered to an authorized representative of the Company or Abbott (as the case may be) at any address where such authorized representative is present and otherwise shall be sent to the following address:

If to the Company: Aronex Pharmaceuticals, Inc.

8707 Technology Forest Place
The Woodlands, TX 77381-1191
Attention: Chief Executive Officer
Telecopy No.: (281) 367-1676

With a copy to: Andrews & Kurth L.L.P.
2170 Buckthorne Place, Suite 150

The Woodlands, TX 77380
Attention: Jeffrey L. Wade
Telecopy No.: (713) 220-4815

If to Abbott: Abbott Laboratories
D-960, AP30
200 Abbott Park Road

Abbott Park, IL 60064-3500
Attention: President, Hospital Products Division
Telecopy No.: (847) 937-0805

With a copy to: Abbott Laboratories
Legal Division
D-322, AP6D
100 Abbott Park Road
Abbott Park, IL 60064-3500
Attn: Divisional Vice President, Domestic Legal Operations

Telecopy No.: (847) 938-1206

9.3 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and shall be binding upon and inure to the benefit of Abbott and its successors and assigns; provided, however, that the Company shall not assign this Agreement or any of its rights, duties or obligations hereunder without the prior written consent of Abbott, which consent shall not be unreasonably withheld.

9.4 SURVIVAL OF COVENANTS AND REPRESENTATIONS. All covenants, representations and warranties made by the Company herein and in any certificates delivered pursuant hereto, whether or not in connection with the Initial Closing Date or the Additional Closing Date, shall survive the closing and the delivery of this Agreement and the Shares.

9.5 SEVERABILITY. Should any part of this Agreement for any reason be declared invalid or unenforceable, such decision shall not affect the validity or enforceability of any remaining portion, which remaining portion shall remain in force and effect as if this Agreement had been executed with the invalid or unenforceable portion thereof eliminated and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any such part, parts or

portion which may, for any reason, be hereafter

declared invalid or unenforceable.

9.6 WAIVER OF CONDITIONS. If on the Initial Closing Date or the Additional Closing Date, either party hereto fails to fulfill each of the conditions specified in Section 6 hereof, the other party may thereupon elect to be relieved of all further obligations under this Agreement. Without limiting the foregoing, if the conditions specified in Section 6 have not been fulfilled, the other party may waive compliance by such party with any such condition to such extent as such party may in its sole discretion determine. Nothing in this Section 9.6 shall operate to relieve either party of any obligations hereunder or to waive any of the other party's rights against such party.

9.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9.8 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with Delaware law, without regard to the conflict of laws provisions thereof.

9.9 CAPTIONS. The descriptive headings of the various sections or parts of this Agreement are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

9.10 Dispute Resolution. Disputes between the parties relating to this Agreement shall be resolved by binding Alternative Dispute Resolution as provided in Exhibit C hereto.

IN WITNESS WHEREOF, the Company and Abbott by their duly authorized officers, have each caused this Agreement to be executed as of the date first written above.

ABBOTT LABORATORIES

By: ----------

Name: ----------

Title: ----------

ARONEX PHARMACEUTICALS, INC.

By: _____

Name: _____

Title: _____

EXHIBIT A

EXHIBIT A TO THE STOCK PURCHASE AGREEMENT IS SUBMITTED AS THE ATTACHED EXHIBIT 3 TO THE SCHEDULE 13D.

EXHIBIT B

FORM OF OPINION OF COUNSEL

1. The Company (a) is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, (b) has all requisite power and authority to own and operate its properties and to carry on its business as now conducted, and (c) is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction wherein the nature of the business transacted by it or the nature of the property owned or leased by it makes such licensing or qualification necessary.

2. The Company has all requisite corporate power and authority to enter into the Agreement and the License Agreement and to execute, issue, sell and deliver the Shares and, subject to satisfaction of the conditions set forth therein, to consummate the transactions contemplated thereby. The execution and delivery of the Agreement, the License Agreement and the certificates representing the Shares and the consummation of the transactions contemplated thereby have been duly authorized by all necessary corporate action on the part of the Company. The Agreement and the License Agreement have been duly executed and delivered by the Company and constitute the valid and binding obligation of the Company, enforceable in accordance with their terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization or other similar laws affecting the rights of creditors, (b) the effect or availability of rules of law governing specific performance, injunctive relief or other equitable remedies, and (c) considerations of public policy, including, without limitation, public policy that may limit rights to indemnity or contribution for liabilities arising under federal and state securities laws and regulations thereunder.

3. To our knowledge, no consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity or other Person is required by, or with respect to, the Company in connection with the execution and delivery of the Agreement, the License Agreement or the certificates representing the Shares or the consummation by the Company of the transactions contemplated thereby, except for such consents, approvals, orders, authorizations, registrations, declarations and filings as may be required under applicable federal and state securities laws and the laws of any foreign country.

4. The execution and delivery of the Agreement, the License Agreement and the certificates representing the Shares does not or will not, and the consummation of the transactions contemplated thereby will not, conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation under (a) any provision of the Certificate of Incorporation or Bylaws of the Company, or (b) any material agreement or instrument, permit, franchise, license, judgment or order applicable to the Company or its properties or assets that is listed as an exhibit to the Company SEC Documents.

5. The total number of shares of capital stock the Company is authorized to issue is 35,000,000 shares, consisting of 30,000,000 shares of Common Stock and 5,000,000 shares of Preferred Stock.

6. Except as described in the Company SEC Documents, to our knowledge there are no outstanding options, warrants, rights or other securities convertible into or exchangeable for shares of capital stock of the Company or any Subsidiary, other than options to purchase shares of Common Stock reserved for issuance under the Company's stock option plans described in the Company SEC Documents.

7. The Shares have been duly authorized and, when issued in accordance with the

Agreement, will be validly issued, fully paid and non-assessable, and the issuance of the Shares is not subject to any preemptive or similar rights created by statute, the Company's Certificate of Incorporation or Bylaws or, to our knowledge, any agreement to which the Company is a party or by which it is bound.

8. The offering and sale of the Shares in accordance with the terms of the Agreement is exempt from the registration requirements of the Securities Act.

9. The Company is not an "investment company" or a person "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

EXHIBIT C

ALTERNATIVE DISPUTE RESOLUTION

The parties recognize that a bona fide dispute as to certain matters may arise from time to time during the term of this Agreement which relates to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective representatives of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of he notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, the parties shall request the President of the Center for Public Resources ("CPR"), 366 Madison Avenue, New York, New York 10017 to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request from the parties, along with a CURRICULUM VITAE for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of preference (with the number one (1) signifying the greatest preference) and

shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set for in subparagraphs 2(a) - 2(d) above shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location other than the principal place of business of

either party or any of their subsidiaries or affiliates.

4. At least seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed twenty (20) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a) - 4(d) above, no discovery shall be required or permitted by any means, including depositions,

interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it has raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Witnesses shall be excluded from the hearing until closing arguments.

(e) Neither affidavits nor settlement negotiations shall be admissible under any circumstances. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues. The neutral shall not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the

prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 of this Exhibit D or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.

EXHIBIT 3

PORTIONS OF THIS DOCUMENT HAVE BEEN OMITTED (DESIGNATED BY AN ASTERISK (*)) AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT DATED NOVEMBER 20, 1998.

LICENSE AGREEMENT

BETWEEN

ABBOTT LABORATORIES

AND

ARONEX PHARMACEUTICALS, INC.

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LICENSE AGREEMENT

This License Agreement ("Agreement") is made and entered into as of the ___ day of November, 1998 ("Effective Date"), by and between ARONEX PHARMACEUTICALS, INC., a Delaware corporation having its principal office at 8707 Technology Forest Place, the Woodlands, Texas 77381-1191 ("API"), and ABBOTT LABORATORIES, an Illinois corporation having its principal office at 100 Abbott Park Road, Abbott Park, Illinois, 60064-3500 ("Abbott").

WHEREAS, API has developed a new, proprietary injectable formulation of the compound nystatin presently being developed under the name Nyotran -Registered Trademark- for treatment of systemic fungal infections; and

WHEREAS, Abbott and API desire to enter into this Agreement under which Abbott shall acquire the exclusive world-wide rights to manufacture, distribute, market and sell the above-referenced product.

NOW, THEREFORE, for and in consideration of the mutual covenants contained herein and intending to be legally bound, the parties hereto agree as follows:

1. DEFINITIONS

For purposes of this Agreement, the following terms shall be defined as set forth below. Additional terms used in specific Sections of this Agreement shall be defined in such Sections.

1.1 "AFFILIATE" shall mean any business entity controlled by a Party (as defined below), or which controls a Party, or which is under common control with a Party. "Control" herein means the direct or indirect ownership of at least fifty percent (50%) of the authorized issued voting shares in such entity, or such other relationship as in fact legally results in effective control over the management, business and affairs of such entity or Party, as the case may be. For purposes of this Agreement, Abbott Affiliates shall also include Abbott Laboratories Nigeria Limited.

1.2 "ANNUAL NET SALES" shall mean Net Sales (as defined below) in any Calendar Year.

1.3 "API INTELLECTUAL PROPERTY RIGHTS" shall mean API Patents (as defined below) and API Know-How (as defined below).

1.4 "API KNOW-HOW" shall mean all non-patented and unpublished

non-clinical, pre-clinical and clinical documentation, information, and data relating to the Product owned or controlled by API and its Affiliates as of the Effective Date or at any time during the Term (as defined below), including but not limited to all registration materials for the Product (as defined below) developed, acquired or compiled by API and its Affiliates as of the Effective Date or at any time during the Term, and all documentation, information and data relating to the formulation, manufacture and/or quality control of the Product as API and its Affiliates have available as of the Effective Date or at any time during the Term.

1.5 "API PATENTS" shall mean all issued patents owned by or licensed to API and its Affiliates in the Territory as of the Effective Date and other patents owned by or licensed to API and its Affiliates in the Territory issued at any time during the Term which have claims covering the manufacture, sale or use of the Product or its active ingredient (including any divisions, continuations, continuations-in-part, reexaminations, reissues, additions, renewals and extensions thereof). API Patents in existence as of the Effective Date are set forth in Part I of Exhibit A and such Exhibit shall be amended by API from time to time during the Term to include API Patents issued after the Effective Date.

1.6 "API PATENT APPLICATIONS" shall mean patent applications owned by or licensed to API and its Affiliates in the Territory pending as of the Effective Date and patent applications owned by or licensed to API and its Affiliates in the Territory filed at any time during the Term which have claims covering the manufacture, sale or use of the Product or its active ingredient (including any divisions, continuations, continuations-in-part, reexaminations, reissues, additions, renewals and extensions thereof). API Patent Applications in existence as of the Effective Date are set forth in Part II of Exhibit A and such Exhibit shall be amended by API from time to time during the Term to include API Patent Applications filed after the Effective Date.

1.7 "API PATENT RIGHTS" shall mean API Patents and API Patent Applications.

1.8 "API TRADEMARKS" shall mean Nyotran -Registered Trademark-, NystatinLF-Registered Trademark- and any other mutually agreed upon trademark owned by API used with the Product.

1.9 "CALENDAR QUARTER" shall mean each of the three (3) month periods beginning on January 1, April 1, July 1 and October 1 of each Calendar Year (as defined below) during the Term.

1.10 "CALENDAR YEAR" shall mean any consecutive twelve (12) month period from January 1 to December 31 during the Term.

1.11 "EMEA" shall mean the European Medicines Evaluation Agency or any successor agency thereto.

1.12 "EMPIRIC CLAIM" shall mean Regulatory Approval (as defined below) for the Product with an approved claim for empirical therapy for presumed fungal infection in febrile, neutropenic patients.

1.13 "FACTORY COST" shall mean Abbott's cost of manufacturing the Product calculated in accordance with the attached Exhibit B.

1.14 "FIRST COMMERCIAL SALE" shall mean the first sale of the Product by Abbott, any Abbott Affiliate or Unaffiliated Sublicensee (as defined below) to any end-user customer, excluding any sales or transfers of the Product to any party in connection with clinical trials or regulatory or safety testing.

1.15 "GENERIC COMPETITION" shall mean competition from another supplier of nystatin liposome for injection in a country in the Territory in which no Valid Claim exists such that Abbott or an Abbott Affiliate or Unaffiliated Sublicensee is forced to lower the price of the Product by * (*) or more in such country, where such discount is in addition to the reasonable and customary discounts offered to customers in such country.

1.16 "LBU COUNTRIES" shall mean the following countries in Europe,

individually or collectively, as applicable: France, Germany, the United Kingdom, Italy

and Spain.

1.17 "MAJOR SUBTERRITORIES" shall mean the following countries or areas of the Territory, individually or collectively, as applicable: the United States, the LBU Countries and Japan.

1.18 "NET SALES" shall mean the gross sales of the Product in the Territory actually billed and collected by Abbott, its Affiliates, or Unaffiliated Sublicensees from any national or local governments, hospitals, drug wholesalers or brokers, and other third party customers which are not Abbott Affiliates or Unaffiliated Sublicensees (such as surgicenters and other institutions, the primary business of which is providing medical care), less reasonable and customary: (a) credits and allowances or adjustments actually granted to such customers on account of retroactive price reductions, governmental or other rebates, and rejections, recalls or returns of the Product previously sold; (b) any trade and cash discounts, rebates, charge-backs granted to customers in the case of sales to drug wholesalers or brokers where there are no direct shipments by Abbott, its Affiliates or Unaffiliated Sublicensees to such customers, and management fees paid during the relevant time period to group purchasing organizations and relating specifically to the Product (which discounts, rebates, charge-backs and fees shall be in the same proportion of the invoice price as that borne by other products sold by Abbott or an Abbott Affiliate or Unaffiliated Sublicensee to customers such that the portion of such discounts, rebates, chargebacks and fees allocated to the Product does not exceed the portion allocated to any other such product as a percentage of the invoice price of the Product and such other product), and (c) any sales or other taxes imposed upon the sale of the Product to the extent included in the gross sales price, as adjusted (as applicable) for any credits, allowances, rebates and chargebacks.

1.19 "PARTY" (and "PARTIES") shall mean either API or Abbott (or both), as the context requires.

1.20 "PRODUCT" shall mean API's proprietary formulation of the compound nystatin, presently being developed under the name Nyotran -Registered Trademark-.

1.21 "REGULATORY APPROVAL" shall mean all governmental approvals required to market and sell the Product in any given country in the Territory (as defined below), including but not limited to, product registrations, medical approvals, price, reimbursement and marketing approvals.

1.22 "TERM" shall mean the period commencing on the Effective Date and continuing until the later of (a) ten (10) years after the date of Regulatory Approval in the United States and (b) the date of expiration or invalidation of the last to expire or be invalidated of the API Patents containing a Valid Claim (as defined below), subject to earlier termination as provided herein.

1.23 "TERRITORY" shall mean all countries and territories of the world; provided that the Territory shall include Spain and Portugal only if, and to the extent that, in accordance with Section 2.4, Abbott and/or API enter into one or more agreements with Grupo Ferrer Internacional, S.A. ("Ferrer") modifying, replacing or terminating that certain Supply and Distribution Agreement dated May 2, 1997 between API and Ferrer (the "Ferrer Agreement") to permit the inclusion of such countries within the Territory without any breach or violation of the rights of Ferrer.

1.24 "UNAFFILIATED SUBLICENSEE" shall mean any sublicensee of Abbott under

this Agreement other than an Abbott Affiliate.

1.25 "U.S. FDA" shall mean the United States Food and Drug Administration and any successor regulatory agency.

1.26 "U.S. FD&C ACT" shall mean the United States Food, Drug and Cosmetic Act, including any amendments thereto and all regulations promulgated thereunder.

1.27 "U.S. NDA" shall mean a New Drug Application filed with the U.S. FDA.

1.28 "U.S. PRODUCT DEVELOPMENT PLAN" shall mean the Plan attached hereto as Exhibit C setting forth API's Product development and registration activities in the United States, as the same may be amended from time to time during the Term in accordance with Section 6.3.

1.29 "VALID CLAIM" shall mean one (1) or more claim of an issued and unexpired API Patent which neither has been held unenforceable, unpatentable or invalid by a decision of a court or governmental agency of competent jurisdiction, unappealable or unappealed within the time allowed for appeal, nor has been admitted by the holder of the API Patent to be invalid or unenforceable through reissue, disclaimer, abandonment or otherwise.

2. GRANT AND SCOPE OF RIGHTS GRANTED

2.1 EXCLUSIVE LICENSE. API hereby grants to Abbott an exclusive license (or sublicense, as applicable) under API Intellectual Property Rights to make, have made, use, import, offer for sale and sell the Product in the Territory, which license shall be exclusive even as to API and its Affiliates, except as provided in Section 6 and 8. The Parties acknowledge and agree that the foregoing license shall apply to API Intellectual Property Rights developed or acquired (whether by license, assignment or otherwise) by API after the Effective Date only to the extent API has the right to grant such license to Abbott. Notwithstanding the foregoing sentence, API, in developing or acquiring such API Intellectual Property Rights, shall use its reasonable best efforts to ensure that Abbott's rights under this Agreement extend thereto.

2.2 SUBLICENSING. Abbott shall have the right to sublicense its rights under this Agreement in the Territory to any Abbott Affiliates, provided that Abbott guarantees the performance of any Abbott Affiliates to which such rights are sublicensed. Abbott shall also have the right to sublicense its rights under this Agreement to Unaffiliated Sublicensees, provided that such sublicensing of Abbott's rights shall not relieve Abbott of any obligations hereunder, and provided further that Abbott has obtained API's prior written consent for any sublicense of its rights in Japan, which consent shall not be unreasonably withheld or delayed.

2.3 NO IMPLIED LICENSES. Any rights not expressly granted by either Party to the other Party in this Agreement are expressly reserved by the Party owning or controlling such rights and, accordingly, no licenses other than those specified herein shall be deemed granted by this Agreement by implication, estoppel or otherwise.

2.4 EXTENSION OF THE TERRITORY TO SPAIN AND PORTUGAL. Abbott and API shall use their respective reasonable best efforts to enter into one or more agreements with Ferrer as soon as practical after the Effective Date (with discussions with Ferrer to be initiated within ninety (90) days after the Effective Date) modifying, replacing or terminating the Ferrer Agreement to permit the inclusion of Spain and Portugal within the Territory without any breach or violation of the rights of Ferrer.

3. MILESTONE AND RESEARCH & DEVELOPMENT FUNDING PAYMENTS

3.1 MILESTONE PAYMENTS. In consideration of API's entering into this Agreement and the rights and licenses granted to Abbott hereunder, during the Term Abbott shall pay API milestone payments according to the following payment schedule:

(a) EFFECTIVE DATE - Within ten (10) business days after the Effective Date, Abbott shall pay API * (*);

(b) * - Within twenty (20) business days after * Abbott

shall pay API * (*).

3.2 RESEARCH & DEVELOPMENT FUNDING PAYMENTS. In further consideration of API's entering into this Agreement and performing continued research and development activities for the Product, during the Term Abbott shall make research and development funding payments to API in accordance with the following schedule, contingent on completion of the research and development tasks referenced below:

<TABLE>
<CAPTION>

	R&D Funding Payment	Payment Date
<S>	<C>	
(a)	*	*
(b)	*	*
(c)	*	*
(d)	*	*
(e)	*	*
(f)	*	*
(g)	*	*
(h)	*	*
(i)	*	*

</TABLE>

3.3 NON-REFUNDABILITY. All milestone payments and research and development funding payments Abbott makes to API pursuant to Section 3.1 or 3.2 shall be non-refundable once paid. However, if this Agreement is terminated for any reason prior to a given milestone or research and development funding payment becoming due or if the events specified for a given milestone or research and

development funding payment do not occur, then Abbott shall have no obligation to make such milestone or research and development funding payment; provided, however, that if API terminates this Agreement due to Abbott's Material Breach pursuant to Section 16.2(b), the foregoing shall not relieve Abbott of liability for damages, if any, that API may recover from Abbott in an ADR proceeding pursuant to Section 18.2(b).

3.4 REIMBURSEMENT OF PAYMENT REDUCTIONS. The Parties acknowledge their mutual goal to * on or before *. If Abbott * on or before *. *.

3.5 NOTICE OF ACHIEVEMENT OF MILESTONES; PAYMENT. API shall deliver written notice to Abbott of API's achievement of the milestone referenced in Section 3.1(b) and of API's satisfaction of the condition(s) to the research and development funding payments referenced in Section 3.2. Abbott shall pay such milestone payment and research and development payments within thirty (30) calendar days of the delivery of the notice relating thereto.

3.6 EQUITY INVESTMENT. The Parties further acknowledge that Abbott is making an equity investment in API in the aggregate amount of up to * (*) under a Stock Purchase Agreement bearing even date herewith.

4. ROYALTY RATES AND PAYMENTS

4.1 ROYALTY RATES. In further consideration of the rights and licenses granted to Abbott hereunder in API Intellectual Property Rights during the Term Abbott shall pay API royalties on Abbott's, its Affiliates' and Unaffiliated Sublicensees' Annual Net Sales at the following aggregate total royalty rates:

(a) UP TO * IN ANNUAL NET SALES - If Annual Net Sales are less than or equal to * (*), the aggregate total royalty payable to API shall be * (*) of all Annual Net Sales.

(b) OVER * UP TO * IN ANNUAL NET SALES - If Annual Net Sales exceed * (*) but are less than or equal to * (*), the aggregate total royalty payable to API shall be * (*) of all Annual Net Sales.

(c) OVER * UP TO * IN ANNUAL NET SALES - If Annual Net Sales exceed * (*) but are less than or equal to * (*), the aggregate total royalty payable to API shall be

* (*) of all Annual Net Sales.

(d) OVER * UP TO * IN ANNUAL NET SALES - If Annual Net Sales exceed * (*) but are less than or equal to * (*), the aggregate total royalty payable to API shall be * (*) of all Annual Net Sales.

(e) OVER * IN ANNUAL NET SALES - If Annual Net Sales exceed * (*), the aggregate total royalty payable to API shall be * (*) of all Annual Net Sales.

If Generic Competition exists in any country of the Territory in which no Valid Claim exists, royalties payable by Abbott for Net Sales in such country shall be reduced by * (*) during the period in which Generic Competition exists.

The aggregate total royalty payable to API shall be determined by total Annual Net Sales during each applicable Calendar Year. On or before December 1 of each Calendar Year during the Term, the Parties shall mutually agree on an Annual Net Sales forecast ("Net Sales Forecast") for the following Calendar Year and Abbott shall pay estimated royalties based on the Net Sales Forecasts. If the Factory Cost for a Calendar Year exceeds * (*) of the Net Average Selling Price (as defined below) of the Product for such Calendar Year, the portion of the Factory Cost above * (*) shall be prorated to the Parties in an amount equal to the proration of royalty payments to Net Sales. On or before December 1 of each Calendar Year during the Term, the Parties shall mutually agree on a Net Average Selling Price forecast ("ASP Forecast") and Factory Cost estimate ("Factory Cost Estimate") for the following Calendar Year and, if applicable, adjust royalties based on the ASP Forecast and Factory Cost Estimate. The Parties shall reconcile actual royalties payable for each Calendar Year on or before April 1 of the following Calendar Year. As used in this Section, "Net Average Selling Price" shall mean Net Sales divided by Net Units and "Net Units" shall mean units of the Product actually sold, less returns in accordance with Section 1.17.

The Annual Net Sales thresholds set forth in subsections (a) through (e) of this Section 4.1 shall be proportionately reduced: (i) in the Calendar Year in which the First Commercial Sale occurs, by multiplying such Annual Net Sales thresholds by a fraction, (A) the numerator of which shall be the number of days remaining in such Calendar Year as of the First Commercial Sale and (B) the denominator of which shall be 365; and (ii) in the Calendar Year in which the Term expires, by multiplying such Annual Net Sales thresholds by a fraction, (X) the numerator of which shall be the number of days in such Calendar Year prior to the expiration of the Term and (Y) the denominator of which shall be 365.

4.2 LUMP SUM ROYALTY PAYMENTS. In addition to the royalty payments pursuant to Section 4.1 and research and development funding payments pursuant to Sections 3.1 and 3.2, Abbott shall make lump sum royalty payments to API if any or all of the following Net Sales thresholds are attained during the time periods referenced below:

<TABLE>
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Payment Amount	Net Sales Level	Applicable Time Period

(a) *	*	*
(b) *	*	*
(c) *	*	*
(d) *	*	*

</TABLE>

Each lump sum royalty payment referenced above shall be payable only once during the Term within ten (10) business days after the end of the applicable time period and shall be payable only if the applicable Net Sales level is attained during the applicable time period.

4.3 ROYALTY REPORTS AND PAYMENTS. Commencing with the first Calendar Quarter in which Abbott, its Affiliates or Unaffiliated Sublicensees make the First Commercial Sale of the Product in the Territory, Abbott shall provide API with a written report of Net Sales on a country-by-country basis within forty-five (45) days after the last day of March, June, September and December for royalties accruing on Net Sales in the United States during the three (3) preceding calendar months and within seventy-five (75) days after the last day of February, May, August and November for royalties accruing on Net Sales in the Territory outside of the United States during the three (3) preceding calendar months. Concurrently with the submission of each such written report, Abbott shall pay or cause to be paid to API the total amount of royalties shown to be due thereon.

4.4 CURRENCY. Abbott shall make all royalty payments to API pursuant to Section 4.2 in U.S. Dollars. Royalty payments earned shall be first determined by Abbott in the currency of the country where the Net Sales were made and then converted by Abbott directly to its equivalent in U.S. Dollars. The rates of exchange for converting the currencies involved to U.S. Dollars as quoted by the WALL STREET JOURNAL, Midwest Edition, as Foreign Exchange Rates quoted in New York as market rate (bid) on the last business day of the quarterly period in which the royalty payments were earned shall be used by Abbott to determine such conversion rates.

4.5 NO ROYALTIES PAYABLE BETWEEN AFFILIATES. No royalties shall be payable to API on sales between Abbott, its Affiliates or Unaffiliated Sublicensees, or between Abbott Affiliates and Unaffiliated Sublicensees.

4.6 NO MULTIPLE ROYALTIES. No multiple royalties shall be payable because the Product, its manufacture, use or sale is or shall be covered by multiple API Patents.

5. PAYMENT, RECORD KEEPING AND AUDIT RIGHTS

5.1 METHOD OF PAYMENT. All payments by either Party to the other Party hereunder (including, but not limited to, Abbott's milestone and research and development payments under Sections 3.1 and 3.2 and royalty payments under Sections 4.1 and 4.2) shall be made without deduction of any withholdings for any purposes other than taxes, if applicable, to the extent required by law. In the event of any tax withholding, the paying Party will provide the receiving Party with the best available evidence of the taxes withheld as well as any relevant certificates or documents required for national, state or local tax credit and reporting purposes. Payments hereunder shall not be creditable against any other amounts payable by the other Party under this Agreement, except as otherwise expressly stated herein. Payments may be made by check or wire transfer to an account designated by the receiving Party.

5.2 RECORD KEEPING AND AUDIT RIGHTS. Each Party shall keep or cause to

be kept accurate records relating to Net Sales, royalties, and any other costs and expenses subject to payment or reimbursement by either Party to the other

Party in sufficient detail to enable the amounts payable hereunder to be determined. Upon the written request of either Party (but not more frequently than once in any calendar year), the requesting Party may retain an independent certified public accountant, subject to approval by the other Party (which approval shall not be unreasonably withheld), to review such records to verify the accuracy of the payments made or payable hereunder. Such accountant shall be required to execute a confidentiality agreement in a form reasonably acceptable to the audited Party and shall report to the auditing Party only the amount of any underpayment or overcharge. Within ten (10) business days after completion of such review, the Parties shall reconcile any underpayment or overcharge. The auditing Party shall pay the cost of any review of records conducted at its request under this Section. However, if the review establishes underpayment or overcharge by the audited Party of over five percent (5%) during the period of the review, the audited Party shall promptly reimburse the auditing Party for the fees and expenses of the accountant. Such audit rights may be exercised by the Parties only with respect to records for the current calendar year and the preceding two (2) calendar years.

6. PRODUCT DEVELOPMENT AND REGISTRATIONS

6.1 DEVELOPMENT AND REGISTRATION ACTIVITIES.

(a) UNITED STATES. In accordance with the U.S. Product Development Plan attached hereto as Exhibit C, API shall undertake development and registration activities for the Product in the United States, including but not limited to conducting or sponsoring, and completing or having completed, all clinical studies and other activities required for Regulatory Approval in the United States. API shall use its commercially reasonable efforts to pursue such development and registration activities under the U.S. Product Development Plan with the objective of filing a U.S. NDA for the Product with an Empiric Claim with the U.S. FDA on or before *. Unless otherwise agreed by the Parties, API shall file the U.S. NDA for the Product and any other applications for Regulatory Approval in the United States in its own name, and, promptly after receipt of Regulatory Approval in the United States, API shall assign the U.S. NDA for the Product and any other Regulatory Approvals in the United States to Abbott.

(b) EUROPEAN UNION. Abbott shall undertake development and registration activities for the Product in European Union member countries, provided that API shall provide Abbott with all such documentation, data, clinical trial data and other scientific information developed by API in connection with the U.S. NDA for the Product as may be necessary for completing the registration package for submission to the EMEA or a reference European Union member state for a mutual recognition procedure. Abbott shall use its commercially reasonable efforts to file the registration package with the EMEA or a reference European Union member state for a mutual recognition procedure or other appropriate regulatory authorities within the European Union *. If additional clinical trials are required for registration by the appropriate European Union regulatory authorities, then API and Abbott will jointly agree to a revised registration filing schedule, taking into account the time required for such clinical trials. API shall have the right to consult with

Abbott concerning Abbott's regulatory dossier prior to submission to the EMEA or a reference EMEA member state. Upon API's request, Abbott shall give API a reasonable opportunity to review and comment on the documentation included within such regulatory dossier.

(c) JAPAN. *, Abbott will provide API with a plan for the development and registration of the Product in Japan. Following submission of such a plan, Abbott shall use its commercially reasonable efforts to undertake development and registration activities for the Product in Japan in accordance with such plan. If Abbott elects not to develop the Product in Japan, Abbott shall notify API in writing within *, following which time the Territory shall exclude Japan and rights to the Product in Japan will revert to API. If Abbott makes such election and notifies API in accordance with the preceding sentence, Abbott shall have no obligations or liabilities to API with respect to development and registration activities in Japan.

(d) OTHER COUNTRIES. *, Abbott will provide API with a plan for the development and registration of the Product in countries and territories outside of the United States, Japan and European Union member countries. Following submission of such a plan, Abbott shall use its commercially reasonable efforts to undertake development and registration activities for the Product in such countries and territories in accordance with the plan.

(e) MUTUAL ASSISTANCE. The Parties shall use their commercially reasonable efforts to assist each other with their respective development and registration activities under Sections 6.1(a), (b), (c) and (d).

6.2 DEVELOPMENT COSTS. Abbott shall fund API's research and development activities for the Product during the Term in accordance with the payment amounts and schedule set forth in Section 3.2, provided that the Parties shall renegotiate the payment amounts and schedule of payments in good faith in the event of any material changes to the U.S. Product Development Plan, as described below. Abbott shall be responsible for its own research and development costs for the Product during the Term.

6.3 MODIFICATIONS.

(a) MATERIAL CHANGES - API may not make any material changes to the U.S. Product Development Plan unless Abbott has given its written consent thereto, which consent shall not be unreasonably withheld or delayed. As used in this Section, "material changes" shall mean any changes having a material effect on the U.S. Product Development Plan timetable for United States regulatory filings or on the Product claims referenced in the U.S. Product Development Plan.

(b) OTHER CHANGES - API may make any changes to the U.S. Product Development Plan other than material changes as API deems necessary or appropriate, provided Abbott has been given a reasonable opportunity to review and consult with API as to any such changes.

6.4 RECIPROCAL ACCESS TO DOCUMENTATION AND DATA. During the Term each Party shall provide the other Party, within a reasonable time, with reasonable access to all clinical documentation, information and data resulting from the Party's Product research and development activities which either Party may reasonably request,

including but not limited to, case report forms, monitoring documents, patient informed consents, institutional review board approvals, medical and statistical study reports for individual studies, clinical data summaries, and expert reports. Upon either Party's request, the other Party shall provide the requesting Party with copies of such documentation and data, provided that, upon the providing Party's request, the requesting Party shall reimburse the providing Party for the cost of making such copies.

7. ABBOTT PRODUCT MARKETING AND SALES ACTIVITIES

7.1 COMMERCIALLY REASONABLE EFFORTS. Abbott shall use commercially reasonable efforts to promote and sell the Product throughout the Territory in all countries in which (a) Regulatory Approval has been obtained and (b) a Valid Claim exists.

7.2 MARKETING COSTS AND EXPENSES. Except as otherwise provided herein or as otherwise mutually agreed by the Parties, Abbott shall bear all costs and expenses connected with its marketing and sales activities for the Product and its performance under this Agreement.

8. API CO-PROMOTION ACTIVITIES

8.1 CO-PROMOTION TERRITORY. API shall have the right to co-promote the Product with Abbott and its Affiliates in the United States and Canada in accordance with the terms of this Section 8.

8.2 ALLOCATION OF SALES REPRESENTATIVES. API shall have the right

to allocate up to * (*) API professional sales representatives to assist Abbott and its Affiliates in detailing the Product to physicians, hospitals and others in the United States and Canada as directed by Abbott in accordance with Abbott's United States and Canada marketing plan(s) for the Product.

8.3 CO-PROMOTION PERIOD. The initial period of API's co-promotion shall be two (2) years commencing with the date of launch of the Product in the United States and shall be renewed for consecutive one (1) year periods, unless terminated by either Party upon no less than twelve (12) months prior written notice to the other Party effective at the earliest upon the end of the initial two (2) year period.

8.4 COMPENSATION TO API. During the period of co-promotion, Abbott will pay to API, on a quarterly basis, an amount up to * (*) of API's fully-burdened cost of each API professional sales representative, which costs shall be determined in accordance with the scope of co-promotion collaboration and API normal accounting policies, both of which shall be consistent in all material respects with industry custom and practice for retaining contract sales resources. The aggregate amount payable by Abbott to API under this Section 8.4 shall not exceed * (*) per Calendar Year.

8.5 SCOPE OF CO-PROMOTION COLLABORATION. The Parties shall agree upon coordinated performance benchmarks for the API professional sales representatives which shall be consistent/complimentary with those of the Abbott sales force and the Abbott United States and Canada marketing plan(s) for the Product. Abbott shall provide reasonable Product sales training for up to twenty (20) API professional sales representatives and shall design and provide all Product sales literature and materials. API shall have the right to provide supplemental training and Product sales literature and materials to the API professional sales representatives with Abbott's prior written

consent, which consent shall not be unreasonably withheld.

9. CONFIDENTIALITY AND PUBLICITY

9.1 CONFIDENTIALITY OBLIGATION. Each Party shall hold the other Party's Confidential Information (as defined below) of which it becomes informed in connection with this Agreement in strictest confidence and shall not disclose such Confidential Information to third parties or otherwise use it, except to the extent such use or

disclosure is expressly permitted by the terms of this Agreement or is reasonably necessary for the performance of this Agreement.

9.2 PERMITTED DISCLOSURES. Permitted disclosures of Confidential Information hereunder include, but are not limited to: (a) disclosures to regulatory agencies to the extent required for Regulatory Approval, including but not limited to, Product registrations and applications in the Territory, and (b) disclosures to the Parties' Affiliates, employees, agents and independent contractors (including clinical investigators, consultants and contract research organizations) who have a bona fide "need to know", and Unaffiliated Sublicensees (in the case of Abbott), provided that for disclosures to parties other than Affiliates under Section 9.2(b) the disclosing Party shall obligate the recipients to maintain the confidentiality of Confidential Information under terms substantially similar to those contained in this Section 9.

9.3 CONFIDENTIAL INFORMATION. "Confidential Information" includes, but is not limited to, any information relating to the terms of this Agreement, the Product, API Know-How, the U.S. Product Development Plan, clinical and non-clinical studies involving the Product, and all sales and marketing plans for the Product, as well as information concerning all other products and the business affairs, manufacturing processes and other activities of the disclosing Party. However, Confidential Information shall not include any information:

(a) PUBLICLY AVAILABLE INFORMATION - Which at the time of disclosure is or later comes into public domain by publication or otherwise through no fault of the receiving Party;

(b) PREVIOUSLY KNOWN INFORMATION - Which can be demonstrated by documentation or other competent proof to have been in the receiving Party's possession prior to disclosure hereunder;

(c) SUBSEQUENTLY RECEIVED INFORMATION - Which is subsequently received by the receiving Party from a third party who is not bound by any confidentiality undertaking to the disclosing Party or to any of its Affiliates with respect to said information;

(d) INDEPENDENTLY DEVELOPED INFORMATION - Which is independently developed by or for the receiving Party without reference to the disclosing Party's Confidential Information; or

(e) LEGALLY REQUIRED DISCLOSURES OF INFORMATION - Which is legally required to be disclosed pursuant to any statute or regulation or any judicial or administrative order, provided that the receiving Party promptly notifies the disclosing Party of such required disclosure in order to provide an opportunity to seek a protective order or

other similar order with respect to such Confidential Information and thereafter the receiving Party discloses to the requesting entity only the minimum Confidential Information required to be disclosed in order to comply with the request, whether or not a protective order or other similar order is obtained by the disclosing Party.

9.4 DURATION OF CONFIDENTIALITY OBLIGATION. The confidentiality obligations of the Parties hereunder shall remain in effect during the Term and for seven (7) years thereafter.

9.5 PUBLICITY AND ANNOUNCEMENTS. Unless agreed upon in writing by the Parties, neither Party shall originate any publicity, news release or other public announcement, written or oral, whether to the public press, stockholders or otherwise, relating to this Agreement, any amendment hereto, performance by the Parties hereunder, or the Product, except for such announcement as in the opinion of legal counsel to the Party making such announcement is legally required, in which event such Party shall give the other Party a reasonable opportunity to review the form and content of the announcement before such legally required disclosure is made.

10. TRADEMARKS

10.1 ASSIGNMENT OF API TRADEMARKS. API hereby assigns to Abbott all of API's right, title and interest in and to the API Trademarks Nyotran7 and NystatinLF7, including the trademark applications and registrations set forth in the attached Exhibit E. API shall execute such documents and take such further actions as Abbott may reasonably request to effectuate such assignment, including the execution of a Trademark Assignment document in the form of the attached Exhibit F. Following such assignment, Abbott shall be responsible for filing and maintaining the API Trademarks at Abbott's sole expense, provided that API shall be responsible for any costs of filing and maintaining such API Trademarks incurred prior to the effective date of the assignment.

10.2 ALTERNATE TRADEMARKS. If Abbott does not wish to use an API Trademark for the Product in any country of the Territory or if Abbott is legally prevented from using any API Trademark originally registered in any country in the Territory due to trademark infringement litigation or otherwise, Abbott may use one or more alternate trademarks selected by Abbott for use in such country ("Alternate Trademarks"). Abbott shall own the Alternate Trademarks and shall be responsible for filing and maintaining the Alternate Trademarks at Abbott's sole expense.

11. PATENT OWNERSHIP AND WARRANTIES

11.1 PATENT OWNERSHIP. Subject to the license rights granted to Abbott hereunder, API retains its ownership rights and/or licenses in all of all API Patent Rights and shall be responsible for filing, prosecuting, maintaining and defending API Patent Rights pursuant to Section 12.1.

11.2 JOINT INVENTIONS. For all inventions (if any), made jointly by the Parties according to the named inventors therefor, the Parties shall apply for patent protection therefor upon the written request of either Party. Patent protection for such invention(s) shall be applied for jointly in the name of the Parties as co-assignees and co-owners of such invention(s) and all patent application preparation, filing, maintenance and prosecution responsibilities and costs thereof in the Territory shall be shared equally by the Parties. If one of the Parties does not wish to share equally in the patent application and related costs and expenses in any country of the Territory, then the other Party may seek, obtain and maintain such patent(s) solely in its own name and at

its sole expense and shall have sole and exclusive rights to use the inventions covered by such patent(s) without payment of any royalties or compensation to the non-paying Party.

11.3 API PATENT WARRANTIES. API warrants and represents that: (a) Exhibit A sets forth all of the API Patent Rights as of the Effective Date; (b) API has not granted any licenses or other rights to any third party inconsistent with the licenses and other rights granted to Abbott hereunder; (c) with respect to any API Patent Rights in existence as of the Effective Date that are being sublicensed to Abbott hereunder, the terms of this Agreement are not in conflict with or in violation of any agreements to which API is a party; and (d) to the best of its knowledge as of the Effective Date based upon API's reasonably diligent investigation, the API Patent Rights are valid and enforceable and there are no existing valid third party patents or other proprietary rights in the Territory that might be infringed by the manufacture, marketing, sale or use of the Product in the Territory by Abbott, its Affiliates and Unaffiliated Sublicensees.

12. PATENT PROSECUTION AND INTELLECTUAL PROPERTY INFRINGEMENT

12.1 PATENT FILING AND PROSECUTION. During the Term, except as otherwise provided in Section 12.6(b), API shall, at its sole expense, file, prosecute, maintain, and defend API Patent Rights in the Territory and API shall control all API Patent Rights filings and actions. API shall use commercially reasonable efforts to obtain API Patent extensions in any countries in the Territory in which such extensions are available.

12.2 NOTIFICATION OF INFRINGEMENT. The Parties shall promptly inform each other of any information that comes to their attention involving actual or apparent infringements or misappropriations of API Intellectual Property Rights, by any third party, or claims of alleged infringement made by any third party in the Territory against API, API Affiliates, Abbott, Abbott Affiliates, or any Unaffiliated Sublicensees resulting from the manufacture, sale, or use of the Product.

12.3 INFRINGEMENT OF THIRD PARTY RIGHTS. Abbott shall have the right to direct or defend, in its own name and at its own expense, any legal or other action or proceeding, including any settlement or negotiation, with respect to any alleged infringement of a third party patent or other proprietary right as a result of Abbott, its Affiliates or Unaffiliated Sublicensees making, having made, using, importing, offering for sale or selling the Product in the Territory. During the pendency of any such proceeding or any appeal thereof, Abbott shall have a right to reduce royalties otherwise payable to API in an amount equal to * (*) of Abbott's out-of-pocket litigation expenses in the quarter in which such royalties are payable; provided, however, that in no event shall Abbott have a right to reduce royalty payments by more than * (*) in any quarter. In the event that * (*) of Abbott's out-of-pocket litigation expenses exceeds * (*) of the royalties otherwise payable to API in such quarter, Abbott shall have the right to offset such unpaid amounts against future royalties payable to API, but in no event shall Abbott have a right to reduce royalty payments by more than * (*) in any quarter. In the event that a final judgment is entered against Abbott pursuant to which Abbott is required to pay to a third party any monetary damages and/or attorneys' fees, Abbott shall have a right to reduce royalties otherwise payable to API in an amount equal to * (*) of such judgment in the quarter in which such royalties are payable;

provided, however, that in no event shall Abbott have a right to reduce royalty payments by more than * (*) in any quarter. In the event that * (*) of such judgment exceeds * (*) of the royalties otherwise payable to API in such quarter, Abbott shall have the right to offset such unpaid amounts against future royalties payable to API, but in no event shall Abbott have a right to reduce royalty payments by more than * (*) in any quarter. In the event that such final judgment entered against Abbott includes an order that precludes Abbott from manufacturing, marketing, and/or selling the Product in any country or countries in the Territory, API shall pay to Abbott * (*) of such final judgment within ninety (90) days after entry of such judgment or upon completion of such appeal, whichever is later.

12.4 INFRINGEMENT INDEMNIFICATION. In the event that it is necessary to obtain a license under any third party proprietary right in order to continue commercialization of the Product in any country in the Territory, Abbott and API shall use commercially reasonable efforts to obtain such a license naming Abbott as the licensee. Abbott shall have the right to reduce royalty payments to API by * (*) of all licensing fees and royalties payable by Abbott to the third party licensor, such reductions to be taken in the quarter in which such licensing fees and royalties are paid by Abbott to the third party; provided, however, that in no event shall Abbott have a right to reduce royalty payments by more than * (*) in any quarter.

12.5 TERMINATION FOR INFRINGEMENT. Should Abbott be prevented by reason of an adverse, non-appealable court or administrative proceeding, order or judgment or arbitral award against it from making, using, or selling the Product in any Major Subterritory, then, as to that part of the Territory so affected, Abbott may terminate this Agreement upon written notice to API, and the Parties shall make a final transition accounting and settlement in such Major Subterritory for outstanding bona fide costs, payments, and expenses to which each Party is entitled hereunder.

12.6 THIRD PARTY INFRINGEMENT OF API INTELLECTUAL PROPERTY RIGHTS.

(a) API ENFORCEMENT - API shall have the right, but not the obligation, at its own expense, to commence appropriate measures to enforce the API Intellectual Property Rights against third party infringements within thirty (30) days after the date API becomes aware of such infringement (including, but not limited to, notifying the infringing third party of such infringement and demanding that such third party cease and desist from such infringement) and, if such infringement does not cease, commence a legal proceeding to enforce the API Intellectual Property Rights against third party infringements within sixty (60) days of the date API becomes aware of such infringement.

(b) ABBOTT ENFORCEMENT - If within sixty (60) days after the date API becomes aware of any alleged third party infringement, either directly or by notice from Abbott, API fails to commence a legal proceeding pursuant to Section 12.6(a), or if at any time API discontinues such proceeding, Abbott may, at its sole option, commence, continue, or intervene, as the case may be, in such proceeding. During the pendency of any such proceeding or any appeal thereof, Abbott shall have the right to reduce royalties payable to API by the lesser of (i) * (*) of Abbott's out-of-pocket litigation expenses in such legal proceeding or (ii) * (*) of royalties payable in such country.

12.7 ALLOCATION OF RECOVERIES. In any action brought by or against a third party infringer by either Party, any monetary damages or judgments obtained by either Party in connection with such action shall be allocated as follows: (a) the Party prosecuting such action shall recover its unreimbursed, out-of-pocket litigation expenses in such action; (b) to the extent that any monies remain, API and Abbott shall divide such monies to compensate API for its lost royalties and Abbott for its lost profits; and (c) to the extent that any monies remain, API and Abbott shall share equally such remaining monies.

12.8 MUTUAL COOPERATION. In the event of any patent infringement litigation in the Territory involving the Product and any API Intellectual Property Rights, the non-prosecuting or non-defending Party shall render such reasonable assistance as may be requested by the prosecuting or defending Party in connection with such infringement actions. If API requests Abbott's

assistance in connection with such infringement claims or actions, API shall reimburse Abbott for such direct, documented out-of-pocket expenses as are reasonably incurred by Abbott during the course of its providing such requested assistance. Before incurring such expenses, the Parties shall in good faith agree in writing on the nature and extent of assistance to be rendered, and an estimate of the total expenses, which expenses shall be monitored periodically.

12.9 LABELING. Abbott shall be responsible for all labeling, inserts, promotional materials and any other materials which accompany, are distributed, used or referred to in any way by Abbott, its Affiliates or Unaffiliated Sublicensees in connection with the Product. Such materials shall conform to all legal requirements in each country of the Territory in which the Product is sold. Subject to applicable legal requirements and space limitations, all Product labeling, inserts and promotional materials shall indicate that the Product is sold by Abbott under license from API. Upon API's request, Abbott shall provide API with copies of representative samples of materials which Abbott, its Affiliates and Unaffiliated Sublicensees intend to use in connection with the marketing, promotion and sale of the Product prior to their first use thereof. Abbott shall manufacture, register, promote, market and sell the Product in the Territory only for the indications for which relevant Regulatory Approvals have been obtained.

12.10 NOTIFICATION. Abbott shall also be responsible for notifying, reporting or registering this Agreement or the business relationship created hereby with any government authorities in the Territory to the extent legally required. API shall provide Abbott with such assistance as Abbott may reasonably request in connection therewith.

13. INDEMNIFICATION AND INSURANCE

13.1 RECIPROCAL INDEMNIFICATION PROVISIONS.

(a) API INDEMNIFICATION - API shall defend, indemnify and hold Abbott, its Affiliates, Unaffiliated Sublicensees, and the officers, directors, employees and agents of each, harmless from and against any and all liabilities, damages, claims, demands, costs, or expenses (including reasonable attorneys' fees) claimed by any third party for any property or other economic loss or damage or injury or death suffered by it to the extent the same is determined to have been caused by API's negligence or wilful misconduct or any material breach of this Agreement by API, subject to the conditions of indemnification set forth in Section 13.2.

(b) ABBOTT INDEMNIFICATION - Abbott shall defend, indemnify and hold API, and

its Affiliates, and the officers, directors and employees and agents of each harmless from and against any and all liabilities, damages, claims, demands or costs, or expenses (including reasonable attorneys' fees) claimed by any third party for any property or other economic loss or damage, injury or death suffered by it to the extent the same is determined to have been caused by Abbott's negligence or wilful misconduct or any material breach of this Agreement by Abbott, subject to the conditions of indemnification set forth in Section 13.2.

13.2 CONDITIONS OF INDEMNIFICATION. With respect to any indemnification obligations of either Party to the other Party under this Agreement, including but not limited to the indemnification obligations of the Parties under Sections 13.1(a) and 13.1(b), the following conditions must be met for such indemnification obligations to become applicable: (a) the indemnified Party shall notify the indemnifying Party promptly in writing of any claim which may give rise to an obligation on the part of the indemnifying Party hereunder; (b) the indemnifying Party shall be allowed to timely undertake the sole control of the defense of any such action and claim, including all negotiations for the settlement, or compromise of such claim or action at its sole expense; and (c) the indemnified Party shall render reasonable assistance, information, co-operation and authority to permit the indemnifying Party to defend such action, it being agreed that any out-of-pocket expenses or other expenses incurred by the indemnified Party in rendering the same shall be borne or reimbursed promptly by the indemnifying

Party.

13.3 INSURANCE. API shall at all times during the Term and for a period of five (5) years thereafter maintain product liability insurance covering the Product with minimum annual limits of $1,000,000 per occurrence and $1,000,000 in the aggregate. Upon Abbott's request at any time during the Term or in the five (5) year period thereafter, API shall deliver to Abbott a certificate of insurance evidencing such insurance and stating that the policy will not be canceled or modified without at least thirty (30) days prior written notice to Abbott.

14. ADVERSE DRUG EXPERIENCES

During the relevant Reporting Period (as defined below), each Party shall promptly inform the other Party of any information it obtains or develops regarding the safety of the Product anywhere in the world and shall promptly report to the other Party any information regarding serious adverse reactions or side effects related to the use of the Product. To allow the Parties to comply with the adverse drug experience reporting requirements for the Product to the U.S. FDA and its counterpart regulatory agencies around the world, each Party shall notify the other Party in writing of any "adverse drug experience" that is considered "serious" as defined in U.S. FDA regulations (21 CFR 314.80) or the comparable regulations of other regulatory agencies, regardless of source, so that the other Party will receive such notice within three (3) business days of a Party's first having "obtained or otherwise received" such "adverse drug experience" from "any source", as those terms are defined in U.S. FDA regulations (21 CFR 314.80). Such information shall be communicated by the Parties to each other at the following addresses:

To Abbott: Abbott Laboratories
Hospital Products Division

Attn: Vice President, Medical and Regulatory Affairs
Dept. 970, Bldg. AP30
200 Abbott Park Road
Abbott Park, Illinois, U.S.A. 60064-3500
Telephone: (847) 937-8190
Facsimile: (847) 938-6590

To API: API Pharmaceuticals, Inc.
Attn: Senior Vice President, Medical and
Regulatory Affairs
8707 Technology Forest Place
The Woodlands, Texas 77381-1191
Phone: (281) 367-1666
Facsimile: (281) 367-1676

Each Party shall provide the other with copies of all adverse drug experience reports on the Product filed with the U.S. FDA or other regulatory agencies in the Territory. As used in this Section 14, the "Reporting Period" shall mean (a) the Term with respect to API's reporting obligation to Abbott and (b) the period from the Effective Date until the effective date of API's assignment of the U.S. NDA for the Product to Abbott with respect to Abbott's reporting obligation to API.

15. REPRESENTATIONS AND WARRANTIES

Each Party hereby represents and warrants to the other Party as follows:

(a) CORPORATE STATUS - It is a corporation duly organized and validly existing under the laws of its state or other jurisdiction of incorporation or formation;

(b) AUTHORITY - It has the power and authority to execute and deliver this Agreement, and to perform its obligations hereunder;

(c) NO CONFLICTS - The execution, delivery and performance by it of this Agreement and its compliance with the terms and provisions hereof

does not and will not conflict with or result in a breach of any of the terms and provisions of or constitute a default under (i) any loan agreement, guaranty, financing agreement, agreement affecting a product or other agreement or instrument binding or affecting it or its property; (ii) the provisions of its charter documents or by-laws; or (iii) any order, writ, injunction or decree of any court or governmental authority entered against it or by which any of its property is bound;

(d) NO APPROVALS - Except for the regulatory filings and approvals for the Product referenced herein, no authorization, consent or approval of any governmental authority or third party is required for the execution, delivery or performance by it of this Agreement, and the execution, delivery or performance of this Agreement will not violate any law, rule or regulation applicable to such Party;

(e) ENFORCEABILITY - This Agreement has been duly authorized, executed and delivered and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to the availability of particular remedies under general equity principles;

(f) COMPLIANCE WITH LAWS - It shall comply with all applicable laws and regulations relating to its activities under this Agreement; and

(g) YEAR 2000 COMPLIANCE - All computer hardware and software used

by either Party in its business relationship with the other Party will have no lesser functionality with respect to records containing dates before or after January 1, 2000 than previously with respect to dates prior to January 1, 2000.

16. TERM AND EARLY TERMINATION RIGHTS

16.1 TERM. The Term shall be as stated in Section 1.21.

16.2 TERMINATION FOR CAUSE. Either Party shall have the right, without prejudice to any other rights or remedies available to it, to terminate this Agreement for cause by written notice to the other Party in any of the following events:

(a) BANKRUPTCY - If the other Party becomes insolvent, is adjudged bankrupt, applies for judicial or extra-judicial settlement with its creditors, makes an assignment for the benefit of its creditors, voluntarily files for bankruptcy or has a receiver or trustee (or the like) in bankruptcy appointed by reason of its insolvency, or in the event an involuntary bankruptcy action is filed against the other Party and not dismissed within ninety (90) days, or if the other Party becomes the subject of liquidation or dissolution proceedings or otherwise discontinues business.

(b) MATERIAL BREACH - If the other Party commits a Material Breach of this Agreement (as defined in Section 18.2(c)) and the Party alleged to be in breach fails to (i) cure such breach or (ii) commence dispute resolution proceedings under Section 18.2 contesting whether a breach has occurred and/or whether such breach is a Material Breach within sixty (60) days after receipt of written notice from the Party asserting the breach.

16.3 TERMINATION BY MUTUAL AGREEMENT. This Agreement may be terminated at any time by written agreement of the Parties.

16.4 TERMINATION BY ABBOTT.

(a) SAFETY OR EFFICACY - If at any time during the Term: (i) the Party with responsibility for filing an application for Regulatory Approval hereunder ("Filing Party") decides not to file an application for Regulatory Approval in any Major Subterritory or decides to withdraw such application due to documented adverse reactions or other safety issues with the Product or the Product's lack of efficacy or limited efficacy (collectively, "Safety or

Efficacy Issues"); (ii) the Filing Party's application(s) for Regulatory Approval in any Major Subterritory is rejected due to Safety or Efficacy Issues; (iii) the Filing Party's application(s) for Regulatory Approval in any Major Subterritory is subsequently withdrawn because of Safety or Efficacy Issues; (iv) the Product is withdrawn or recalled from the market in any Major Subterritory because of Safety or Efficacy Issues; or (v) at any time during the period from the Effective Date to the effective date of API's assignment of the U.S. NDA for the Product to Abbott, Abbott reasonably believes documented Safety or Efficacy Issues exist and Abbott has so notified API in writing, then Abbott may, at its option, terminate this Agreement upon thirty (30) days prior written notice to API. Abbott may, at its option, exercise its right of termination under this Section 16.4(a) on a country-by-country basis, and, if Abbott does so, Abbott's termination notice shall specify the country or countries of the Territory affected.

(b) LIMITED COMMERCIAL VIABILITY - At any time during the Term after the Filing Party has obtained Regulatory Approval in any country of the Territory, Abbott shall have the right to terminate this Agreement upon one hundred eighty (180) days

prior written notice to API for reasons of the Product's limited commercial viability and/or due to competition, limited customer acceptance, regulatory limitations and/or market dynamics, as determined by Abbott.

17. CONSEQUENCES OF TERMINATION

17.1 EFFECT OF TERMINATION. Termination or expiration of this Agreement through any means and for any reason shall not relieve the Parties of any obligations accruing prior thereto and shall be without prejudice to the rights and remedies of either Party with respect to any prior breach of any of the provisions of this Agreement.

17.2 LICENSE RIGHTS. If Abbott terminates this Agreement pursuant to Section 16.2(a) or Section 16.4 or if API terminates this Agreement pursuant to Section 16.2, then: (a) Abbott's license rights in API Intellectual Property Rights hereunder shall terminate, (b) Abbott shall assign to API all of its right, title and interest in and to the API Trademarks, with API assuming responsibility for filing and maintaining the API Trademarks as of the effective date of the assignment, including all recordal and future costs associated therewith; and (c) upon API's request, the Parties shall negotiate in good faith for the assignment of any Alternate Trademarks from Abbott to API.

17.3 FULLY PAID-UP LICENSE. Upon expiration of the Term or earlier termination of this Agreement for any reason other than by API pursuant to Section 16.2 or by Abbott pursuant to Section 16.2(a) or Section 16.4 or by the Parties jointly pursuant to Section 16.3, Abbott's license rights in API Intellectual Property Rights hereunder shall become fully paid-up and irrevocable.

17.4 MUTUAL AGREEMENT. If the Parties terminate this Agreement by mutual written agreement pursuant to Section 16.3, the Parties shall specify the consequences of such termination in such written agreement.

17.5 REGULATORY APPROVALS. Upon expiration of the Term, or upon earlier termination of this Agreement other than by API pursuant to Section 16.2 or by Abbott pursuant to Section 16.2(a) or Section 16.4, Abbott's right to manufacture, market, and sell the Product in the United States pursuant to the U.S. NDA for the Product shall become fully paid-up and irrevocable, and, if API has not previously done so, API shall promptly assign such U.S. NDA to Abbott. Upon termination of this Agreement by API pursuant to Section 16.2 or by Abbott pursuant to Section 16.2(a) or Section 16.4, Abbott shall grant to API a fully paid-up, irrevocable right to manufacture, market, and sell the Product outside the United States pursuant to Abbott's Regulatory Approvals for the Product, and Abbott shall promptly assign such Regulatory Approvals to API.

18. GOVERNING LAW AND DISPUTE RESOLUTION

18.1 GOVERNING LAW. This Agreement, including the validity,

construction, interpretation and performance thereof, shall be governed entirely by the laws of the State of Illinois, without regard to its conflict of laws provisions. It is the specific intent and agreement of the Parties that the United Nations Convention on the International Sale of Goods shall not apply to this Agreement.

18.2 DISPUTE RESOLUTION. All disputes arising out of or in connection with this Agreement (except those involving actions commenced by or involving third parties and affecting or involving only one of the Parties) shall be resolved with the following

mechanism:

(a) ATTEMPTED AMICABLE RESOLUTION - The Parties shall promptly give each other written notice of any disputes requiring resolution hereunder, which written notice shall specify the Section(s) of this Agreement the other Party is alleged to have breached and shall briefly state the initiating Party's claims, and the Parties shall use reasonable efforts to resolve any such disputes in an amicable manner.

Any disputes arising in connection with this Agreement which cannot be resolved in an amicable manner by representatives of the Parties shall be referred, not later than thirty (30) days after initiation of dispute resolution proceedings under this Section 18.2, to the following corporate officers of the Parties for resolution:

For Abbott:
President, Hospital Products Division (or his or her designee)
For Aronex:
Chairman and CEO (or his or her designee)

Such officers (or their designees) shall attempt to resolve the dispute and shall communicate with each other by facsimile or telephone or in personal meetings in an effort to resolve the dispute.

(b) ADR PROCEDURE - Any disputes arising in connection with this Agreement which cannot be resolved by the Parties within forty-five (45) days after initiation of dispute resolution proceedings under Section 18.2(a) shall be finally settled by binding Alternate Dispute Resolution ("ADR") in accordance with the procedures set forth in the attached Exhibit D.

(c) ADR RULING - The neutral in any ADR proceeding under Section 24.2(b) shall determine and advise the Parties in writing:

(i) Whether either Party has committed a breach of any of its obligations under this Agreement; and

(ii) If either Party has committed a breach,

(A) Whether such breach is a Material Breach or a breach other than a Material Breach, and

(B) The appropriate remedy for any such breach pursuant to Section 18.2(d).

As used herein "Material Breach" shall mean either a failure by Abbott to pay any milestone payments pursuant to Section 3.1, any research and development funding payments pursuant to Section 3.2, or any royalty payments pursuant to Sections 4.1 or 4.2 within sixty (60) days after written notice from API ("Material Payment Breach"), provided that Abbott may in good faith contest whether a given payment is due or the amount due and pay the amount the neutral determines to be due without being deemed to have committed a Material Payment Breach, or any other breach which involves willful disregard of the other Party's rights under this Agreement or which materially and adversely affects the rights of the other Party in at least one (1) Major Subterritory ("Other Material Breach").

(d) REMEDIES - The neutral in any proceeding under Section

18.2(b) shall have the authority to award the non-breaching Party the following relief (except as otherwise provided in Section 18.2(e) and (f)):

(i) For a Material Payment Breach, an order to pay the amount

due and termination of this Agreement;

(ii) For any Other Material Breach, an award of damages and/or equitable relief and/or termination of this Agreement in whole or in part (including the termination of any licenses granted to the breaching Party, whether in whole or in part, on a worldwide or country-by-country basis); and

(iii) For a breach other than a Material Breach, an award of damages and/or equitable relief.

(e) DISPUTE RESOLUTION FOR SECTION 7.1 - API shall be entitled to commence dispute resolution proceedings pursuant to Section 18.2 to challenge Abbott's compliance with its commercially reasonable efforts obligations in the Territory pursuant to Section 7.1 not more than once every twelve (12) months for each respective country. The determination of whether Abbott has used its commercially reasonable efforts in each respective country shall be based on the totality of circumstances. If API successfully establishes that Abbott has failed to use its commercially reasonable efforts, (i) for the first such violation, the neutral shall have the authority to award damages or equitable relief to API (but not termination of Abbott's license rights) and (ii) for any subsequent violations in the same country, the neutral shall have the authority to award damages, equitable relief or termination of Abbott's license rights in the country where such breach occurs.

18.3 EFFECT OF COMMENCING DISPUTE RESOLUTION. If either Party in good faith commences dispute resolution proceedings under Section 18.2, (a) any applicable notice periods or cure periods hereunder (including but not limited to the period referenced in Section 16.2(b)) shall be temporarily suspended pending the outcome of such dispute resolution proceedings and (b) the non-breaching Party may, at its option, pay any amounts payable to the other Party that are in dispute into an interest-bearing escrow account pending the outcome of such dispute resolution proceedings.

19. NOTICES

19.1 MANNER OF GIVING NOTICES. All notices required or permitted in connection with this Agreement shall be writing and may be given by personal delivery, prepaid registered or certified mail, or telecopier, addressed to the Party to receive the same at its address set forth below, or to such other address as it shall later designate by like notice to the other Party. Notice of termination of this Agreement if given by telecopier shall be confirmed by prepaid registered or certified mail dated and posted within twenty-four (24) hours. The effective date of receipt of any notice if served by telecopier shall be deemed the first business day in the city of destination following the dispatch thereof and if given by letter only, it shall, unless earlier received, be deemed effective not later than seven (7) days after the date of posting. Notice by personal delivery shall be effective as of the date of such delivery.

19.2 ADDRESSES FOR NOTICES.

Notices to API shall be sent to:

Aronex Pharmaceuticals, Inc.
Attn: Chief Executive Officer
8707 Technology Forest Place
The Woodlands, Texas 77381-1191
Facsimile: (281) 367-1676

With a copy to:

Andrews & Kurth, L.L.P.
Attn: Jeffrey L. Wade

2170 Buckthorne Place, Suite 150
The Woodlands, Texas 77380
Facsimile: (713) 238-7131

Notices to Abbott shall be sent to:

Abbott Laboratories
Hospital Products Division
Attn: President
Dept. 0960, Bldg. AP30
200 Abbott Park Road
Abbott Park, Illinois U.S.A. 60064-3500
Facsimile: (847) 937-0805

and

Abbott Laboratories
Abbott International
Attn: President
Dept. 06WP, Bldg. AP30
200 Abbott Park Road
Abbott Park, Illinois U.S.A. 60064-3500
Facsimile: (847) 938-8325

With a copy to:

Abbott Laboratories
Attn: Div. V.P. - Domestic Legal Operations
Legal Division, Dept. 322, Bldg. AP6D
100 Abbott Park Road
Abbott Park, Illinois U.S.A. 60064-3500
Facsimile: (847) 938-1206

20. INTEGRATION

This Agreement represents the entire Agreement between the Parties relating to the subject matter hereof and supersedes all prior arrangements, understandings, correspondence, notes, minutes and agreements between the Parties (or their predecessors in interest) whether written or oral. No supplement, modification or amendment of this Agreement shall be binding unless executed by the Parties in writing and signed by the duly authorized representatives of both Parties.

21. ASSIGNMENT

Neither Party may assign this Agreement or any of its rights hereunder, nor delegate any of its duties or obligations hereunder, to any third party without the prior written consent of the other Party; subject to Abbott's right to grant sublicenses of its rights under this Agreement to an Abbott Affiliate or Unaffiliated Sublicensee in accordance with Section 2.2. Neither Party shall unreasonably withhold its consent to such contemplated assignment if such contemplated assignment is in connection with the sale by either Party of all or substantially all of its assets to a third party which is not a direct competitor of the other Party in the hospital or pharmaceutical products area.

22. LIMITATION OF DAMAGES

In no event shall either Party be liable to the other Party for any indirect, incidental or consequential damages in connection with the performance of this Agreement or any breach of this Agreement.

23. FORCE MAJEURE

Neither Party shall be held in breach of this Agreement for failure to perform any of its obligations hereunder to the extent and for the time period such performance is prevented in whole or in part by reason of any Force Majeure event, including but not limited to industrial disputes, strikes, lockouts,

riots, mobs, fires, floods, and other natural disasters and Acts of God, wars declared or undeclared, civil strife, embargo, delays in delivery or defects or shortages of raw materials from suppliers, loss or breakdown of any production equipment, losses or shortage of power, damage to or loss of goods in transit, currency restrictions, or events caused by reason of laws, regulations or orders by any government, governmental agency or instrumentality or by any other supervening unforeseeable circumstances whatsoever beyond the control of the Party so affected. 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 its commercially reasonable efforts to avoid or remove the Force Majeure event as soon as possible to the extent it is so able to do.

24. RELATIONSHIP OF PARTIES

The relationship of the Parties under this Agreement is that of independent contractors. Nothing contained in this Agreement shall be construed so as to constitute the Parties as partners, joint venturers or agents of the other. Neither Party has any express or implied right or authority under this Agreement to assume or create any obligations or make any warranties and representations 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, and no conduct of the Parties pursuant to the terms of this Agreement shall be deemed to establish such right or authority. Neither Party shall make any representation to third parties that the relationship created hereby constitutes a partnership, joint venture or agency relationship.

25. SEVERABILITY OF CLAUSES

In case one or more of the provisions contained in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed by limiting such invalid, illegal or unenforceable provision, if such is not possible, by deleting such provision from this Agreement.

26. NON-WAIVER

The failure by either Party at any time to enforce any of the terms or provisions or conditions of this Agreement or exercise any right hereunder shall not constitute a waiver of the same or affect that Party's rights thereafter to enforce or exercise the same. No waiver of any of the provisions of this Agreement shall be deemed binding

unless executed in writing by the Party to be bound by it.

27. HEADINGS

The headings in this Agreement are for convenience of reference only and shall not be used in the interpretation of any provisions hereof.

28. EXECUTION

This Agreement shall be executed by the Parties in two (2) original counterparts, one (1) original counterpart being retained by each Party and either of which shall be deemed sufficient to prove the existence and terms and conditions hereof. This Agreement may be executed by the Parties by the exchange of facsimile signature pages, with signed original counterparts of the Agreement to be exchanged by the Parties promptly thereafter.

IN WITNESS WHEREOF, the Parties' duly authorized representatives hereto have executed this Agreement as of the Effective Date.

ARONEX PHARMACEUTICALS, INC. ABBOTT LABORATORIES

By: _____ By: _____

Title: _____ Title: _____

Date: _____ Date: _____

LIST OF EXHIBITS

EXHIBIT A
API PATENT RIGHTS

Part I API Patents

1. US 4,812,312
Lopez-Berestein et al. "Liposome-Incorporated Nystatin"

Japan:	2703594	granted 10/3/97
EPO:	0348431	granted 8/5/92
Austria:	E79028	"
Belgium:	0348431	"
Switzerland:	0348431	"
Germany:	p3873528.8	"
France:	0348431	"
UK:	0348431	"
Italy:	0348431	"
Netherlands:	0348431	"
Sweden:	0348431	"

2. US 4,950,432
Reeta Mahte et al. "Polyene Microlide Pre-Liposomal Powders"

3. US 5,178,875
Lenk at al. "Liposomal-Polyene Preliposomal Powder and Method of Its Preparation"

Australia:	663074	granted 2/6/96
EPO:	0567582	granted 5/17/95
Austria:	E1 22559	"
Belgium:	0567582	"
Switzerland	0567582	"
Germany:	69202569	"
Denmark:	0567582	"
Spain:	0567582	"
France:	0567582	"
UK:	0567582	"
Greece:	0567582	"
Italy:	0567582	"

Luxembourg:	0567582	"
Monaco	0567582	"
Netherlands:	0567582	"
Sweden:	0348431	"

4. USSN: 08/535,885 (allowed, Issue Fee paid 7/31/98)
Lenk el al. "Liposomal-Polyene Preliposomal Powder and Method of Its Preparation"

* *

1. *

*

2. *
*

EXHIBIT B
FACTORY COST

DIRECT MATERIAL COST:
Direct material cost includes all raw material used in the manufacturing process as contained in the bill of material to manufacture Product. Direct material is identified by specific lot numbers. Items normally included are;

Raw drug.
Diluting material such as the alcohol.
Vial.
Vial stopper.
Vial seal
Inline solution filters and compounding filters.
Vial label
Single unit carton.
Shipper
Any other specialized packaging material.

DIRECT LABOR COST.
Includes the cost of employees directly involved in the manufacture of the Product. Our direct labor employees are classified as Assistants, Operators, Attendants, Technicians, Senior Production Operators, Productions Equipment Specialists, and Group Leaders. The rate per hour includes the average base rate for all direct employees plus a fringe rate that includes vacations, holidays, insurance costs, pension, 401K, bonuses and legally mandated employer taxes. Standard product cost uses an Industrial Engineering estimate of the hours to perform each step of the production process. Additional procedures or employees required to handle explosive material would be added as a direct labor operation. Direct labor operations are normally considered to be:

Drug dispensing.
Drug mixing.
Preparation of the filling equipment.
Preparation of components such as washing vial stoppers.
Preparation of printed materials, primarily labels.
Filling of the vial.
Post filling light inspection.
Lyophilization
Labeling.
Packing.

VARIABLE OVERHEAD COST.
Includes the costs of operating the plant which change as the volume of production in the plant changes. The major components of variable overhead are related to the production operator and include their overtime, time spent for training and plant meetings, and their uniforms and gowns. Any specialized employee safety equipment such as used in an explosion proof environment would be included in this category. Cost included in this category are assigned to standard product cost as a rate per hour applied to direct labor hours

identified above.

FIXED OVERHEAD COSTS.

Includes the other costs associated with operating a manufacturing plant. The key components are the cost of the quality assurance organization, material planning, purchasing, receiving, and warehousing, plant maintenance, utilities and engineering, the health and safety group, production supervision, and fixed costs such as depreciation taxes, and insurance. Investment in explosive proof equipment and changes to the facility required to handle explosive material would be included in this category. These costs are assigned to standard product cost based on fully utilized plant capacity.

The standard product cost development process occurs once per year in the mid-summer time period. At that time, assumptions are made regarding inflation rates for raw material and wages, productivity improvements, and plant utilization levels.

EXHIBIT C

U.S. PRODUCT DEVELOPMENT PLAN

API shall conduct all clinical studies required to obtain Regulatory Approval in the United States, including but not limited to the studies referenced below, with the objective of obtaining U.S. NDA approval for the Product in injectable dosage form with an Empiric Claim on or before *.

<TABLE>
<CAPTION>

STUDY NO.	STUDY TITLE	BRIEF DESCRIPTION
<S>	<C>	<C>
AR-90-01-002	Pharmacokinetics of Nystatin(LF),"*, I.V. in Patients with Acquired Immunodeficiency Syndrome (AIDS)-Related Complex ARC	Phase 1, Single dose, dose-escalating up to 1 mg/kg
AR-91-35,606-004	A Phase I-ii Clinical Study of Nystatin-Trademark-, I.V. in Patients with HIV Infection	Phase I-II, Multiple dose, dose-escalating up to 7 mg/kg
AR-41,356-93-002	Phase I Study to Determine the Maximum Tolerated Dose of Liposomal Nystatin(LF)-trademark- in Patients with Presumed or Proven Fungal infection Due to ASPERGILLUS or CANDIDA Species and Other Opportunistic Fungi	Phase I, Multiple dose, dose-escalating up to 8 mg/kg
AR-92-41,356-005	A Multicenter Study to Evaluate the Safety and Efficacy of Various Doses of Nyotran-Registered Trademark- in Non-Neutropenic Patients with Candidemia	Phase II, Multiple dose at 2 or 4 mg/kg, in patients with systemic CANDIDA infections
AR-94-41,356-006	A Prospectively Randomized, Double-Blind, Comparative Multicenter Study to Evaluate Efficacy and Safety of Nyotran-Registered Trademark- and Amphotericin B or Empiric Antifungal Treatment in Neutropenic Patients	Phase III, Multiple dose blinded comparative study in patients with presumed fungal infections, conducted in US
AR-95-41,356-009	A Prospectively Randomized, Double-Blind, Comparative Multicenter Study to Evaluate Efficacy and Safety of Nyotran-Registered Trademark- and Amphotericin B for Empiric Antifungal Treatment in Neutropenic Patients	Phase III, Multiple dose blinded comparative study in patients with presumed fungal infections, conducted in Europe
AR-94-41,356-007	An Open-Label, Non-Comparative, Multicenter Study to Evaluate the Clinical Efficacy and Safety of Nyotran-Registered Trademark- (Liposomal Nystatin) in the Treatment of Patients with Proven or Probable ASPERGILLUS Infection Who Are Failing Standard	Phase II, Multiple dose salvage therapy trial in aspergillosis conducted primarily in Europe, South Africa, and

	Parenteral Antifungal Therapy Due to Lack of Response or Intolerance to Amphotericin B or Liposomal Amphotericin	Australia
AR-96-41,356-008	An Open-Label, Non-Comparative, Multicenter Study to Evaluate the Clinical Efficacy and Safety of Nyotran-Registered Trademark- (Liposomal Nystatin) in the Treatment of Patients with Proven or Probable ASPERGILLUS Infection Who Are Failing Standard Parenteral Antifungal Therapy Due to Lack of Response or Intolerance to Amphotericin B or Liposomal Amphotericin	Phase II, Multiple dose salvage therapy trial in aspergillosis conducted primarily in the US
AR-97-41,356-013	A PhaseII/III Randomized, Multicenter Study to Determine the Optimal Dose of Nyotran-Registered Trademark- (Liposomal Nystatin) for the Treatment of Patients with Cryptococcal Meningitis by Comparing the Safety and Efficacy of the 2 mg/kg/day, 3 mg/kg/day and 4 mg/kg/day Doses of Nyotran-Registered Trademark- and To Compare the Safety and Efficacy of the Resulting Optimal Dose of Nyotran-Registered Trademark- versus Fungizone-Registered Trademark- (Amphotericin B) in Patients with Cryptococcal Meningitis	*
	*	*

</TABLE>

EXHIBIT D

ALTERNATIVE DISPUTE RESOLUTION

The parties recognize that a bona fide dispute as to certain matters may arise from time to time during the term of this Agreement which relates to either party's rights and/or obligations. To have such a dispute resolved by this Alternative Dispute Resolution ("ADR") provision, a party first must send written notice of the dispute to the other party for attempted resolution by good faith negotiations between their respective representatives of the affected subsidiaries, divisions, or business units within twenty-eight (28) days after such notice is received (all references to "days" in this ADR provision are to calendar days).

If the matter has not been resolved within twenty-eight (28) days of he notice of dispute, or if the parties fail to meet within such twenty-eight (28) days, either party may initiate an ADR proceeding as provided herein. The parties shall have the right to be represented by counsel in such a proceeding.

1. To begin an ADR proceeding, a party shall provide written notice to the other party of the issues to be resolved by ADR. Within fourteen (14) days after its receipt of such notice, the other party may, by written notice to the party initiating the ADR, add additional issues to be resolved within the same ADR.

2. Within twenty-one (21) days following receipt of the original ADR notice, the parties shall select a mutually acceptable neutral to preside in the resolution of any disputes in this ADR proceeding. If the parties are unable to agree on a mutually acceptable neutral within such period, the parties shall request the President of the Center for Public Resources ("CPR"), 366 Madison Avenue, New York, New York 10017 to select a neutral pursuant to the following procedures:

(a) The CPR shall submit to the parties a list of not less than five (5) candidates within fourteen (14) days after receipt of the request from the parties, along with a CURRICULUM VITAE for each candidate. No candidate shall be an employee, director, or shareholder of either party or any of their subsidiaries or affiliates.

(b) Such list shall include a statement of disclosure by each candidate of any circumstances likely to affect his or her impartiality.

(c) Each party shall number the candidates in order of

preference (with the number one (1) signifying the greatest preference) and shall deliver the list to the CPR within seven (7) days following receipt of the list of candidates. If a party believes a conflict of interest exists regarding any of the candidates that party shall provide a written explanation of the conflict to the CPR along with its list showing its order of preference for the candidates. Any party failing to return a list of preferences on time shall be deemed to have no order of preference.

(d) If the parties collectively have identified fewer than three (3) candidates deemed to have conflicts, the CPR immediately shall designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference. If a tie should result between two candidates, the CPR may designate either candidate. If the parties collectively have identified three (3) or more candidates deemed to have conflicts, the CPR shall review the explanations regarding conflicts and, in its sole discretion, may either (i) immediately designate as the neutral the candidate for whom the parties collectively have indicated the greatest preference, or (ii) issue a new list of not less than five (5) candidates, in which case the procedures set for in subparagraphs 2(a) - 2(d) above shall be repeated.

3. No earlier than twenty-eight (28) days or later than fifty-six (56) days after selection, the neutral shall hold a hearing to resolve each of the issues identified by the parties. The ADR proceeding shall take place at a location agreed upon by the parties. If the parties cannot agree, the neutral shall designate a location other than the principal place of business of either party or any of their subsidiaries or affiliates.

4. At least seven (7) days prior to the hearing, each party shall submit the following to the other party and the neutral:

(a) a copy of all exhibits on which such party intends to rely in any oral or written presentation to the neutral;

(b) a list of any witnesses such party intends to call at the hearing, and a short summary of the anticipated testimony of each witness;

(c) a proposed ruling on each issue to be resolved, together with a request for a specific damage award or other remedy for each issue. The proposed rulings and remedies shall not contain any recitation of the facts or any legal arguments and shall not exceed one (1) page per issue.

(d) a brief in support of such party's proposed rulings and remedies, provided that the brief shall not exceed twenty (20) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

Except as expressly set forth in subparagraphs 4(a) - 4(d) above, no discovery shall be required or permitted by any means, including depositions, interrogatories, requests for admissions, or production of documents.

5. The hearing shall be conducted on two (2) consecutive days and shall be governed by the following rules:

(a) Each party shall be entitled to five (5) hours of hearing time to present its case. The neutral shall determine whether each party has had the five (5) hours to which it is entitled.

(b) Each party shall be entitled, but not required, to make an opening statement, to present regular and rebuttal testimony, documents or other evidence, to cross-examine witnesses, and to make a closing argument. Cross-examination of witnesses shall occur immediately after their direct testimony, and cross-examination time shall be charged against the party conducting the cross-examination.

(c) The party initiating the ADR shall begin the hearing and, if it chooses to make an opening statement, shall address not only issues it has raised but also any issues raised by the responding party. The responding party, if it chooses to make an opening statement, also shall address all issues raised in the ADR. Thereafter, the presentation of regular and rebuttal

testimony and documents, other evidence, and closing arguments shall proceed in the same sequence.

(d) Witnesses shall be excluded from the hearing until closing arguments.

(e) Neither affidavits nor settlement negotiations shall be admissible under any circumstances. As to all other matters, the neutral shall have sole discretion regarding the admissibility of any evidence.

6. Within seven (7) days following completion of the hearing, each party may submit to the other party and the neutral a post-hearing brief in support of its proposed rulings and remedies, provided that such brief shall not contain or discuss any new evidence and shall not exceed ten (10) pages. This page limitation shall apply regardless of the number of issues raised in the ADR proceeding.

7. The neutral shall rule on each disputed issue within fourteen (14) days following completion of the hearing. Such ruling shall adopt in its entirety the proposed ruling and remedy of one of the parties on each disputed issue but may adopt one party's proposed rulings and remedies on some issues and the other party's proposed rulings and remedies on other issues. The neutral shall not issue any written opinion or otherwise explain the basis of the ruling.

8. The neutral shall be paid a reasonable fee plus expenses. These fees and expenses, along with the reasonable legal fees and expenses of the prevailing party (including all expert witness fees and expenses), the fees and expenses of a court reporter, and any expenses for a hearing room, shall be paid as follows:

(a) If the neutral rules in favor of one party on all disputed issues in the ADR, the losing party shall pay 100% of such fees and expenses.

(b) If the neutral rules in favor of one party on some issues and the other party on other issues, the neutral shall issue with the rulings a written determination as to how such fees and expenses shall be allocated between the parties. The neutral shall allocate fees and expenses in a way that bears a reasonable relationship to the outcome of the ADR, with the party prevailing on more issues, or on issues of greater value or gravity, recovering a relatively larger share of its legal fees and expenses.

9. The rulings of the neutral and the allocation of fees and expenses shall be binding, non-reviewable, and non-appealable, and may be entered as a final judgment in any court having jurisdiction.

10. Except as provided in paragraph 9 of this Exhibit D or as required by law, the existence of the dispute, any settlement negotiations, the ADR hearing, any submissions (including exhibits, testimony, proposed rulings, and briefs), and the rulings shall be deemed Confidential Information. The neutral shall have the authority to impose sanctions for unauthorized disclosure of Confidential Information.

EXHIBIT E

API TRADEMARK APPLICATIONS AND REGISTRATIONS

API TRADEMARKS REGISTERED

<TABLE>

<CAPTION>

Case Number	Mark	Registration No.	Next Renewal Date
<S>	<C>	<C>	<C>
ARG-106			
United States	LF	1,785,153	08/03/03
ARG-701			
United States	Nyotran	2,173,459	07/04/08

</TABLE>

EXHIBIT F

FORM OF TRADEMARK ASSIGNMENT

ASSIGNMENT

WHEREAS, Aronex Pharmaceuticals, Inc., a corporation existing under the laws of the State of Delaware, having its principal place of business at 8707 Technology Forest Place, The Woodlands, Texas 77381-1191 is the owner of the United States Trademark Registrations as depicted on Schedule 1 attached hereto; and

WHEREAS, Abbott Laboratories, a corporation existing under the laws of the State of Illinois, having its principal place of business at Abbott Park, Illinois 60064 is desirous of acquiring all right, title and interest in and to said Trademark Registrations, and

WHEREAS, Aronex Pharmaceuticals, Inc. is willing to assign any and all of its right to the said Trademark Registrations,

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, Aronex Pharmaceuticals, Inc. does hereby sell, transfer, convey and assign to Abbott Laboratories any and all of its right, title and interest in and to the trademarks and the Trademark Registrations associated therewith, including the goodwill of the business symbolized by the trademark.

Dated this _____ day of _____, 1998.

Aronex Pharmaceuticals, Inc. Abbott Laboratories

By: By:
Title: Title:

Schedule I

<TABLE>
<CAPTION>

Trademark	Country	Registration Number
<S>	<C>	<C>
LF	United States	1,785,153
NYOTRAN	United States	2,173,459

</TABLE>