SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____ to ____

Commission file number 0-22245

NEXMED, INC

(Exact Name of Registrant as Specified in Its Charter)

NEVADA	87-0449967
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

350 CORPORATE BOULEVARD, ROBBINSVILLE, NJ 08691
(Address of Principal Executive Offices)

(609) 208-9688
(Registrant's telephone number)

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

Title of Each Class	Name of Exchange on Which Registered
COMMON STOCK, PAR VALUE $.001	THE NASDAQ NATIONAL MARKET

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

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

As of March 27, 2002, 23,661,654 shares of the common stock, par value $.001, of the registrant were outstanding and the aggregate market value of the common stock held by non-affiliates was approximately $106,004,210.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement to be delivered to our stockholders in connection with the Annual Meeting of Stockholders to be held on June 21, 2002 (the "2002 Proxy Statement") are incorporated by reference into Part III of this Report.

NEXMED, INC.
INDEX TO ANNUAL REPORT ON FORM 10-K FILED WITH
THE SECURITIES AND EXCHANGE COMMISSION
YEAR ENDED DECEMBER 31, 2001

ITEMS IN FORM 10-K

		Page
PART I.		
Item 1.	BUSINESS	1
Item 2.	PROPERTIES	7
Item 3.	LEGAL PROCEEDINGS	7
Item 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	7
PART II.		
Item 5.	MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS	7
Item 6.	SELECTED FINANCIAL DATA	8
Item 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	8
Item 7A	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	12
Item 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	13
Item 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	32
PART III.		
Item 10.	DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT	32
Item 11.	EXECUTIVE COMPENSATION	32
Item 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	32
Item 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS	32
PART IV.		
Item 14.	EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K	32

PART I.

ITEM 1. BUSINESS.

Some of the statements contained in this Report discuss future expectations, contain projections of results of operations or financial condition or state other "forward-looking" information. Those statements include statements regarding the intent, belief or current expectations of the Company and its management team. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those projected in the forward-looking statements. These risks and uncertainties

include but are not limited to, those risks and uncertainties set forth under the heading "Factors That Could Affect Our Future Results" of Part I of this Report. In light of the significant risks and uncertainties inherent in the forward-looking statements included in this Report, the inclusion of such statements should not be regarded as a representation by us or any other person that our objectives and plans will be achieved.

GENERAL

NexMed, Inc., (the "Company," which may be referred to as "we," "us," or "our") is a pharmaceutical and medical technology company. We develop and commercialize therapeutic products based on proprietary delivery systems. We are currently focusing our efforts on new and patented topical pharmaceutical products based on a penetration enhancement drug delivery technology known as NexACT(R), which may enable an active drug to be better absorbed through the skin.

PRODUCTS & TECHNOLOGIES

We are currently focusing our efforts on new and patented topical pharmaceutical products based on a penetration enhancement drug delivery technology known as NexACT(R), which may enable an active drug to be better absorbed through the skin. The NexACT(R) transdermal drug delivery technology is designed to enhance the absorption of an active drug through the skin, overcoming the skin's natural barrier properties and enabling high concentrations of the active drug to rapidly penetrate the desired site of the skin or extremity. Successful application of the NexACT(R) technology would improve therapeutic outcomes and reduce gastrointestinal or other systemic side effects that often accompany oral medications.

We intend to continue our efforts developing topical treatments including cream, gel, patch and tape, based on the application of NexACT(R) technology to drugs: (1) previously approved by the FDA, (2) with proven efficacy and safety profiles, (3) with patents expiring or expired and (4) with proven market track records and potential.

Currently, we are focusing our application of the NexACT(R) technology to Alprox-TD(R) and Femprox(R) creams, for the treatment of male erectile dysfunction ("ED") and female sexual arousal disorder ("FSAD"), respectively. We are also exploring the application of the NexACT(R) technology to other drug compounds and delivery systems, and are in the early stage of developing new products such as a topical treatment for nail fungus, a topical non-steroidal anti-inflammatory drug ("NSAID") treatment for pain and inflammation, and a topical anti-emetic treatment for the prevention of nausea and vomiting associated with post-operative surgical procedures and cancer chemotherapy.

Alprox-TD(R) is an alprostadil-based cream treatment intended for patients with mild, moderate or severe ED. Our clinical studies have demonstrated that NexACT(R) enhancers promote the rapid absorption of alprostadil and improve clinical responses. In November 2001, we initiated our Phase 3 clinical development program for Alprox-TD consisting of two pivotal studies, which will enroll up to 2,500 patients at approximately 80 sites throughout the U.S. The two pivotal Phase 3 studies are randomized, double-blind, placebo-controlled, and designed to confirm the efficacy and safety of Alprox-TD(R) in patients with various degrees of ED. In March 2002, we initiated a Phase 3 open-label study for Alprox-TD(R). The purpose of the new study is to confirm the safety of Alprox-TD(R) on a longer term basis and will include new patients as well as those who have completed testing in one of the two pivotal Phase 3 studies and elect to continue using Alprox-TD(R) for an additional period. We anticipate that at the current rate of patient enrollment and completion, the two pivotal Phase 3 studies should be completed by year-end 2002, and the New Drug Application ("NDA") submitted to the FDA during first half of 2003. Completion of the open-label study is not a prerequisite for our NDA submission.

In July 2001, Alprox-TD(R) was launched in China under the Befar(R) trademark. The product is manufactured and marketed by a local affiliate of Vergemont International Limited, our Asian licensee. We receive from our Asian licensee royalty payments and payments for manufacturing supplies in connection with the distribution of Befar(R) in China and in other Asian markets once Befar(R) is approved for marketing in such other markers. In March 2002, Befar(R) was approved by the Department of Health for marketing in Hong Kong. We anticipate that the launch of Befar(R) in Hong Kong will take place during first

half of 2002. In

November 2001, our Asian licensee filed an NDA with the Health Science Authority for approval to market the product in Singapore.

Femprox(R) is an alprostadil-based cream product intended for the treatment of FSAD. We have completed enrollment for a Phase 2 clinical study with Femprox(R). This multi-center at home use study is randomized, double-blind, placebo-controlled, and designed to investigate the efficacy and safety of the Femprox(R) cream in approximately 100 pre-menopausal women diagnosed with FSAD. We anticipate that we will complete this Phase 2 study by the end of March 2002 and then submit the clinical results to the FDA for review and comment.

Another product we are developing is the Viratrol(R) device, a therapeutic medical device for the treatment of herpes simplex diseases without the use of drugs. The Viratrol(R) device is hand-held, non-invasive, and designed to treat herpes simplex lesions. The device topically delivers a minute electrical current to an infected site and may block lesions from forming and/or shorten healing time once lesions develop. In December 2001, we submitted to the FDA our planned protocols for the initiation of a clinical study designed to support the efficacy claims of the Viratrol(R) device in treating patients with oral herpes lesions. We intend to proceed with the proposed study, pending FDA concurrence and the availability of financing to complete the proposed study.

FACTORS THAT COULD AFFECT OUR FUTURE RESULTS

WE HAVE AN URGENT NEED FOR ADDITIONAL FINANCING.

We will require additional financing before achieving positive cash flow and will need to seek financing from the sale of equity or debt and from private and public sources as well as from collaborative licensing and/or marketing arrangements with third parties. However, we have not made arrangements for, and there is no assurance that such additional external funding will be available to us on acceptable terms, if at all. If we cannot obtain such additional financing, we may need to modify our business objectives or reduce or cease certain or all of our product development programs and other operations.

Our current cash reserves along with the anticipated payments from our Asian licensee will be insufficient to support our operations to the time of product approval. We will require a significant capital infusion to pursue our research, development and commercialization plan. We cannot assure you that (1) we will obtain regulatory approval or develop any additional products, (2) if successful, we will attract sufficient capital to complete any development and commercialization undertaken or (3) any such development and commercialization will be successful.

WE CONTINUE TO INCUR OPERATING LOSSES.

Our current business operations began in 1994 and we have a limited operating history. We may encounter delays, uncertainties and complications typically encountered by development stage businesses. We have generated minimal revenues from the limited sales of Befar(R) in China and have not marketed or generated revenues in the U.S. from our products under development. We are not profitable and have incurred an accumulated deficit of $40,346,450 since our inception. The Company's current ability to generate revenues and to achieve profitability and positive cash flow will depend on the successful commercialization of our products currently under development. However, even if we eventually generate revenues from sales of our products currently under development, we expect to incur significant operating losses over the next several years. Our ability to become profitable will depend, among other things, on our (1) development of our proposed products, (2) obtaining of regulatory approvals of our proposed products on a timely basis and (3) success in manufacturing, distributing and marketing our proposed products.

OUR INDEPENDENT ACCOUNTS HAVE DOUBT AS TO OUR ABILITY TO CONTINUE AS A GOING CONCERN FOR A REASONABLE PERIOD OF TIME.

As a result of our losses to date, working capital deficiency and accumulated deficit, our independent accountants have concluded that there is substantial doubt as to our ability to continue as a going concern for a reasonable period of time, and have modified their report in the form of an explanatory paragraph describing the events that have given rise to this uncertainty. Our continuation is based on our ability to generate or obtain sufficient cash to meet our obligations on a timely basis and ultimately to attain profitable operations. Our independent auditors' going concern qualification may make it more difficult for us to obtain additional funding to meet our obligations. We anticipate that we will continue to incur significant losses until successful commercialization of one or more of our products. There can be no assurance that we can be operated profitably in the future.

WE WILL NEED SIGNIFICANT FUNDING TO CONTINUE WITH OUR RESEARCH AND DEVELOPMENT EFFORTS.

Our research and development expenses for the years ended December 31, 2001, 2000, and 1999 were $12,456,384, $6,892,283, and $2,374,024, respectively. Since January 1, 1994, when we repositioned ourselves as a medical and pharmaceutical technology company, we have spent $29,079,561 on research and development. We anticipate that our expenses for research and development will continue to increase with our advanced clinical development efforts.

We will need significant funding to pursue our research, development and commercialization plans. We intend to focus our current development efforts on the Alprox-TD(R) and Femprox(R) cream treatments. These products are currently in the research and development stage. We believe that our current cash reserves are sufficient to support, at the current rate of patient enrollment for the ongoing Phase 3 studies on the Alprox-TD(R) cream for the next three months and complete the Phase 2 study on Femprox(R). We have generated minimal revenues from the limited sales of Befar(R) in China and have not marketed or generated revenues in the U.S. from our products under development.

Our products under development will require significant time-consuming and costly research and development, clinical testing, regulatory approval and significant additional investment prior to their commercialization. There can be no assurance that (1) the research and development activities we conduct will be successful, (2) products under development will prove to be safe and effective, (3) any of the clinical development work will be completed, or (4) the anticipated products will be commercially viable or successfully marketed. Commercial sales of our products cannot begin until we receive final FDA approval. The earliest likely time for such final approval of the first product which may be approved, Alprox-TD(R), is sometime during first half of 2004.

WE ARE DEPENDENT UPON PATENTS AND INTELLECTUAL PROPERTY RIGHTS.

Proprietary protection for our pharmaceutical products is of material importance to our business in the U.S. and most other countries. We have and will continue to seek proprietary protection for our products to attempt to prevent others from commercializing equivalent products in substantially less time and at substantially lower expense. Our success may depend on our ability to (1) obtain effective patent protection within the U.S. and internationally for our proprietary technologies and products, (2) defend patents we own, (3) preserve our trade secrets, and (4) operate without infringing upon the proprietary rights of others.

We have seven U.S. patents either acquired or received out of a series of patent applications that we have filed in connection with our NexACT(R) technology and our NexACT-based products under development, such as Alprox-TD(R) Femprox(R), and our NSAID cream. We have three U.S. patents issued on the Viratrol(R) device and one patent application pending with respect to the technology, inventions and improvements that are significant to the Viratrol(R) device. To further strengthen our global patent position on our proprietary products under development, and to expand the patent protection to other markets, we have filed under the Patent Cooperation Treaty, corresponding international applications for our issued U.S. patents and pending U.S. patent applications.

While we have obtained patents and have several patent applications pending, the extent of effective patent protection in the U.S. and other countries is highly uncertain and involves complex legal and factual questions. No consistent policy addresses the breadth of claims allowed in or the degree of protection afforded under patents of medical and pharmaceutical companies. Patents we currently own or may obtain might not be sufficiently broad to protect us against competitors with similar technology. Any of our patents could be invalidated or circumvented.

There have been patents issued to others such as Vivus, Inc. and MacroChem Corporation on the use of alprostadil for the treatment of male or female sexual dysfunction. While we believe that our patents will prevail in any potential litigation, we can provide no assurance that the holders of these competing patents will not commence a lawsuit against us or that we will prevail in any such lawsuit. Litigation could result in substantial cost to and diversion of effort by us, which may harm our business. In addition, our efforts to protect or defend our proprietary rights may not be successful or, even if successful, may result in substantial cost to us.

WE DEPEND UPON THIRD PARTY MANUFACTURERS FOR OUR CHEMICAL MANUFACTURING SUPPLIES.

In October 2000, we acquired a 31,500 square foot industrial facility, located in East Windsor, New Jersey, which we are in the process of developing and validating as a manufacturing facility designed to meet the Good Manufacturing Practice (GMP) standards as required by the FDA. We anticipate that upon completion, our manufacturing facility will have the capacity to meet our anticipated needs for full-scale commercial production. Initially, we are utilizing the facility to manufacture Alprox-TD(R) and Femprox(R) for continuing clinical testing purposes.

We depend on third party chemical manufacturers for alprostadil, the active drug in Alprox-TD(R) and Femprox(R) and for the supply of our NexACT(R) enhancers that are essential in the formulation and production of our topical products, in a timely basis and at satisfactory quality levels. If our validated third party chemical manufacturers fail to produce quality products on time and in sufficient qualities, our results would suffer, as we would encounter costs and delays in revalidating new third party suppliers.

WE FACE SEVERE COMPETITION.

We are engaged in a highly competitive industry. We expect increased competition from numerous existing companies, including large international enterprises, and others entering the industry. Most of these companies have greater research and development, manufacturing, marketing, financial, technological, personnel and managerial resources. Acquisitions of competing companies by large pharmaceutical or healthcare companies could further enhance such competitors' financial, marketing and other resources. Competitors may complete clinical trials, obtain regulatory approvals and commence commercial sales of their products before we could enjoy a significant competitive advantage. Products developed by our competitors may be more effective than our products.

Certain treatments for ED, such as needle injection therapy, vacuum constriction devices, penile implants, transurethral absorption and oral medications, currently exist, have been approved for sale in certain markets and are being improved. Currently known products for the treatment of ED developed or under development by our competitors include the following: (1) Caverject(R), Pharmacia & Upjohn Company's needle injection therapy; (2) Viagra(R), Pfizer, Inc.'s oral product to treat ED; and (3) Muse(R), Vivus, Inc.'s device for intra-urethral delivery of a suppository containing alprostadil. In addition, the following products are currently under development: (1) Topiglan(R), a topical treatment containing alprostadil based on a proprietary drug delivery system under development by MacroChem Corporation; (2) Vasomax(R), an oral medication to be marketed through a collaborative effort of Zonagen, Inc. and Schering Plough Pharmaceuticals; (3) Cialis(R), an oral formulation to be marketed through a joint venture between ICOS and Eli Lilly & Co; (4) Uprima(R), an oral medication to be marketed by TAP Pharmaceuticals, a joint venture

between Takeda Pharmaceuticals Japan and Abbott Laboratories; and (5) vardenafil, an oral medication to be marketed through a collaborative effort of Bayer AG and GlaxoSmithKline, Inc.

WE ARE SUBJECT TO NUMEROUS AND COMPLEX GOVERNMENT REGULATIONS.

Governmental authorities in the U.S. and other countries heavily regulate the testing, manufacture, labeling, distribution, advertising and marketing of our proposed products. None of our proprietary products under development, including the Alprox-TD(R) and Femprox(R) creams utilizing the NexACT(R) technology as well as the Viratrol(R) device, has been approved for marketing in the U.S. Before we market any products we develop, we must obtain FDA and comparable foreign agency approval through an extensive clinical study and approval process.

The studies involved in the approval process are conducted in three phases. In Phase 1 studies, researchers assess safety or the most common acute adverse effects of a drug and examine the size of doses that patients can take safely without a high incidence of side effects. Generally, 20 to 100 healthy volunteers or patients are studied in the Phase 1 study for a period of several months. In Phase 2 studies, researchers determine the drug's efficacy with short-term safety by administering the drug to subjects who have the condition the drug is intended to treat, assess whether the drug favorably affects the condition, and begin to identify the correct dosage level. Up to several hundred subjects may be studied in the Phase 2 study for approximately 6 to 12 months, depending on the type of product tested. In Phase 3 studies, researchers further assess efficacy and safety of the drug. Several hundreds to thousands of patients may be studied during the Phase 3 studies for a period of from 12 months to several years. Upon completion of Phase 3 studies, a NDA is submitted to the FDA or foreign governmental regulatory authority for review and approval.

Our failure to obtain requisite governmental approvals timely or at all will delay or preclude us from licensing or marketing our products or limit the commercial use of our products, which could adversely affect our business, financial condition and results of operations.

Because we intend to sell and market our products outside the U.S., we will be subject to foreign regulatory requirements governing the conduct of clinical trials, product licensing, pricing and reimbursements. These requirements vary widely from country to country. Our failure to meet each foreign country's requirements could delay our introduction of our proposed products in the respective foreign country and limit our revenues from sales of our proposed products in foreign markets.

Successful commercialization of our products may depend on the availability of reimbursement to the consumer from third-party healthcare payers, such as government and private insurance plans. Even if we succeed in bringing one or more products to market, reimbursement to consumers may not be available or sufficient to allow us to realize an appropriate return on our investment in product development or to sell our products on a competitive basis. In addition, in certain foreign markets,

pricing or profitability of prescription pharmaceuticals is subject to governmental controls. In the U.S., federal and state agencies have proposed similar governmental control and the U.S. Congress has recently considered legislative and regulatory reforms that may affect companies engaged in the healthcare industry. Pricing constraints on our products in foreign markets and possibly in the U.S. could adversely effect our business and limit our revenues.

WE WILL NEED TO PARTNER TO OBTAIN EFFECTIVE SALES, MARKETING AND DISTRIBUTION.

We have engaged in discussions with several large pharmaceutical companies regarding a strategic partnership for the Alprox-TD(R) cream but we cannot assure you that we will be able to conclude an arrangement on a timely basis, if at all, or on terms acceptable to us. With our current cash reserves, we have elected to proceed with our Phase 3 program on the Alprox-TD(R) cream while concurrently pursuing these discussions.

We currently have no sales force or marketing organization and will need, but may be unable, to attract and retain qualified or experienced marketing and sales personnel. We will need to secure a marketing partner who is able to devote substantial marketing efforts to achieve market acceptance for our proprietary products under development. The marketing partner will need to spend significant funds to inform potential customers, including third-party distributors, of the distinctive characteristics and benefits of our products. Our operating results and long term success will depend on our ability to establish (1) successful arrangements with domestic and international distributors and marketing partners and (2) an effective internal marketing organization.

In Asia, our subsidiary, NexMed International Limited, and our Asian licensee, Vergemont International Limited, entered into a license agreement in 1999 pursuant to which (1) Vergemont International Limited has an exclusive right to manufacture and to market in China and Asian Pacific countries, our Alprox-TD(R), Femprox(R) and three other of our proprietary products under development, and (2) we will receive a royalty on sales and supply, on a cost plus basis, the NexACT(R) enhancers that are essential in the formulation and production of our proprietary topical products. In fourth quarter 2001, we recorded a modest payment from our Asian licensee for royalty on sales of Befar(R) in China and for manufacturing supplies purchased from us.

WE MAY BE SUBJECT TO POTENTIAL PRODUCT LIABILITY CLAIMS.

We are exposed to potential product liability risks inherent in the development, testing, manufacturing, marketing and sale of human therapeutic products. Product liability insurance for the pharmaceutical industry is extremely expensive, difficult to obtain and may not be available on acceptable terms, if at all. We currently have liability insurance to cover claims related to our products that may arise from clinical trials, but we do not maintain product liability insurance and we may need to acquire such insurance coverage prior to the commercial introduction of our products. If we obtain such coverage, we have no guarantee that the coverage limits of such insurance policies will be adequate. A successful claim against us if we are uninsured, or which is in excess of our insurance coverage, if any, could have a material adverse effect upon us and on our financial condition.

WE ARE VULNERABLE TO VOLATILE MARKET CONDITIONS.

The market prices for securities of biopharmaceutical and biotechnology companies, including ours, have been highly volatile. The market has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. In addition, future announcements, such as the results of testing and clinical trials, the status of our relationships with third-party collaborators, technological innovations or new therapeutic products, governmental regulation, developments in patent or other proprietary rights, litigation or public concern as to the safety of products developed by us or others and general market conditions, concerning us, our competitors or other biopharmaceutical companies, may have a significant effect on the market price of our common stock.

WE ARE SUBJECT TO ENVIRONMENTAL LAW COMPLIANCE.

Most of our manufacturing and certain research operations are or will be affected by federal, state and local environmental laws. We have made, and intend to continue to make, necessary expenditures for compliance with applicable laws. While we cannot predict with certainty the future operating costs for environmental compliance, we do not believe they will have a material effect on our capital expenditures, earnings or competitive position.

SEGMENT AND GEOGRAPHIC AREA INFORMATION

You can find information about our business segment and geographic areas of business in "Note 15. Segment and Geographic Information" of our Notes to Consolidated Financial Statements on page 30 below.

EMPLOYEES

As of March 15, 2002, we had 82 full time employees, 13 of whom have Ph.D and/or M.D. degrees, 4 of whom are executive management and 56 of whom are engaged in research and development activities. We also rely on a number of part time employees and consultants. None of our employees is represented by a collective bargaining agreement. We believe that our relationship with our employees is good.

EXECUTIVE OFFICERS

The Executive Officers of the Company are set forth below.

Name	Age*	Title
Y. Joseph Mo, Ph.D.	54	Chairman of the Board of Directors, President and Chief Executive Officer
James L. Yeager, Ph.D.	55	Director, Senior Vice President, Scientific Affairs
Vivian H. Liu	40	Vice President, Corporate Affairs, Chief Financial Officer and Secretary
Kenneth F. Anderson	55	Vice President, Commercial Development

* As of February 28, 2002.

Y. Joseph Mo, Ph.D., is, and has been since 1995, our Chief Executive Officer and President and Chairman and member of our board of directors. His current term as member of our board of directors expires in 2002. Prior to joining us in 1995, Dr. Mo was President of Sunbofa Group, Inc., a privately-held investment consulting company. From 1991 to 1994, he was President of the Chemical Division, and from 1988 to 1994, the Vice President of Manufacturing and Medicinal Chemistry, of Greenwich Pharmaceuticals, Inc. Prior to that, he served in various executive positions with several major pharmaceutical companies, including Johnson & Johnson, Rorer Pharmaceuticals, and predecessors of Smithkline Beecham. Dr. Mo received his Ph.D. in Industrial and Physical Pharmacy from Purdue University in 1977.

James L. Yeager, Ph.D., is, and has been since December 1998, a member of the Board of Directors and, since January 2002, Senior Vice President for Scientific Affairs. From June 1996 through December 2001, Dr. Yeager served as the Company's Vice President of Research and Development and Business Development. Before joining the Company, Dr. Yeager was Vice President of Research and Development at Pharmedic Company. From 1979 to 1992, Dr. Yeager held various positions with Abbott Laboratories and Schiaparelli-Searle. Dr. Yeager received his Ph.D. in Industrial and Physical Pharmacy from Purdue University in 1978.

Vivian H. Liu is, and has been, our Vice President of Corporate Affairs and Secretary since September 1995 and our Chief Financial Officer since August 1999. In 1994, while we were in a transition period, Ms. Liu served as our Chief Executive Officer. From September 1995 to September 1997, Ms. Liu was our Treasurer. From 1985 to 1994, she was a business and investment adviser to the government of Quebec and numerous Canadian companies with respect to product distribution, technology transfer and investment issues. Ms. Liu received her MPA in International Finance from the University of Southern California and her BA from the University of California, Berkeley.

Kenneth F. Anderson is and has been, our Vice President of Commercial Development since November 2000. Mr. Anderson has extensive experience in the pharmaceutical industry. From 1997 to September 2000, Mr. Anderson was Senior Vice President, Director of Strategy and Business Development for Harrison Wilson & Associates, a consulting and marketing firm specializing in healthcare products and services. From 1980 to 1997, Mr. Anderson was at Bristol-Myers Squibb where he served in various management positions, including Senior Manager for Marketing and Director for Worldwide Business Development. From 1969 to 1979, Mr. Anderson was with Parke-Davis, a division of Warner Lambert. Mr. Anderson received his BA from Boston University.

ITEM 2. PROPERTIES.

We currently have our principal executive offices and laboratories in Robbinsville, NJ. We lease approximately 24,000 square feet of space for $24,766.55 per month, pursuant to a lease, which expires in 2004. We have the option to renew the lease for an additional year on similar terms.

We own our 31,500 square foot manufacturing facility in East Windsor, New Jersey. We purchased the facility for $2.2 million and have invested approximately $4.5 million for GMP development. We anticipate that we will invest an additional $1 million prior to its completion during second quarter of 2002.

Pursuant to our research agreement with the University of Kansas, which is renewable semi-annually, we pay $8,669.83 per month for access to and use of laboratory space at the University's Higuchi Biosciences Center. During 2002, we intend to consolidate our research and development activities in our Robbinsville, NJ facility and relocate our Kansas staff to Robbinsville, New Jersey, at an estimated cost of $150,000.

NexMed (America) Limited leases 1,000 square feet of office space in Mississauga, Ontario, Canada for $850 per month pursuant to a month-to-month arrangement.

NexMed International Limited subleases 1,000 square feet of office space in Hong Kong for $3,000 per month pursuant to a month-to-month arrangement.

ITEM 3. LEGAL PROCEEDINGS.

There are no material legal proceedings pending against NexMed.

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

There was no submission of matters to a vote of security holders.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Our Common Stock is traded on the NASDAQ National Market System (the "NASDAQ") under the symbol "NEXM."

The following table sets forth the range of the high and low sales prices as reported by the NASDAQ for the period from January 1, 2000 to December 31, 2001.

	Price of Common Stock ($)	
	High	Low
Fiscal Year Ended December 31, 2000		
First Quarter	23.5000	3.4375
Second Quarter	16.4370	6.0000
Third Quarter	20.0000	8.5000
Fourth Quarter	20.6250	3.7500
Fiscal Year Ended December 31, 2001		
First Quarter	10.6250	3.5000
Second Quarter	6.8800	3.7000
Third Quarter	5.4900	1.5500
Fourth Quarter	3.7000	2.1500

On March 8, 2002, the last reported sales price for our Common Stock on the NASDAQ was $3.14 per share. We had 211 holders of record of our Common Stock as of March 8, 2002.

DIVIDENDS

We have never paid cash dividends and do not have any plans to pay cash dividends in the foreseeable future. Our board of directors anticipates that any earnings that might be available to pay dividends will be retained to finance our business.

RECENT SALES OF UNREGISTERED SECURITIES

In August 2001, the Company issued warrants to acquire 15,000 shares of its Common stock to a financial consultant. The warrants have an exercise price of $7.00 per share and vested immediately. The warrants were issued pursuant to an exemption from the registration requirement of the Securities Act as a private placement not involving a public offering.

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial information is qualified by reference to, and should be read in conjunction with, the Company's consolidated financial statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere herein.

	Fiscal Year Ended December 31,				
	2001	2000	1999	1998	1997
INCOME STATEMENT DATA					
Revenue					
Product Sales	$56,309	0	$1,491,746	$5,709,083	0
Royalties	$11,780	0	0	0	$56,175
Net Loss	$(16,174,861)	$(8,720,553)	$(2,490,600)	$(4,779,002)	$(3,857,466)
Basic and Diluted Loss per Share	$(0.63)	$(0.40)	$(0.18)	$(0.64)	$(0.63)
Weighted Average Common Shares Outstanding Used for Basic and Diluted Loss per Share	25,486,465	21,868,267	13,724,052	7,505,588	6,077,475
BALANCE SHEET DATA					
Total Assets	$27,314,713	$39,989,682	$7,633,333	$5,924,628	$2,332,913
Total Liabilities	$3,206,848	$1,245,507	$723,594	$7,594,067	$3,259,172
Stockholders' Equity	$24,107,865	$38,744,175	$6,909,739	$(2,390,437)	$(926,259)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL

Currently, we are focusing our application of the NexACT(R) technology to developing the Alprox-TD(R) and Femprox(R) creams. We are also exploring the application of the NexACT(R) technology to other drug compounds and working on the development of new products such as a topical treatment for nail fungus, a topical non-steroidal anti-inflammatory drug NSAID treatment for pain and inflammation, and a topical anti-emetic cream for the prevention of nausea and vomiting associated with post-operative surgical procedures and cancer chemotherapy.

We intend to (1) pursue our research, development, and marketing activities and capabilities, both domestically and internationally, with regard to our proprietary pharmaceutical products and (2) execute a business strategy with the goal of achieving a level of development sufficient to enable us to attract potential strategic partners with resources sufficient to further develop and market our proprietary products.

COMPARISON OF RESULTS OF OPERATIONS BETWEEN THE YEAR ENDED DECEMBER 31, 2001 AND 2000.

Revenues. We recorded revenues of $68,089 during the twelve months of operations in 2001 as compared to no revenue during the same period in 2000. The revenues were from one quarter of royalty payments and payments for the sale of manufacturing supplies in connection with the limited introduction of Befar(R) in China. We project that revenues will increase modestly in 2002 with the introduction of Befar(R) in new markets in China and in Hong Kong.

Cost of Products Sold. Our cost of products sold was $45,051 and nil in 2001 and 2000, respectively and is attributable to our cost for the manufacturing supplies sold to our Asian licensee for the production of Befar(R) in China.

Research and Development Expenses. Our research and development expenses for 2001 and 2000 were $12,456,384 and $6,892,283, respectively. The increase is attributable to the pre-clinical and clinical expenses for Alprox-TD(R) and Femprox(R), additional research and development personnel, increased legal fees incurred related to our intellectual property estate, and the increased depreciation for scientific equipment in our facilities in New Jersey and Kansas and amortization for the expansion of our facility in Robbinsville, NJ. We expect that total research and development spending in 2002 will increase significantly with expenses primarily associated with completing the ongoing Phase 3 clinical development program for Alprox-TD(R) and Phase 2 study for Femprox(R). We anticipate increasing our efforts and resources in the application of the NexACT(R) technology to other drug compounds and delivery systems for the development of new products.

Selling, General and Administrative Expenses. Our general and administrative expenses were $4,770,021 during 2001 as compared to $3,209,465 during 2000. The increase is largely attributed to additional personnel in our Corporate Affairs, Finance, Human Resource, Information Technology and Commercial Development departments. We also incurred additional expenses for professional fees related to tax, human resource development, commercial development, public relations and SEC matters; amortization for leasehold improvements; and expansion of investor and shareholder relations programs. We expect that total general and administrative spending in 2002 will increase modestly.

Interest Income and Expense. We recognized $1,203,291 in net interest income during 2001, compared with a net income of $1,255,450 during 2000. The decrease is a result of the drop in interest rates and a reduction in our cash position.

Net Loss. The net loss was $(16,174,861) or a loss of $(0.63) per share for 2001, compared with $(8,720,553) or a loss of $(0.40) per share for 2000. The increase in net loss is primarily attributable to the acceleration of U.S. development activities including U.S. clinical studies and the increase to our infrastructure to support these activities. We also used our resources to fund ongoing operations and finance the construction of additional research and development and manufacturing facilities.

COMPARISON OF RESULTS OF OPERATIONS BETWEEN THE YEAR ENDED DECEMBER 31, 2000 AND 1999.

Revenues. We recorded no revenues during the twelve months of operations in 2000 as compared to $1,491,746 during the same period in 1999. The 1999 revenues were from NexMed Pharmaceuticals (Zhongshan) Limited, a joint venture in China which we sold in May 1999.

Cost of Products Sold. Our cost of products was $1,415,002 in 1999, which is attributable to the manufacturing operations of the China joint venture. With the sale of the China joint venture, we ceased to record the corresponding cost of sales in May 1999.

Selling, General and Administrative Expenses. The general and administrative expenses were $3,209,465 during 2000 as compared to $1,761,796 in 1999. The increase is largely attributable to increase in administrative expenses resulting from new personnel and programs to support our ongoing U.S. development activities. During 2000, we added additional personnel in the

Corporate Affairs, Finance and Human Resource departments, and also created the Information Technology and Commercial Development departments. We also incurred additional expenses associated with our Nasdaq listings and legal fees for the implementation of a shareholders rights plan.

Research and Development Expenses. Our research and development expenses for 2000 and 1999 were $6,892,283 and $2,374,024, respectively. The increase is attributable to the scaling-up of our U.S. research and development programs, including the toxicology studies and clinical trials on Alprox-TD(R) and Femprox(R), increase in our research and development staff, from eight full-time employees in 1999 to thirty-five full employees in 2000, and legal fees associated with the filings of new patent applications and maintenance of issued patents.

Interest Income and Expense. We recognized $1,255,450 in net interest income during 2000, compared with a net expense of $315,740 during 1999. This is the result of the investment of proceeds from private placements and exercise of warrants and the elimination of interest payments associated with promissory notes and credit lines.

Gain on Sale of NexMed (Asia) Limited. We realized no gain in 2000 as compared to a gain of $1,810,296 in 1999 for the divestiture of our Asian operations in May 1999.

Net Loss. The net loss was $(8,720,553) or a loss of $(0.40) per share for 2000, compared with ($2,490,600) or ($0.18) per share for 1999. The increase in net loss is primarily attributable to the acceleration of U.S. development activities including the ongoing clinical studies and the increase in infrastructure to support the activities. The 1999 net loss was also offset by the gain on the sale of NexMed (Asia) Limited.

QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for the years ended December 31, 2001 and 2000. The operating results are not necessarily indicative of results for any future period.

	Three Months Ended (in thousands, except per share data)			
	March 31, 2001	June 30, 2001	September 30, 2001	December 31, 2001
Total Revenues	$ --	$ --	$ --	$ 68
Gross profit	--	--	--	--
Loss from operations	(3,647)	(3,813)	(3,678)	(6,064)
Net Loss	(3,212)	(3,588)	(3,457)	(5,917)
Basic and diluted loss Per share	$ (0.13)	$ (0.14)	$ (0.14)	$ (0.23)

	March 31, 2000	June 30, 2000	September 30, 2000	December 31, 2000
Total Revenues	$ --	--	$ --	$ --
Gross profit	--	--	--	--
Loss from operations	(1,407)	(2,617)	(2,341)	(3,737)
Net Loss	(1,238)	(2,469)	(1,843)	(3,171)
Basic and diluted loss Per share	$ (0.07)	$ (0.13)	$(0.08)	$(0.14)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Release No. 60, which was recently released by the Securities and Exchange Commission, requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements. Note 2 of the Notes to the Consolidated Financial Statements, includes a summary of the significant accounting policies and methods used in the preparation of our Consolidated Financial Statements.

In addition, Financial Reporting Release No. 61 was recently released by the SEC, which requires all companies to include a discussion to address, among other things, liquidity, off-balance sheet arrangements, contractual obligations and commercial commitments. The following is a brief description of the more significant accounting policies and methods that we follow:

Income Taxes - In preparing our financial statements, we make estimates of our current tax exposure and temporary differences resulting from timing differences for reporting items for book and tax purposes. We recognize deferred taxes by the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for differences between the financial statement and tax bases of assets and liabilities at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. In consideration of our accumulated losses and lack of historical ability to generate taxable income to utilize our deferred tax assets, we have recorded a full valuation allowance. If we become profitable in the future at levels which cause management to conclude that it is more likely than not that we will realize all or a portion of the NOL carryforward, we would immediately record the estimated net realized value of the deferred tax asset at that time and would then provide for income taxes at a rate equal to our combined federal and state effective rates, which would be approximately 40% under current tax. Subsequent revisions to the estimated net realizable value of the deferred tax asset could cause our provision for income taxes to vary significantly from period to period.

Long-lived assets -- We review for the impairment of long-lived assets whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. If such assets are considered impaired, the amount of the impairment loss recognized is measured as the amount by which the carrying value of

the asset exceeds the fair value of the asset, fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the asset. We have not identified any such impairment losses.

Revenue recognition -- Revenues from product sales are recognized upon delivery of products to customers, less allowances for estimated returns and discounts. Royalty revenue is recognized upon the sale of the related products, provided the royalty amounts are fixed or determinable and the amounts are considered collectible.

Research and development -- Research and development expenses include costs directly attributable to the conduct of our research and development, including salaries, payroll taxes, employee benefits, materials, supplies, depreciation on and maintenance of research equipment, costs related to research collaboration and licensing agreements, the cost of services provided by outside contractors, including services related to our clinical trials, clinical trial expenses, the full cost of manufacturing drugs for use in research, preclinical and clinical development, and the allocable portion of facility costs.

LIQUIDITY AND CAPITAL RESOURCES

We have experienced net losses and negative cash flow from operations each year since our inception. Through December 31, 2001, we had an accumulated deficit of $40,346,450. Our operations have principally been financed through private placements of equity securities and debt financing. Funds raised in past

periods should not be considered an indication of additional funds to be raised in any future periods.

We have attempted to reduce cash flow requirements by renting scientific equipment and research and development facilities and using consultants, where appropriate. We expect to incur additional future expenses, resulting in significant losses, as we continue and expand our research and development activities and undertake additional pre-clinical and clinical trials for our proprietary topical treatments under development. We also expect to incur substantial expenses relating to the filing, maintenance, defense and enforcement of patent and other intellectual property claims.

At December 31, 2001, we had cash and cash equivalents, certificates of deposit and investments in marketable securities of approximately $18.74 million as compared to $35.79 million at December 31, 2000. We have allocated our cash reserves for our operational requirements, and for the ongoing U.S. clinical studies on the Alprox-TD(R) and the completion of our new manufacturing facility for compliance with Good Manufacturing Practices (GMP) as required by the FDA. To date, we have spent approximately $45 million on the Alprox-TD(R) development program, and anticipate that we will spend an additional $15 million prior to NDA submission. We have spent approximately $6.7 million in total for the land, building and GMP development as related to our East Windsor manufacturing facility and estimate that an additional $1 million will be spent prior to completion of the facility. We intend to initiate additional clinical studies for Femprox(R) and Viratrol(R), pending the availability of financing through a licensing arrangement and/or through issuance and sale of equity or debt.

The Company leases office space and research facilities under operating lease agreements expiring through 2005. The Company also leases equipment from GE Capital under capital lease expiring through 2005 (Note 7 of the Financial Statements). Future minimum payments under noncancellable operating and capital leases with initial or remaining terms of one year or more, consistent of the following at December 31, 2001.

	OPERATING	CAPITAL
2002	$ 338,167	$ 374,104
2003	87,863	374,104
2004	27,129	374,104
2005	24,365	60,382
2006	-	-
Total minimum lease payments	$ 477,524	1,182,694
Less: amount representing interest		(170,576)
Present value of future minimum lease payments		1,012,118
Less: current portion		(287,541)
Capital lease obligations, net of current portion		$ 724,577

In February 2001, we entered into a financial arrangement with GE Capital Corporation for a $5 million line of credit for the purchase of equipment (i) for our new East Windsor, NJ manufacturing facility and (ii) for our expanded corporate and laboratory facilities in Robbinsville, NJ. As of December 31, 2001, we accessed $1,113,459 of the GE credit line, with the balance of the $5 million credit line expiring in March 2002. In January 2002, GE Capital approved a new $3 million credit line, which expires on December 31, 2002. We believe that our current cash reserves are sufficient to support, at the current rate of patient enrollment for the ongoing Phase 3 studies on the Alprox-TD(R) cream for the next three months and complete the Phase 2 study on Femprox(R). We will require additional financing to continue our operations and are seeking financing from equity or debt and from private and public sources as well as from collaborative licensing and/or marketing arrangements with third parties. Our independent auditors' going concern qualification may make it more difficult for us to obtain additional funding to meet our obligations. There is no assurance that such funds will be available to us on acceptable terms, if at all. If we do not obtain additional funding we may need to modify our business objectives or reduce or cease certain or all of our product development programs

and other operations. Our cash requirements may also vary materially from those now planned because of changes in focus and direction of our research and development programs, competitive and technical advances patent developments or other developments.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2000, the Financial Accounts Standard Board ("FASB") issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Hedging Activities" ("SFAS 138"), which amended Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 138 must be adopted concurrently with the adoption of SFAS 133. We adopted these statements effective January 2001. SFAS 133 and SFAS 138 establish methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities. Because we currently hold no derivative financial instruments and do not currently engage in hedging activities, adoption of these Statements did not have a material impact on our financial condition or results of operations.

In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 establishes accounting and reporting for business combinations by requiring that all business combinations be accounted for under the purchase method. Use of the pooling-of-interests method is no longer permitted. Statement 141 requires that the purchase method be used for business combinations initiated after June 30, 2001. The adoption of SFAS 141 is not expected to have a material impact on our financial condition or results of operations. SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. We have adopted SFAS 142 effective January 1, 2002, which is not expected to have a material impact on our financial condition or results of operations.

In August 2001, Statement of Financial Accounting Standards No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), was issued, replacing Statement of Financial Accounting No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), and portions of APB Option 30, "Reporting the Results of Operations", SFAS 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. SFAS 144 retains the requirement of APB Opinion 30, to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. We have adopted SFAS 144 effective January 1, 2002, and are evaluating the impact of this statement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not hold derivative financial investments, derivative commodity investments, engage in foreign currency hedging or other transactions that expose us to material market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

INDEX TO FINANCIAL STATEMENTS

	PAGE
REPORT OF INDEPENDENT ACCOUNTANTS	14
FINANCIAL STATEMENTS	
Consolidated Balance Sheets - December 31, 2001 and 2000	15
Consolidated Statement of Operations and Comprehensive loss for the years ended	

December 31, 2001, 2000 and 1999 16

Consolidated Statement of Changes in Stockholders' Equity for years ended December 31, 2001, 2000 and 1999 17

Consolidated Statement of Cash Flows for the years ended December 31, 2001, 2000 and 1999 18

NOTES TO FINANCIAL STATEMENTS 19

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of NexMed, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive loss, of changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of NexMed, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses and negative cash flows from operations, has a deficit in stockholders' equity and expects to incur future losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to those matters are also described in Note 1. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Pricewaterhouse Coopers LLP
Pricewaterhouse Coopers LLP
New York, New York
February 15, 2002

NEXMED, INC.
CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31, 2001	2000
Current assets		
Cash and cash equivalents	$ 12,913,803	$ 27,702,585
Certificates of deposit	3,564,373	2,976,000
Marketable securities	2,265,529	5,111,328
Prepaid expenses and other current assets	879,491	802,472
TOTAL CURRENT ASSETS	19,623,196	36,592,385
Fixed assets, net	7,691,517	3,397,297
TOTAL ASSETS	$ 27,314,713	$ 39,989,682
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 2,194,730	$ 1,245,507
Current portion of capital lease obligations	287,541	-
TOTAL CURRENT LIABILITIES	2,482,271	1,245,507
Long term liabilities		
Capital lease obligations, net of current portion	724,577	-
TOTAL LIABILITIES	3,206,848	1,245,507
Commitments and contingincies (Note 14)		
Stockholders' equity:		
Preferred stock $.001 par value, 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $.001 par value, 40,000,000 shares authorized, 25,541,934 and 25,174,384 shares issued and outstanding, respectively	25,542	25,147
Additional paid-in capital	64,538,838	63,009,161
Accumulated other comprehensive income	(103,361)	(109,403)
Accumulated deficit	(40,346,450)	(24,171,589)
	24,114,569	38,753,316
Less: Deferred compensation	(6,704)	(9,141)
TOTAL STOCKHOLDERS' EQUITY	24,107,865	38,744,175
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 27,314,713	$ 41,235,189

The accompanying notes are an integral part of these financial statements.

NEXMED, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	FOR THE YEAR ENDED DECEMBER 31, 2001	2000	1999
Revenue			
Product sales	$ 56,309	$ -	$ 1,491,746
Royalties	11,780	-	-
Total revenue	68,089	-	1,491,746
Costs and expenses			
Cost of products sold	45,051	-	1,415,002
Research and development	12,456,384	6,892,283	2,374,024
Selling, general and administrative	4,770,021	3,209,465	1,761,796
TOTAL COSTS AND EXPENSES	17,271,456	10,101,748	5,550,822
Loss from operations	(17,203,367)	(10,101,748)	(4,059,076)
Other income (expense)			
Gain on sale of NexMed Asia	-	-	1,810,296
Other Income (expense)	(174,785)	125,745	-
Interest income	1,236,845	1,255,450	92,385
Interest expense	(33,554)	-	(408,125)
Total other income (expense)	1,028,506	1,381,195	1,494,556
Loss before minority interest	(16,174,861)	(8,720,553)	(2,564,520)
Minority interest	-	-	73,920

NET LOSS	(16,174,861)	(8,720,553)	(2,490,600)
Other comprehensive loss			
Foreign currency translation adjustments	36	207	(16,318)
Unrealized gain (loss) on marketable securities	6,006	(109,725)	-
COMPREHENSIVE LOSS	$ (16,168,819)	$ (8,830,071)	$ (2,506,918)
Basic and diluted loss per share	$ (.63)	$ (.40)	$ (.18)
Weighted average common shares outstanding used for basic and diluted loss per share	25,486,465	21,868,267	13,724,052

The accompanying notes are an integral part of these financial statements.

NEXMED, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	COMMON STOCK (SHARES)	COMMON STOCK (AMOUNT)	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	DEFERRED COMPENSATION
Balance at January 1, 1999	8,401,783	8,402	10,770,214	(12,960,436)	(14,333)
Issuance of common stock upon conversion of notes payable	1,725,434	1,725	2,644,976	-	-
Embedded discount on convertible notes payable	-	-	64,348	-	-
Issuance of common stock and warrants for cash	5,671,652	5,672	7,820,640	-	-
Issuance of common stock upon exercise of warrants, net	83,332	83	173,352	-	-
Issuance of common stock for services	11,600	12	50,739	-	_
Issuance of common stock for purchase of minority interest in subsidiary	233,333	233	349,767	-	-
Adjustment due to acquisition of minority in subsidiary	-	-	(475,000)	-	-
Sale and issuance of warrants in connection with sale of subsidiary	-	-	445,200	-	-
Compensation exprense related to vesting of performance options	-	-	499,688	-	-
Unearned Compensation	-	-	12,188	-	(12,188)
Amortization of deferred compensation expense	-	-	-	-	14,942
Cumulative translation adjustment	-	-	-	-	-
Net loss	-	-	-	(2,490,600)	_
Balance at December 31, 1999	16,127,134	16,127	22,356,112	(15,451,036)	(11,579)
Issuance of common stock and warrants for cash	4,044,756	4,045	27,956,553	-	-
Issuance of common stock upon exercise of warrants, net	4,973,494	4,973	12,622,888	-	-
Issuance of common stock for services	2,000	2	7,998	-	-
Issuance of compensatory options to consultants	-	-	65,610	-	-
Amortization of deferred compensation expense	-	-	-	-	2,438
Unrealized gain from available-for-sale securities	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-
Net loss	-	-	-	(8,720,553)	-
Balance at December 31, 2000	25,147,384	25,147	63,009,161	(24,171,589)	(9,141)
Issuance of common stock upon exercise of stock options	189,550	190	382,010	-	-
Issuance of common stock upon exercise of warrants, net	200,000	200	599,800	-	-
Issuance of common stock for services	5,000	5	27,495	-	-
Issuance of compensatory options and warrants to cons	-	-	482,770	-	-
Capital contribution	-	-	37,602	-	-
Amortization of deferred compensation expense	-	-	-	-	2,437
Unrealized loss from available-for-sale securities	-	-	-	-	-
Cumulative translation adjustment	-	-	-	-	-
Net loss	-	-	-	(16,174,861)	-

Balance at December 31, 2001	25,541,934	$ 25,542	$ 64,538,838	$ (40,346,450)	$ (6,704)

	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	FOREIGN CURRENCY TRANSLATION	UNREALIZED LOSS ON MARKETABLE SECURITIES	NOTE RECEIVABLE RELATED PARTY	TOTAL STOCKHOLDERS' EQUITY
Balance at January 1, 1999	(44,284)	-	(150,000)	(2,390,437)
Issuance of common stock upon conversion of notes payable	-	-	-	2,646,701
Embedded discount on convertible notes payable	-	-	-	64,348
Issuance of common stock and warrants for cash	-	-	-	7,826,312
Issuance of common stock upon exercise of warrants, net	-	-	-	173,435
Issuance of common stock for services	-	-	-	50,751
Issuance of common stock for purchase of minority interest in subsidiary	-	-	150,000	500,000
Adjustment due to acquisition of minority in subsidiary	-	-	-	(475,000)
Sale and issuance of warrants in connection with sale of subsidiary	-	-	-	445,200
Compensation exprense related to vesting of performance options	-	-	-	499,688
Unearned Compensation	-	-	-	-
Amortization of deferred compensation expense	-	-	-	14,942
Cumulative translation adjustment	44,399	-	-	44,399
Net loss	-	-	-	(2,490,600)
Balance at December 31, 1999	115	-	-	6,909,739
Issuance of common stock and warrants for cash	-	-	-	27,960,598
Issuance of common stock upon exercise of warrants, net	-	-	-	12,627,861
Issuance of common stock for services	-	-	-	8,000
Issuance of compensatory options to consultants	-	-	-	65,610
Amortization of deferred compensation expense	-	-	-	2,438
Unrealized gain from available-for-sale securities	-	(109,725)	-	(109,725)
Cumulative translation adjustment	207	-	-	207
Net loss	-	-	-	(8,720,553)
Balance at December 31, 2000	322	(109,725)	-	38,744,175
Issuance of common stock upon exercise of stock options	_	-	-	382,200
Issuance of common stock upon exercise of warrants, net	-	-	-	600,000
Issuance of common stock for services	-	-	-	27,500
Issuance of compensatory options and warrants to cons	-	-	-	482,770
Capital contribution	-	-	-	37,602
Amortization of deferred compensation expens	-	-	-	2,437
Unrealized loss from available-for-sale securities	-	6,006	-	6,006
Cumulative translation adjustment	36	-	-	36
Net loss	-	-	-	(16,174,861)
Balance at December 31, 2001	$ 358	$ (103,719)	$ -	$ 24,107,865

The accompanying notes are an integral part of these financial statements.

NEXMED, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31,		
	2001	2000	1999

Cash flows from operating activities			
Net (loss)	$(16,174,861)	$ (8,720,553)	$ (2,490,600)
Adjustments to reconcile net loss to net cash from operating activities			
Depreciation and amortization	527,011	257,149	56,378
Minority interest	-	-	(73,920)
Noncash compensation expense	512,707	76,048	565,381
Noncash interest expense	-	-	277,329
Net loss on sale of marketable securities	-	8,812	
Gain on sale of NexMed Asia	-	-	(1,810,296)
Loss on disposal of property and equipment	112,687	-	-
Decrease in notes receivable	-	2,000,000	-
Decrease in inventories	-	-	8,898
Increase in prepaid expense and other assets	(61,975)	(632,477)	(114,315)
Increase (decrease) in accounts payable and accrued expenses	949,223	688,843	(875,345)
NET CASH USED IN OPERATING ACTIVITIES	(14,135,208)	(6,322,178)	(4,456,490)
Cash flows from investing activities			
Capital expenditures	(3,820,458)	(3,309,957)	(247,745)
Proceeds from sale of subsidiary, net	-	-	343,441
Purchases of certificates of deposits and marketable securities	(5,878,345)	(23,368,745)	-
Proceeds from sale/redemption of certificates of deposits and marketable securities	8,126,732	15,162,880	-
NET CASH USED IN INVESTING ACTIVITIES	(1,572,071)	(11,515,822)	95,696
Cash flows from financing activities			
(Decrease) increase in due to officers	-	(33,092)	(567,408)
Issuance of common stock, net of offering costs	982,200	40,588,459	8,444,947
Return of gain on stock by former executive	37,602	-	-
Issuance of notes payable	-	-	1,132,500
Repayment of notes payable	-	(133,838)	(1,228,050)
Principal payments on capital lease obligations	(101,341)	-	-
NET CASH FROM FINANCING ACTIVITIES	918,461	40,421,529	7,781,989
Effect of foreign exchange on cash	36	207	16,318
Net (decrease) increase in cash and cash equivalents	(14,788,782)	22,583,736	3,437,513
Cash and cash equivalents			
Beginning of period	27,702,585	5,118,849	1,681,336
End of period	$ 12,913,803	$ 27,702,585	$ 5,118,849
Cash paid for interest	$ 33,554	$ 10,413	$ 66,576
Supplemental disclosure of non-cash investing and financing activities:			
Property and equipment acquired through capital lease obligations	$ 1,113,459	$ -	$ -

The accompanying notes are an integral part of these financial statements.

NEXMED, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The Company was incorporated in Nevada in 1987. In January 1994, the Company began research and development of a device for the treatment of herpes simplex. The Company, since 1995, has conducted research and development both domestically and abroad on proprietary pharmaceutical products, with the goal of growing through acquisition and development of pharmaceutical products and technology.

The accompanying financial statements have been prepared on a basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has an accumulated deficit of $40,346,450 at December 31, 2001 and expects that it will incur additional losses in completing the research, development and commercialization of its technologies. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. Management anticipates that it will require additional financing, which it is actively pursuing, to fund operations; including, continued research, development and clinical trials of the Company's product candidates. Although, management continues to pursue

these plans, there is no assurance that the Company will be successful in obtaining financing on terms acceptable to the Company. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Significant accounting principles followed by the Company in preparing its financial statements are as follows:

PRINCIPLES OF CONSOLIDATION
The consolidated financial statements include the accounts of the Company and its majority and wholly owned subsidiaries. All significant intercompany transactions have been eliminated.

TRANSLATION OF FOREIGN CURRENCIES
The functional currency of the Company's foreign subsidiaries is the local currency. Assets and liabilities of the Company's foreign subsidiaries are translated to United States dollars based on exchange rates at the end of the reporting period. Income and expense items are translated at average exchange rates prevailing during the reporting period. Translation adjustments are accumulated in a separate component of stockholder's equity. Transaction gains or losses are included in the determination of income.

CASH AND CASH EQUIVALENTS
For purposes of the statement of cash flows, cash equivalents represent all highly liquid investments with an original maturity date of three months or less.

MARKETABLE SECURITIES
Marketable securities consist of high quality corporate and government securities, which have original maturities of more than three months at the date of purchase and less than one year from the date of the balance sheet, and equity investments in publicly-traded companies. The Company classifies all debt securities and equity securities with readily determinable market value as "available for sale" in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." These investments are carried at fair market value with unrealized gains and losses reported as a separate component of stockholders' equity. Gross realized gains and gross realized losses from the sales of securities classified as available-for-sale for the year ended December 31, 2001 were $269,058 and $263,052, respectively. For the purpose of determining

realized gains and losses, the cost of securities sold was based on specific identification. The Company reviews investments on a quarterly basis for reductions in market value that are other than temporary. When such reductions occur, the cost of the investment is adjusted to its fair value through a charge to net income.

FAIR VALUE OF FINANCIAL INSTRUMENTS
The carrying value of cash and cash equivalents, notes payable and accounts payable and accrued expenses approximates fair value due to the relatively short maturity of these instruments.

PROPERTY AND EQUIPMENT
Property and equipment are stated at cost less accumulated depreciation. Depreciation of equipment and furniture and fixtures is provided on a straight-line basis over the estimated useful lives of the assets, generally three to ten years. Depreciation of buildings is provided on a straight-line basis over its estimated useful life of 31 years. Amortization of leasehold improvements is provided on a straight-line basis over the shorter of their estimated useful life or the lease term.

The costs of additions and betterments are capitalized, and repairs and maintenance costs are charged to operations in the periods incurred.

LONG-LIVED ASSETS
The Company reviews for the impairment of long-lived assets whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. If such assets are considered impaired, the amount of the impairment loss recognized is measured as the amount by which the carrying value of the asset exceeds the fair value of the asset, fair value being determined based upon discounted cash flows or appraised values, depending on the nature of the asset. No such impairment losses have been identified by the Company.

REVENUE RECOGNITION
Revenues from product sales are recognized upon delivery of products to customers, less allowances for estimated returns and discounts. Royalty revenue is recognized upon the sale of the related products, provided the royalty amounts are fixed or determinable and the amounts are considered collectible.

RESEARCH AND DEVELOPMENT
Research and development costs are expensed as incurred and include the cost of third parties who conduct research and development, pursuant to development and consulting agreements, on behalf of the Company.

INCOME TAXES
Income taxes are accounted for under the asset and liability method. Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

LOSS PER COMMON SHARE
Basic earnings per share ("Basic EPS") is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share ("Diluted EPS") gives effect to all dilutive potential common shares

outstanding during the period. The computation of Diluted EPS does not assume conversion, exercise or contingent exercise of securities that would have an antidilutive effect on earnings.

At December 31, 2001, 2000 and 1999, outstanding options to purchase 3,834,575, 3,582,675, and 2,457,700 shares of common stock, respectively, with exercise prices ranging from $.25 to $16.25 have been excluded from the computation of diluted loss per share as they are antidilutive. Outstanding warrants to purchase 2,206,549, 2,291,549, and 5,705,726 shares of common stock, respectively, with exercise prices ranging from $1.00 to $16.20 have also been excluded from the computation of diluted loss per share as they are antidilutive.

ACCOUNTING ESTIMATES
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

ACCOUNTING FOR STOCK BASED COMPENSATION
As provided by SFAS 123, the Company has elected to continue to account for its stock-based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, compensation expense has been recognized to the extent of employee or director services rendered based on the intrinsic value of compensatory options or shares granted under the plans. The Company has adopted the disclosure provisions required by SFAS 123.

CONCENTRATION OF CREDIT RISK
From time to time, the Company maintains cash in bank accounts that exceed the FDIC insured limits. The Company has not experienced any losses on its cash accounts.

COMPREHENSIVE LOSS
Effective January 1, 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130"), which requires the presentation of the components of comprehensive loss in the Company's financial statements. Comprehensive loss is defined as the change in the Company's equity during a financial reporting period from transactions and other circumstances from non-owner sources (including cumulative translation adjustments and unrealized gains/losses on available for sale securities). Accumulated other comprehensive (loss) income included in the Company's balance sheet is comprised of translation adjustments from the Company's foreign subsidiaries and unrealized gains and losses on investment in marketable securities.

RECENT ACCOUNTING PRONOUNCEMENTS
In July 2001, the FASB issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142").

SFAS 141 establishes accounting and reporting for business combinations by requiring that all business combinations be accounted for under the purchase method. Use of the pooling-of-interests method is no longer permitted. Statement 141 requires that the purchase method be used for business combinations initiated after June 30, 2001. The adoption of SFAS 141 did not have a material impact on the Company's financial condition or results of operations.

SFAS 142 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The Company will adopt the Statement effective January 1, 2002. The adoption of SFAS 142 did not have a material impact on the Company's financial condition or results of operations.

In August 2001, FAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued, replacing FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and portions of APB Opinion 30, "Reporting the Results of Operations." FAS No. 144 provides a single accounting model for long-lived assets to be disposed of and changes the criteria that would have to be met to classify an asset as held-for-sale. FAS No. 144 retains the requirement of APB Opinion 30, to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of or is classified as held for sale. FAS No. 144 is effective January 1, 2002 for the Company. The adoption of SFAS 144 did not have a material impact on the Company's financial condition or results of operations.

3. JOINT VENTURE AGREEMENTS

On March 29, 1999, the Company entered into a stock purchase agreement (the "Purchase Agreement") with Vergemont International Limited

("Vergemont"), for the sale of all the issued and outstanding capital stock of NexMed (Asia) Limited, including its 70% holding in a joint-venture manufacturing facility in China (the "China JV"), which became effective on May 17, 1999, for $4,000,000, consisting of $2,000,000 in cash and two promissory notes, each in the amount of $1,000,000, due on November 12, 1999 and June 30, 2000, respectively. In addition, the Company granted Vergemont warrants to acquire 2,000,000 shares of the Company's common stock, exercisable at $3.00 per share, which Vergemont exercised in June 2000. In conjunction with this transaction, the Company agreed to pay a consulting firm a 6% commission on the $4,000,000 in proceeds and issued the consulting firm warrants to acquire 200,000 shares of the Company's common stock at $3.00 per share, which were exercised in March 2001.

At the date of sale, the Company's basis in the assets and liabilities of NexMed (Asia) Limited was $1,504,204. The Company has estimated the fair value of the warrants issued to Vergemont and the consulting firm to be approximately $372,000 and $73,000, respectively, resulting in a net gain on the transaction of $1,810,296. Such gain was initially deferred due to uncertainty regarding the ultimate realization of the two promissory notes issued. In February 2000 Vergemont repaid the $2,000,000 in promissory notes. As a result, the Company has recorded the gain on the sale of NexMed (Asia) Limited during 1999.

4. NEW BRUNSWICK MEDICAL

In June 1999, the Company acquired the remaining 5% minority interest in its subsidiary, New Brunswick Medical, Inc. ("NBM") in exchange for total consideration of approximately $500,000, consisting of 233,333 shares of the Company's common stock, with an estimated fair value of $350,000, and the forgiveness of a $150,000 note receivable from the former minority stockholder.

5. FIXED ASSETS

Fixed assets at December 31, 2001 and 2000 are comprised of the following:

	2001	2000
Building	2,264,964	2,264,964
Machinery and equipment	1,319,568	1,073,723
Capital lease - Equipment	1,113,459	-
Computer software	596,900	-
Furniture and fixtures	238,888	144,215
Leasehold improvements	3,048,625	304,693
	8,582,404	3,787,595
Less: accumulated depreciation	(890,887)	(390,298)
	$ 7,691,517	$3,397,297

Accumulated amortization of assets under capital leases was $74,230 at December 31, 2001.

6. NOTES PAYABLE

From April to September 1999, the Company issued an aggregate of $1,082,500 of convertible promissory notes. The notes bore interest at rates ranging from 12% to 15% per annum. The notes were convertible at the option of the holder at prices ranging from $1.00 to $1.50 per share. The Company has recorded additional interest expense in the amount of $64,348, based upon the difference between the fair value of the common stock on the date of issuance and the conversion price per share. During 1999, the note holders converted such notes into 973,334 shares of the Company's common stock.

In February 1999, the Company issued a $50,000 note payable. The note bore interest at 15% per annum and was initially due May 1999. The Company repaid the note in November 1999.

In December 1998, the Company issued a promissory note, in the aggregate principal amount of $324,678. The note bore interest at 12% per annum and was payable, together with accrued but unpaid interest, in June 1999. In June 1999, the Company repaid the note.

In October 1998, the Company issued a promissory note in the aggregate principal amount of $120,000. The note bore interest at 15% per annum and was payable together with accrued interest in January 1999. In January 1999, the holder of the note agreed to roll-over the outstanding principal and unpaid interest into a new note, in the aggregate principal amount of $124,500. The new note bears interest at 15% per annum and is payable, together with accrued but unpaid interest, in July 1999. In July 1999, the holder of the note agreed to roll-over the outstanding principal and unpaid interest into a new note, due on January 25, 2000 in the aggregate principal amount of $138,838. The Company repaid the note in January 2000.

In July and August 1998, the Company issued promissory notes in the aggregate principal amount of $131,750. The notes bore interest at rates ranging from 12% to 15% per annum and were initially payable together with accrued interest on various dates through February 1999. The holders of the

notes agreed to roll-over the outstanding principal and unpaid interest into new notes, in the aggregate principal amount of $138,718. The new notes bore interest at rates ranging from 12% to 15% per annum and were payable, together with accrued but unpaid interest, on various dates through January 2000. The Company repaid the notes in June 1999.

In January 1998, the Company issued a $100,000 promissory note. The note bore interest at 15% per annum and was due in January 1999. In January 1999, the holder of the note agreed to roll-over the outstanding principal and unpaid interest into a new note, in the aggregate principal amount of $115,000. The new note bore interest at 12% per annum and was payable, together with accrued but unpaid interest, in June 1999. In May 1999, the Company repaid the note.

In November 1997, the Company completed a private placement of $1,820,000 unsecured subordinated notes bearing interest at 6% per annum (the "6% Notes"). The 6% Notes, together with accrued but unpaid interest, were initially due on November 16, 1998. In November 1998, holders of an aggregate principal amount of $1,000,000 of the 6% Notes agreed to extend the maturity date of their notes until November 16, 1999. In addition, the interest rate on their notes was increased to 10% per annum and the holders were given the right to convert their notes into common stock at $2.00 per share, which was the estimated fair value of the Company's common stock. During 1999, the holders of such notes converted their principal and interest into 580,000 shares of the Company's common stock. The Company was in default of the remaining 6% Notes, in the aggregate principal amount of $820,000. During 1999, the holders of an aggregate principal amount of $300,000 of 6% Notes in default agreed to convert their principal and unpaid interest into 172,100 shares of common stock, based upon the estimated fair value of the Company's common stock on the date of conversion. Also during 1999, the Company repaid the remaining $520,000 of 6% Notes.

7. LINE OF CREDIT

In February 2001, the Company entered into a financial arrangement with GE Capital Corporation for a $5 million line of credit for the purchase of equipment (i) for its new East Windsor, NJ manufacturing facility and (ii) for its expanded corporate and laboratory facilities in

Robbinsville, NJ. Equipment financed through this facility will be in the form of a capital lease (Note 14).

As of December 31, 2001, the Company accessed $1,113,459 of the GE credit line, with the balance of the credit line expiring in March 2002. In January 2002, GE approved a new $3 million credit line, which now expires on December 31, 2002.

8. RELATED PARTY TRANSACTIONS

In July 2001, the Company advanced $100,000 to an officer. The advance is evidenced by a promissory note, which bears interest at 5% per annum and is due in April 2002. The note receivable is included in the Consolidated Balance Sheet under "Prepaid Expenses and Other Assets".

During 1999, the China JV paid approximately $120,000 in rent and management fees to the China JV Partner. The Company sold its Asian operations, including the China JV in May 1999 (Note 3).

9. STOCK OPTIONS

In November 1995, the Company granted options to certain officers and directors to purchase up to 560,000 shares of its common stock at an exercise price of $0.25 per share, which was the estimated

fair value of the common stock at that time. The vesting of these options was contingent upon reaching certain market capitalization levels, as defined in the option agreements. 135,000 options vest if market capitalization reaches $2,000,000 by December 31, 1997 and an additional 135,000, 140,000 and 150,000 options vest if market capitalization reaches $3,000,000, $5,000,000 and $10,000,000, respectively. These options expire on December 1, 2002. During 1996, the market capitalization, as defined, of the Company exceeded $5,000,000, resulting in the vesting of 410,000 of these options and the recording of $665,000 of expense. In December 1999, the market capitalization, as defined, exceeded $10,000,000, resulting in the vesting of 130,000 of these options and the recording of $499,688 in expense. As of December 31, 2001, 50,000 of such options remain outstanding.

During October 1996 the Company adopted a Non-Qualified Stock Option Plan ("Stock Option Plan") and reserved 100,000 shares of common stock for issuance pursuant to the Plan. During December 1996, the Company also adopted The NexMed, Inc. Stock Option and Long-Term Incentive Compensation Plan ("the Incentive Plan") and The NexMed, Inc. Recognition and Retention Stock Incentive Plan ("the Recognition Plan"). A total of 2,000,000 shares were set aside for these two plans. In May 2000, the Stockholders' approved an increase in the number of shares reserved for the Incentive Plan and Recognition Plan to a total of 7,500,000. Options granted under the Company's plans generally vest over a period of one to five years, with exercise prices ranging between $2.00 to $16.25.

A summary of stock option activity is as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1998	2,676,700	$1.73
Granted	90,000	2.00
Cancelled	(309,000)	2.34
Outstanding at December 31, 1999	2,457,700	1.66
Granted	1,962,225	5.43

Exercised	(686,500)	0.85
Cancelled	(150,750)	7.23
Outstanding at December 31, 2000	3,582,675	3.67
Granted	537,400	0.75
Exercised	(189,550)	2.02
Cancelled	(95,950)	6.77
Outstanding at December 31, 2001	3,834,575	$3.72
Exercisable at December 31, 2001	2,731,291	$3.26
Exercisable at December 31, 2000	2,244,433	$2.59
Exercisable at December 31, 1999	2,366,700	$1.64
Options available for grant at December 31, 2001	3,840,825	

The following table summarizes information about options outstanding at December 31, 2001:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$ 0.25	50,000	0.94 years	$ 0.25	50,000	$0.25
2.00 - 3.50	1,924,250	6.26 years	2.28	1,559,400	2.10
4.00 - 5.50	1,590,875	8.18 years	4.10	979,491	4.02
7.00 - 8.00	110,000	6.08 years	7.68	70,000	7.50
12.00 - 16.25	159,450	8.81 years	15.61	72,400	15.78
	3,834,575		$ 3.72	2,731,291	$ 3.26

Had compensation cost for option grants to employees pursuant to the Company's stock option plans been determined based upon the fair value at the grant date for awards under the plan consistent with the methodology prescribed under FAS 123, the Company's net loss and net loss per share, for the years ended December 31, 2001, 2000 and 1999, would have been increased by approximately $2,092,600, $1,907,700 and $464,000, respectively, or $.08, $.10 and $.03 per share, respectively. The weighted average grant date fair value of options granted during 2001, 2000 and 1999 was $2.26, $3.62 and $1.11, respectively.

The fair value of each option and warrant (note 12) is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used in the model:

Dividend yield	0.0%
Risk-free yields	4.39% - 6.71%
Expected volatility	65.0% - 80.0%
Option terms	1-10 years

10. COMMON STOCK

In August 2000, the Company completed unit offerings of 3,138,256 shares of its common stock and warrants to acquire 1,282,891 shares of its common stock to 25 accredited individuals and financial institutions. The warrants have an exercise price of $13.50 to $16.20 per share and a term

of eighteen months. The price of the units ranged from $16.54 to $18.00, depending on the date of closing and/or amount of warrant coverage. The Company raised $26,848,139 in gross proceeds and $24,879,281 in net proceeds, after deducting commissions and offering expenses, in connection with these offerings. In addition, the Company issued warrants to acquire an aggregate of 305,426 shares of its common stock, with exercise prices ranging from $13.65 to $16.20 per share, to the placement agents in the offering

In April 2000, the Company completed a private placement of 220,000 shares of its common stock at $14.25 per share, raising gross proceeds of $3,135,000 and net proceeds, after deducting commissions and offering expenses, of $2,946,900.

In September 1999, the Company completed a private placement of its securities at $3.00 per unit (the "Unit"), raising gross proceeds of $8,507,478 and net proceeds, after deducting commissions and offering expenses, of $7,826,312. Each Unit consisted of two shares of common stock and a warrant to purchase an additional share of common stock at $2.25 per share (the "Warrant"). Each warrant is redeemable by the Company if the closing price per share of common stock should reach $4.00 per share for 15 consecutive trading days. In addition, the Company issued warrants to acquire 553,232 shares of its common stock at $2.25 per share to the placement agent in the offering.

In December 1999, warrants to acquire 83,332 shares of common stock were exercised, providing gross proceeds of $187,497 and net proceeds, after deducting commissions and offering expenses, of $173,435.

In December 1999, the Company issued 11,600 shares of its common stock to employees and vendors for services rendered. The Company has recorded $50,750 as compensation expense based upon the fair value of the shares on the date of issuance.

11. STOCKHOLDER RIGHTS PLAN

On April 3, 2000, the Company declared a dividend distribution of one preferred share purchase right (the "Right") for each outstanding share of the Company's common stock to shareholders of record at the close of business on April 21, 2000. One Right will also be distributed for each share of Common Stock issued after April 21, 2000, until the Distribution Date, described in the next paragraph. Each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredths of a share (a "Unit") of Series A Junior Participating Preferred Stock, $.001 par value per share (the "Preferred Stock"), at a Purchase Price of $100.00 per Unit, subject to adjustment. 1,000,000 shares of the Company's preferred stock has been set-aside for the Rights Plan.

Initially, the Rights will be attached to all Common Stock certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. The Rights will separate from the Common Stock and a Distribution Date will occur upon the earlier of (i) ten (10) business days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of Common Stock (the "Stock Acquisition Date"), or (ii) ten (10) business days following the public announcement of a tender offer or exchange offer that would, if consummated, result in a person or group beneficially owning 15% or more of such outstanding shares of Common Stock, subject to certain limitations.

Under the terms of the Rights Agreement, Dr. Y. Joseph Mo, who beneficially owned approximately 12.12% of the outstanding shares of the Company's Common Stock as of April 2000, will be permitted to continue to own such shares and to increase such ownership to up to 25% of the

outstanding shares of Common Stock, without becoming an Acquiring Person and triggering a Distribution Date.

12. WARRANTS

A summary of warrant activity is as follows:

	COMMON SHARES ISSUABLE UPON EXERCISE	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1, 1999	200,000	1.75
Issued	5,589,058	2.55
Exercised	(83,332)	2.25
Outstanding at December 31, 1999	5,705,726	2.52
Issued	1,588,317	14.59
Exercised	(4,973,494)	2.54
Redeemed	(29,000)	2.25
Outstanding at December 31, 2000	2,291,549	10.85
Issued	115,000	12.22
Exercised	(200,000)	3.00
Outstanding at December 31, 2001	2,206,549	$ 11.59

In August 2001, the Company issued warrants to acquire 15,000 shares of its common stock to a financial consultant. The warrants have an exercise price of $7.00 per share and vested immediately. In accordance with EITF 96-18, the Company has recorded $38,550 of consulting expenses related to these warrants, representing the fair value of these warrants using the Black-Scholes pricing model.

In February 2001, the Company issued warrants to acquire 100,000 shares of its common stock to a financial consultant. The warrants have an exercise price of $13.00 per share, of which 34,000 warrants vested immediately and the remaining warrants vested in two equal installments on May 20, 2001 and August 20, 2001. The warrants have a three-year term. In accordance with EITF 96-18, the Company has recorded approximately $297,500 of consulting expense related to these warrants during 2001, representing the fair value of these warrants using the Black-Scholes pricing model.
In August 2000, the Company issued warrants to acquire an aggregate of 1,588,317 shares of its common stock to the investors and placement agents in a private placement of its securities (see Note 10). The warrants have exercise prices ranging from $13.50 to $16.20 per share and expire in February 2002.

In May 1999, the Company issued warrants to acquire an aggregate of 2,200,000 shares of common stock at $3.00 per share in connection with the sale of NexMed (Asia) Limited (Note 3). Warrants to acquire 2,000,000 shares were exercised during 2000 and the remaining 200,000 are outstanding at December 31, 2000.

In September 1999, the Company issued warrants to acquire an aggregate of 2,835,826 shares of common stock at $2.25 per share in connection with a private placement (Note 10). As of December 31, 1999, warrants to acquire 83,332 shares of common stock were exercised. In January

2000, the Company received $6,127,862 million in gross proceeds from the exercise of the Warrants and issued 2,723,494 shares of its common stock. Each warrant was redeemable by the Company at $.001 per warrant if not exercised by close of business on January 14, 2000. The Company redeemed a total of 29,000 Warrant shares. In addition, the Company issued warrants to acquire 553,232 shares of its common stock at $2.25 per share to the placement agent in the offering. As of December 31, 2001, the placement agent has exercised 200,000 of such warrants and the remaining 353,232 are outstanding and fully exercisable.

In conjunction with the issuance of the 6% Notes (Note 6), the note holders and the placement agent received warrants to purchase an aggregate of 910,000 shares of the Company's common stock at an exercise price of $4.00. The warrants are immediately exercisable and have a term of one year. The estimated fair value of the Company's common stock was $2.00 per share at the time of issuance. The Company has valued the warrants at $137,410 which has been accounted for as a debt discount and is being amortized over the life of the 6% Notes.

13. INCOME TAXES

The Company has incurred losses since inception, which have generated net operating loss carryforwards of approximately $18,800,000 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire beginning in 2011 for federal income tax purposes. In addition, the Company has general business and research and development tax credit carryforwards of approximately $1,200,000. Internal Revenue Code Section 382 places a limitation on the utilization of Federal net operating loss carryforwards when an ownership change, as defined by tax law, occurs. Generally, an ownership change, as defined, occurs when a greater than 50 percent change in ownership takes place during any three-year period. The actual utilization of net operating loss carryforwards generated prior to such changes in ownership will be limited, in any one year, to a percentage of fair market value of the Company at the time of the ownership change. Such a change may have already resulted from the additional equity financing obtained by the Company since its formation.

The net operating loss carryforwards and tax credit carryforwards result in a noncurrent deferred tax benefit at December 31, 2001 and 2000 of approximately $8,700,000 and $4,500,000, respectively. In consideration of the Company's accumulated losses and the uncertainty of its ability to utilize this deferred tax benefit in the future, the Company has recorded a valuation allowance of an equal amount on such date to fully offset the deferred tax benefit amount.

For the years ended December 31, 2001, 2000 and 1999, the Company's effective tax rate differs from the federal statutory rate principally due to net operating losses and other temporary differences for which no benefit was recorded, state taxes and other permanent differences.

14. COMMITMENTS AND CONTINGENCIES

The Company is a party to several short-term consulting and research agreements which, generally, can be cancelled at will by either party.

The Company leases office space and research facilities under operating lease agreements expiring through 2006. The Company also leases equipment from GE Capital under capital leases expiring through 2005 (Note 7). Future minimum payments under noncancellable operating and capital leases with initial or remaining terms of one year or more, consist of the following at December 31, 2001:

	OPERATING	CAPITAL
2002	$ 338,167	$ 374,104
2003	87,863	374,104
2004	27,129	374,104
2005	24,365	60,382
2006	_	-
Total minimum lease payments	$ 477,524	1,182,694
Less: amount representing interest		(170,576)
Present value of future minimum lease payments		1,012,118
Less: current portion		(287,541)
Capital lease obligations, net of current portion		$ 724,577

The Company also leases office space under a short-term lease agreements. Total rent expense was $535,023, $310,326 and $344,200 in 2001, 2000, and 1999 respectively.

15. SEGMENT AND GEOGRAPHIC INFORMATION

In 1998, the Company adopted FAS 131, "Disclosures about Segments of an Enterprise and Related Information". FAS 131 establishes standards for reporting information regarding operating segments and related disclosures about products and services, geographic areas and major customers.

The Company is active in one business segment: designing, developing, manufacturing and marketing pharmaceutical products. The Company maintains development and marketing operations in the United States, Hong Kong and Canada. Through May 1999, the Company also maintained a manufacturing facility in China through the JV (Note 3).

Geographic information as of December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
NET REVENUES			
United States	$ -	$ -	$ -
China	-	-	1,491,774
Other foreign countries	68,089	-	-
	$ 68,089	$ -	$ 1,491,774
NET LOSS			
United States	$ (16,106,246)	$ (8,630,255)	$ (4,041,824)
China	-	-	(172,509)
Other foreign countries	(68,615)	(90,298)	1,736,437
	$ (16,174,861)	$ (8,720,553)	$ (2,477,896)
TOTAL ASSETS			
United States	$ 27,242,173	$ 39,516,217	$ 5,497,834
China	-	-	-
Other foreign countries	28,540	473,465	2,084,798
	$ 27,270,713	$ 39,989,682	$ 7,582,632

16. SUBSEQUENT EVENTS

On February 27, 2002, the Company entered in to an employment agreement with Y. Joseph Mo, Ph.D., that has a constant term of five years, and pursuant to which Dr. Mo will serve as the Company's Chief Executive Officer and President. During his employment with the Company, Dr. Mo will receive an annual base salary of at least $250,000 (to be raised to $350,000 after the Company sustains gross revenues of $10 million for two consecutive fiscal quarters), subject to annual cost of living increases. Dr. Mo will also be eligible to earn an annual bonus based on the attainment of financial targets established by the Board of Directors or its Compensation Committee in consultation with Dr. Mo. The employment agreement provides for three grants of options to purchase 300,000 shares each of Company's common stock per grant under the Company's Stock Option and Long-Term Incentive Compensation Plan. The first grant of 300,000 shares is to be made within fifteen days of the execution of the employment agreement and the second and third grants of 300,000 shares each are to be made on the first and second anniversaries of the execution of the employment agreement, respectively, at an exercise price equal to the fair market value of the Company's common stock on the date of grant. In addition, the Company, subject to certain financial restrictions, agreed to loan Dr. Mo up to an aggregate of $2 million to exercise previously granted options. Under the employment agreement, Dr. Mo is entitled to deferred compensation in an annual amount equal to 50% of one third of the sum of Dr. Mo's base salary and bonus for the 36 calendar months preceding the date on which the deferred compensation payments commence subject to certain limitations, including annual vesting through January 1, 2007, as set forth in the employment agreement. The deferred compensation will be payable monthly for 180 months commencing on termination of employment.

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

None.

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information called for by Item 10 is set forth under the heading "Election of Directors" in the 2002 Proxy Statement, which is incorporated herein by this reference and "Executive Officers" of Part I of this Report.

ITEM 11. EXECUTIVE COMPENSATION.

Information called for by Item 11 is set forth under the heading "Executive Compensation" in the 2002 Proxy Statement, which is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information called for by Item 12 is set forth under the heading "Security Ownership of Certain Beneficial Owners and Management" in the 2002 Proxy Statement, which is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Information called for by Item 13 is set forth under the heading "Certain Relationships and Related Transactions" in the 2002 Proxy Statement, which is incorporated herein by this reference.

PART IV.

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) 1. Financial Statements:

The information required by this item is included in Item 8 of Part II of this Form 10-K.

2. Financial Statement Schedules

Report of Independent Accountants on Financial Statement Schedule for the three years in the period ended December 31, 2001.

Schedule II - Valuation and Qualifying Accounts.

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors and Stockholders of NexMed, Inc.

In connection with our audits of the consolidated financial statements of NexMed, Inc. as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31,2001, which financial statements are included in the Form 10-K, we have also audited the financial statement schedule listed in Part II herein.

In our opinion, this financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
February 15, 2002

SCHEDULE II

NEXMED, INC.

SCHEDULE OF VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
YEAR ENDED DECEMBER 31, 2001					
Valuation allowance - deferred tax asset	$4,572,023	$4,127,685			$8,699,708
YEAR ENDED DECEMBER 31, 2000					
Valuation allowance - deferred tax asset	$2,491,607	$2,080,416			$4,572,023
YEAR ENDED DECEMBER 31, 1999					
Allowance for doubtful accounts	157,040			($157,040)	0
Valuation allowance - deferred tax asset	2,413,290	78,317			2,491,607

All other schedules have been omitted because the information is not applicable or is presented in the Financial Statements or Notes thereto.

3. Exhibits

EXHIBITS NO.	DESCRIPTION
3.1	Amended and Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 2.1 filed with the Company's Form 10-SB filed with the Securities and Exchange Commission on March 14, 1997).
3.2	By-laws of the Company (incorporated by reference to Exhibit 2.2 filed with the Company's Form 10-SB filed with the Securities and Exchange Commission on March 14, 1997).
3.3	Amendment to By-laws of the Company (incorporated by reference to Exhibit 2.3 filed with the Company's Form 10-SB filed with the Securities and Exchange Commission on March 14, 1997).
4.1	Form of Common Stock Certificate (incorporated by reference to Exhibit 3.1 filed with the Company's Form 10-SB filed with the Securities and Exchange Commission on March 14, 1997).
4.2	Rights Agreement and form of Rights Certificate (incorporated herein by reference to Exhibit 4 to our Current Report on Form 8-K filed with the Commission on April 10, 2000).
4.3	Certificate of Designation of Series A Junior Participating Preferred Stock (incorporated herein by reference to Exhibit 4 to our Current Report on Form 8-K filed with the Commission on April 10, 2000).
10.1*	Amended and Restated NexMed, Inc. Stock Option and Long-Term Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 filed with the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2001).
10.2*	The NexMed, Inc. Recognition and Retention Stock Incentive Plan incorporated by reference to Exhibit 6.5 filed with the Company's Form 10-SB/A filed with the Securities and Exchange Commission on June 5, 1997).
10.3*	Form of Agreement dated November 15, 1995 between NexMed, Inc. and each of Y. Joseph Mo, Ph.D., Vivian H. Liu and Gilbert S. Banker, Ph.D, which are collectively commonly referred to by NexMed, Inc. as the Non-Qualified Performance Incentive Program (filed as Exhibit 4.2 to our Registration Statement on Form 8-A filed with the Securities and Exchange Commission on December 22, 1999, including any amendment or report filed for the purpose of updating such information, and incorporated herein by reference).
10.4	License Agreement dated March 22, 1999 between NexMed International Limited and Vergemont International Limited (incorporated by reference to Exhibit 10.7 of the Company's Form 10-KSB filed with the Securities and Exchange Commission on March 16, 2000).
10.5*	The NexMed, Inc. Non-Qualified Stock Option Plan (incorporated by reference to Exhibit 6.6 filed with the Company's Form 10-SB/A filed with the Securities and Exchange Commission on June 5, 1997).
10.6	Form of Unit Purchase Agreement between the Company and each investor who purchased units relating the Company's private placement dated August and July 2000 (incorporated by reference to Exhibit 4.2 filed with the Company's Form S-3 filed with the Securities and Exchange Commission on September 29, 2000).

10.7*	Employment Agreement dated February 26, 2002 by and between NexMed, Inc. and Dr. Y. Joseph Mo.
10.8	Letter Agreement dated February 6, 2001 by and among NexMed, Inc. and General Electric Capital Corporation.
10.9	Letter Agreement dated January 2, 2002 by and among NexMed, Inc. and General Electric Capital Corporation.
21	Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP, independent accountants.

*Management compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

b. Reports on Form 8-K

The Company did not file any report on Form 8-K during the fourth quarter ended December 31, 2001.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEXMED, INC.

Dated: March 29, 2002 By: /s/ Y. Joseph Mo

Y. Joseph Mo
Chairman of the Board of Directors, President
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Y. Joseph Mo Y. JOSEPH MO	Chairman of the Board of Directors, President and Chief Executive Officer	March 29, 2002
/s/ Vivian H. Liu VIVIAN H. LIU	Vice President, Acting Chief Financial Officer and Secretary	March 29, 2002
/s/ James Yeager JAMES YEAGER	Director, Senior Vice-President, Scientific Affairs	March 29, 2002
/s/ Robert W. Gracy ROBERT W. GRACY	Director	March 29, 2002
/s/ Stephen M. Sammut STEPHEN M. SAMMUT	Director	March 29, 2002

EXHIBIT INDEX

EXHIBITS NO.	DESCRIPTION
10.7	Employment Agreement dated February 26, 2002 by and between Nexmed, Inc. and Dr. Y. Joseph Mo.
10.8	Letter Agreement dated February 6, 2001 by and among NexMed, Inc. and General Electric Capital Corporation.
10.9	Letter Agreement dated January 2, 2002 by and among NexMed, Inc. and General Electric Capital Corporation.
21	Subsidiaries.
23	Consent of PricewaterhouseCoopers LLP, independent accountants.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated February 26, 2002 by and between NexMed, Inc., a Nevada corporation (the "Company") and Dr. Y. Joseph Mo (the "Executive").

WHEREAS, the Company desires to continue to employ Executive and to enter into an agreement (the "Agreement") embodying the terms of such employment;

WHEREAS, the Company considers it essential to its best interests and the best interests of its stockholders to foster the continued employment of Executive by the Company during the term of this Agreement; and

WHEREAS, Executive is willing to accept and continue his employment on the terms hereinafter set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein and for other good and valuable consideration, the parties agree as follows:

1. Term of Employment. Subject to earlier termination in accordance with the provisions of Section 8 of this Agreement, Executive shall be employed by the Company for a period commencing on January 1, 2002 (the "Effective Date") and ending on December 31, 2006; provided, however, that, commencing on the day immediately succeeding the Effective Date, and on each day thereafter, the term of this Agreement shall be extended for one additional day so that a constant five-year term shall be in effect (the " Employment Term").

2. Position.

(a) During the Employment Term, Executive shall be employed as the Chief Executive Officer ("CEO") and the President of the Company, and shall direct and manage the business, affairs, and property of the Company subject to the direction of the Company's Board of Directors (the "Board"). Executive shall also serve as the CEO and President of such subsidiaries of the Company as the Board may in its discretion require.

(b) During the Employment Term, Executive shall devote all of his business time and attention to the performance of his duties hereunder faithfully and to the best of his abilities and shall not undertake employment with, or participate in, the conduct of the business affairs of

any other person, corporation, or entity; provided, that, nothing shall preclude Executive from (i) with the prior written approval of the Board, serving in due course as a director, trustee or member of a committee of any organization (ii) participating in the affairs of any recognized charitable organizations, or in any community affairs, of Executive's choice; and (iii) managing his personal and family affairs and investments; provided, that, such investments do not involve Executive's active participation in the affairs of the entities in which he so invests.

(c) Executive's duties hereunder shall be performed for the Company worldwide, with particular emphasis in the Company's headquarters in Robbinsville, New Jersey.

3. Compensation.

(a) Base Salary. During the Employment Term, the Company shall pay Executive a base salary, subject to increase at the discretion of the Board, at the annual rate of $250,000 (the "Base Salary"), payable in regular installments in accordance with the Company's usual payroll dates practices; provided, however, that, the Base Salary shall be increased to an annual rate of $350,000 immediately following the completion of a period consisting of two consecutive of the Company's fiscal quarters during which the Company has achieved at least $10,000,000 in gross revenues (the

"Salary Increase Date"). Commencing on the first anniversary of the Effective Date (and if the Employment Term continues on and after such date, on each successive anniversary of the Effective Date), Executive shall be entitled to an annual percentage increase (but not decrease) in Base Salary of no less than an amount equal to the aggregate preceding twelve (12) months annual percentage increase of the U.S. Department of Labor Consumer Price Index for All Urban Consumers (CPI-U) for the New York-Northern-New Jersey-Long Island, NY-NJ-CT-PA area.

(b) Bonus. With respect to each calendar year during the Employment Term, Executive shall be eligible to earn an annual bonus award (the "Bonus"). The amount of the Bonus shall be determined by the Board, or the Compensation Committee of the Board (the "Compensation Committee"), in its sole discretion, based upon the achievement by the Company of objective financial targets established and determined by the Board or the Compensation Committee in consultation with Executive no later than the end of the first month of such calendar year. The Bonus in respect of each calendar year in the Employment Term shall be paid within ten (10) days following the delivery of the Company's audited financial statements for such year.

(c) Stock Option Grant.

(i) Within fifteen (15) business days of the execution of this Agreement, the Compensation Committee shall grant to Executive an option to purchase 300,000 shares of the Company's common stock (the "Option") at the fair market value of such stock on the date of grant (the "Grant Date"), and with terms and conditions substantially identical to those contained in Executive's January 2000 option grant.

(ii) In addition, on each of the first and second anniversaries of the Grant Date respectively, provided that Executive remains employed by the Company on each such date, the Compensation Committee shall grant to Executive an option to purchase 300,000 shares of the Company's common stock (the "Additional Options") at the fair market value of such stock on the date of each such grant, and with terms and conditions substantially identical to those contained in Executive's January 2000 option grant.

(iii) The Option and the Additional Options shall be subject to The NexMed, Inc. Stock Option and Long-Term Incentive Compensation Plan (the "Option Plan") and the applicable stock option agreement. The Option and the Additional Options shall to the greatest extent allowable be "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Deferred Compensation.

(a) Executive shall be paid, commencing on the times set forth in Section 8 of this Agreement, deferred compensation (the "Deferred Compensation") at an annual rate of (X) fifty percent (50%) of his "Final Average Pay" (as defined below) multiplied by (Y) the "Vesting Percentage" (as defined below). For purposes of this Agreement, the term "Final Average Pay" shall mean an amount equal to (i) the total of the sum of the Base Salary and Bonus paid to Executive during the last thirty-six (36) calendar months of Executive's employment preceding the calendar month in which Executive becomes entitled to commence receiving the Deferred Compensation, divided by (ii) three (3); provided, however, that, in no event shall the Deferred Compensation exceed ninety percent (90%) of Executive's last rate of annual Base Salary preceding the time at which Executive becomes entitled to commence receiving the Deferred Compensation. The amount of the Deferred Compensation shall be restated to a monthly amount by dividing such amount by twelve (the "Monthly Amount") and, other than as described in Section 8(b)(iii) below, the Monthly Amount shall be paid monthly, to Executive or Executive's estate, as the case may be, beginning on the applicable date set forth in Section 8 of this Agreement, for a period of

180 months.

Except as otherwise provided in this Agreement, the "Vesting Percentage" shall be determined in accordance with the following schedule; provided, that, Executive remains in the employ of the Company on each vesting date:

VESTING DATE	VESTING PERCENTAGE
January 1, 2002	30%
January 1, 2003	44%
January 1, 2004	58%
January 1, 2005	72%
January 1, 2006	86%
January 1, 2007	100%

Notwithstanding anything to the contrary contained in this Section 4, the Monthly Amount payable to Executive in any calendar month shall be reduced to the extent of the monthly single-life annuity payable to Executive for such month under any qualified or nonqualified defined benefit pension plan of the Company (a "Pension Plan"); provided, however, that, if any benefit accrued by Executive under a Pension Plan prior to the payment of any Monthly Amount is not payable during the applicable month, or is payable in a form other than a single-life annuity, then such accrued benefit shall be converted into an equivalent value of a single-life annuity payable during the applicable month, and such amount used to reduce the Monthly Amount for such month. Any such conversion shall be performed by the Company's actuaries using actuarial assumptions then applicable to benefit determinations under the relevant Pension Plan.

(b) Executive's rights to the Deferred Compensation shall be solely those of an unsecured general creditor of the Company, and nothing herein shall be deemed to give Executive any right to particular assets of the Company or to require the Company to establish a fund or trust for the benefit of Executive or otherwise set aside assets for his benefit; provided, however, that, upon the occurrence of a "Change in Control" (as defined in Appendix A hereto), the Company shall create and pay to a so-called "rabbi trust" the amounts determined by the Company's actuaries as necessary for the Company to completely fund the Deferred Compensation obligation.

(c) The Deferred Compensation described in this Section 4 is not intended to constitute a "pension plan," as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If it is determined that the Deferred Compensation does

constitute a pension plan under ERISA, then it shall be considered to be an "unfunded plan for a select group of management or highly compensated employees," or a so-called "top-hat plan," for purposes of ERISA. If the Deferred Compensation is a "top-hat plan," the claims procedure set forth on Appendix B hereto shall apply.

5. Employee Benefits. During the Employment Term, Executive shall be eligible for inclusion, to the extent permitted by law, as a full-time employee of the Company or any of its subsidiaries, in any and all of the following plans, programs, and policies in effect at the time: (i) pension, profit sharing, savings, and other retirement plans and programs, (ii) life and health (medical, dental, hospitalization, short-term and long-term disability) insurance plans and programs, (iii) stock option and stock purchase plans and programs, (iv) accidental death and dismemberment protection plans and programs, (v) travel accident insurance plans and programs, (vi) vacation policy, and (vii) other plans and programs sponsored by the Company or any subsidiary for employees or executives generally, including any and all plans and programs that

supplement any or all of the foregoing types of plans or programs.

In addition, during the Employment Term, the Company shall maintain, and pay the premiums on, a contract of split-dollar life insurance on Executive's life in the amount of $2,000,000, which contract will provide for a payment, as a result of Executive's death, of $1,500,000 to Executive's designated beneficiary or beneficiaries, and $500,000 to the Company. The Company shall provide written proof of payments of such premiums to Executive within fifteen (15) days of the due date of each premium and, if the Company fails to provide such proof and has not paid such premium, Executive shall be entitled to pay the unpaid premium and be reimbursed by the Company.

6. Business Expenses and Perquisites.

(a) The Company shall reimburse to Executive, or pay directly, all reasonable expenses incurred by Executive in connection with the business of the Company, and its subsidiaries and affiliates, including but not limited to business-class travel, reasonable accommodations, and entertainment, subject to documentation in accordance with the Company's policy. In this connection, if Executive determines that certain events will require the attendance of Executive's spouse, and Executive obtains advance approval from any member of the Compensation Committee, this Section 6(a) shall apply to expenses incurred by Executive in connection with his spouse's attendance at such events.

(b) During the Employment Term, (i) the Company shall provide an automobile for Executive's business use, (ii) the Company shall pay the annual dues, but not in excess of $10,000, for Executive's membership at a social club of Executive's choice, and (iii) the Company shall reimburse to Executive, or pay directly, but not in excess of $20,000 per calendar year, the amounts payable by Executive to any person or

persons of Executive's choice that Executive retains to advise him with regard to financial, investment and/or estate planning and tax matters upon submission by Executive to the Company of statements for services; provided, however, that, this Section 6(b) shall not become effective until the Salary Increase Date.

7. Exercise Loan for Previously Granted Options. With respect to stock options previously granted to Executive by the Company under the Company's Recognition and Retention Stock Incentive Plan, and the Option Plan (the "Previously Granted Options") pursuant to four option agreements dated December 4 and December 16, 1996, January 2, 1999, and January 18, 2000, respectively, the Company shall loan to Executive, at such time and times that Executive exercises the Previously Granted Options, if Executive so requests in writing, up to an aggregate of $2,000,000 (each separate loan a "Loan"); provided, however, that, no Loan shall be made if the aggregate of the outstanding balance of all Loans, including the one then proposed to be made, would exceed ten percent (10%) of the aggregate of the Company's cash and cash equivalents as of the last day of the month immediately preceding the month in which such Loan is requested to be made; and provided, further, that, a Loan shall not be made if (i) the Company's independent accounting firm determines that the making of such Loan will cause the Company to incur an accounting charge to earnings for compensation or (ii) it would cause a default, or an event of default, under any of the credit agreements, notes, security agreements, or other debt or equity financing documents to which the Company is subject. Each Loan (w) shall have, except as otherwise stated in this Agreement, a principal and accrued interest due date of three months from the date that the Loan is made to Executive or, if Executive dies prior to the due date of such Loan, seven months from the date the Loan is made to Executive, (x) shall bear interest, payable monthly, at a rate equal to the applicable Federal rate (short-term), as determined in accordance with Section 1274(d) of the Code, (y) shall be secured by the shares issued to Executive upon the exercise of the Previously Granted Options to which such Loan relates, provided that such shares may be sold by Executive subject to the last sentence of this Section 7, and (z) shall be subject to such standard terms and conditions, and the execution of such documentation consistent with this Section 7, as the Company shall reasonably determine. Notwithstanding the foregoing, at any time that Executive sells any of the shares issued to Executive upon the exercise of any of the Previously Granted Options while the

amount of any Loan remains unpaid, Executive shall, within five days of receipt of the funds from such sale, pay to the Company, the after-tax proceeds of such sale, as a prepayment of such Loan or Loans, up to the unpaid balance of each Loan (including accrued interest).

8. Termination.

(a) By the Company for Cause. The Company may, for Cause, terminate Executive's employment hereunder at any time by written notice to Executive. For purposes of this Agreement, the term "Cause" shall mean Executive's (i) engaging in fraud against the Company or misappropriation of funds of the Company, (ii) disregard or willful failure to follow specific and reasonable directives of the Board, (iii) willful

failure to perform his duties as CEO and President of the Company and/or one of its subsidiaries, (iv) willful misconduct resulting in material injury to the Company, (v) willful violation of the terms of the Confidential Information and Intellectual Property Agreement between Executive and NexMed (U.S.A.), Inc., a wholly-owned subsidiary of the Company, dated October 4, 2000 (the "Intellectual Property Agreement") attached hereto as Exhibit "A", (vi) conviction of, or Executive's plea of guilty or no contest to, a felony or any crime involving as a material element fraud or dishonesty, or (vii) material breach (not covered by clauses (i) through (vi)) of any of the other provisions of this Agreement; provided, that, in the case of subclauses (ii), (iii) or (vii), Cause shall not exist if the act or omission deemed to constitute Cause is cured (if curable) by Executive within thirty (30) days after written notice thereof to Executive by the Company. For purposes of the foregoing, no act, or failure to act, on Executive's part shall be considered "willful" unless done, or omitted to be done, by Executive other than in good faith, and without reasonable belief that his action or omission was in furtherance of the interests of the Company.

In the event of the termination of Executive's employment under this Section 8(a) for Cause, the Employment Term shall end on the day of such termination and the Company shall pay to Executive, no later than ten (10) days after the last day of Executive's employment, in one lump sum, the sum of (i) any accrued but unpaid Base Salary, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, (ii) any earned and unpaid Bonus due to Executive at the date of such termination for the calendar year ending immediately prior to the date of such termination, and (iii) any amounts owing, but not yet paid, pursuant to Section 6(a) hereof. In addition, in the event of the termination of Executive's employment under this Section 8(a) for Cause, (A) the Vesting Percentage in respect of the Deferred Compensation shall be zero, with the result that the Deferred Compensation shall be forfeited, and (B) the principal and accrued interest on each Loan shall become immediately due and payable.

Except as specifically set forth in Section 12 hereof, the Company shall have no further obligations to Executive under this Agreement.

(b) Disability or Death. If Executive should suffer a Permanent Disability, the Company may terminate Executive's employment hereunder upon ten (10) or more days' prior written notice to Executive. For purposes of this Agreement, a "Permanent Disability" shall be deemed to have occurred only when Executive has qualified for benefits (including satisfaction of any applicable waiting period) under the Company's or a subsidiary's long-term disability insurance arrangement (the "LTD Policy"). In the event of the termination of Executive's employment hereunder by reason of Permanent Disability or death, the

Employment Term shall end on the day of such termination and the Company

shall pay:

(i) No later than ten days after the last day of Executive's employment, to Executive or Executive's legal representative (in the event of Permanent Disability), or any beneficiary or beneficiaries designated by Executive to the Company in writing, or to Executive's estate if no such beneficiary has been so designated (in the event of Executive's death), a single lump sum payment of (x) any accrued but unpaid Base Salary, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, (y) any earned but unpaid Bonus due to Executive at the date of such termination for the calendar year ending immediately prior to the date of each termination, and (z) any amounts owing, but not yet paid, pursuant to Section 6(a) hereof;

(ii) In the case of a termination of employment due to Permanent Disability only, to Executive, in conformity with regular payroll dates for salaried personnel of the Company, an amount equal to fifty percent (50%) of the Base Salary Executive was receiving at the date of such termination (the "Disability Payment"), payable through the earlier of (i) the fifth anniversary of the date of such termination and (ii) January 1, 2014, in either case, at which time the Monthly Payments of the Deferred Compensation shall begin; provided, that, the Disability Payment shall be reduced for the period during which Executive is in receipt of benefits under the LTD Policy by the amount necessary to ensure that the sum of (x) Executive's monthly Disability Payment and (y) the "Gross Monthly Benefit" under the LTD Policy does not exceed 100% of his "Basic Monthly Earnings" (as defined in the LTD Policy); and

(iii) In the case of a termination of employment due to death only, to any beneficiary or beneficiaries designated by Executive to the Company in writing, or to Executive's estate if no such beneficiary has been so designated, the Deferred Compensation, with payment of the present value of the entire amount of Deferred Compensation payable over the 180-month payment period (discounted by the Company's weighted average borrowing rate at the time of payment) being paid in one lump sum on the first day of the month immediately succeeding the last day of Executive's employment.

Except as specifically set forth in Section 12 hereof, the Company shall have no further obligations to Executive under this Agreement.

(c) By the Company without Cause. The Company may, without Cause, terminate Executive's employment hereunder at any time upon ten (10) or more days' written notice to Executive. In the event Executive's employment is terminated pursuant to this Section 8(c), the

Employment Term shall end on the day of such termination and the Company shall pay to Executive, on the last day of Executive's employment, in one lump sum, the sum of (i) any accrued but unpaid Base Salary, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, (ii) any earned but unpaid Bonus due to Executive at the date of such termination for the calendar year ending immediately prior to the date of such termination, (iii) any amounts owing, but not yet paid, pursuant to Section 6(a) hereof, and (iv) an amount equal to the product of 2.9 times Executive's annual Base Salary at the time of such termination. Executive shall also be eligible to receive a pro rata Bonus in respect of the calendar year in which such termination occurs, equal to the Bonus in respect of such calendar year multiplied by a fraction, the numerator of which is the number of days in such year preceding and including the date of termination, and the denominator of which is 365. Such pro-rata Bonus shall be paid at the same time as the Bonus would have been paid had Executive continued being employed by the Company through the date of payment.

In addition, upon termination of Executive's employment in accordance with this Section 8(c), the Company shall (i) reimburse Executive for reasonable expenses, not to exceed $10,000, incurred by Executive in

connection with job search services, and (ii) provide medical and dental benefits to Executive and his family for a period of two (2) years from the date of termination, as are provided from time to time to actively employed senior executives of the Company during such period; provided, that, the Company's obligation in this regard shall cease at the time Executive becomes eligible for medical or dental benefits, respectively, from another employer. To the extent that the medical and dental benefits provided for in this paragraph are not permissible after termination of employment under the terms of the benefit plans of the Company then in effect (and cannot be provided by the Company paying the applicable premium under COBRA), the Company shall pay to Executive such amount as is necessary to provide Executive, after tax, with an amount equal to the cost of acquiring, for Executive and his family on a non-group basis, for the required period, those medical and dental benefits that would otherwise be lost to Executive and his family as a result of Executive's termination.

In the event Executive's employment is terminated pursuant to this Section 8(c), payment of the Monthly Amount shall begin on the first day of the month immediately succeeding the last day of Executive's employment.

Except as specifically set forth in Section 12 hereof, the Company shall have no further obligations to Executive under this Agreement.

(d) By Executive for Good Reason. If any of the events described below occurs during the Employment Term, Executive may terminate Executive's employment hereunder for Good Reason by written notice to the Company identifying the event or omission constituting Good Reason not more than six (6) months following the occurrence of such event and, in the case of subclauses (iv), (v), (vi), (vii) and (viii) below, a failure by the Company to cure such act or omission within thirty (30) days after receipt of such written notice. In such event, the Employment Term and Executive's employment hereunder will be terminated effective as of the later of thirty-one (31) days after the Company's receipt of Executive's notice of termination or thirty-one (31) days after the event, and Executive's termination for Good Reason pursuant to this Section 8(d) shall be treated for all purposes as a termination without Cause pursuant to Section 8(c) and the provisions of Section 8(c) shall apply to such termination. The occurrence of any of the following events without Executive's consent shall permit Executive to terminate Executive's employment for "Good Reason" pursuant to this Section 8(d):

(i) The removal of Executive or the election of any other person as the Chief Executive Officer or the President of the Company; provided, however, that, Executive shall not have approved such removal or such election, in Executive's capacity as a director, by voting for such removal or such election;

(ii) The removal of Executive or the election of any other person as the Chairman of the Board; provided, however, that, Executive shall not have approved such removal or such election, in Executive's capacity as a director, by voting for such removal or such election;

(iii) A "Change in Control" (as defined in Appendix A hereto) occurs;

(iv) The failure by the Company to observe or comply in any material respect with any of the material provisions of this Agreement;

(v) The failure by the Compensation Committee to grant the Option and Additional Options as provided in Section 3(c) hereof;

(vi) A material diminution in Executive's duties;

(vii) The assignment to Executive of duties that are materially inconsistent with Executive's duties or that materially impair Executive's ability to function as the CEO or the President of the Company; and

(viii) The relocation of Executive's primary office from a location that is more than fifty (50) miles from both of (x) the Company's executive offices at the time of such relocation and (y) Executive's primary residence at the time of such relocation.

Except as specifically set forth in Section 12 hereof, the Company shall have no further obligations to Executive under this Agreement.

(e) By Executive without Good Reason. Executive may terminate the Employment Term and Executive's employment hereunder at any time without Good Reason upon thirty (30) days advance written notice to the Company. In the event Executive's employment is terminated pursuant to this Section 8(e), the Company shall pay to Executive, no later than ten (10) days after the last day of Executive's employment, in one lump sum, the sum of (i) any accrued but unpaid Base Salary, including salary in respect of any accrued and accumulated vacation, due to Executive at the date of such termination, (ii) any earned and unpaid Bonus due to Executive at the date of such termination for the calendar year ending immediately prior to the date of such termination, and (iii) any amounts owing, but not yet paid, pursuant to Section 6(a) hereof. In addition, the monthly payments of Deferred Compensation shall commence on January 1, 2014.

Except as specifically set forth in Section 12 hereof, the Company shall have no further obligations to Executive under this Agreement.

(f) Release. Notwithstanding any other provision of this Agreement to the contrary, Executive acknowledges and agrees that any and all payments and benefits to which Executive is entitled under this Section 8 are conditioned upon and subject to Executive's execution of a general waiver and release, in such reasonable and customary form as shall be prepared by the Company, of all claims Executive may have against the Company, except as to matters covered by provisions of this Agreement which specifically survive the termination of this Agreement.

9. Certain Additional Payments by the Company.

(a) If it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any

similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 9(f) hereof, all determinations required to be made under this Section 9, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by a nationally recognized firm of certified public

accountants (the "Accounting Firm") selected by the Company, which may be the Company's regular outside auditors. The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within thirty (30) calendar days after the date of the Change in Control or the date of Executive's termination of employment, if applicable, and any other such time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company will pay the required Gross-Up Payment to Executive no later than five (5) calendar days prior to the due date for Executive's income tax return on which the Excise Tax is included. If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 9(f) hereof and Executive thereafter is required to make a payment of any Excise Tax, Executive shall so notify the Company, which will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for

the benefit of, Executive within five business days after receipt of such determination and calculations.

(c) The Company and Executive will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 9(b) hereof.

(d) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. Executive will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within five (5) business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 9(b) and (d) hereof will be borne by the Company. If such fees and expenses are initially advanced by Executive, the Company will reimburse Executive the full amount of such fees and expenses within five business days after receipt from Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than five (5) business days after Executive actually receives notice of such claim and Executive will further

apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the earlier of (i) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (ii) the date that any payment of amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company will reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that, the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 9(f), the Company will control all proceedings taken in connection with the contest of any claim contemplated by this Section 9(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that, if the Company directs Executive to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that, any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 9(f) hereof, Executive receives any refund with respect to such claim, Executive will (subject to the Company's complying with the requirements of Section 9(f) hereof) promptly pay to the Company the amount of such refund (together with

any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 9(f) hereof, a determination is made that Executive will not be entitled to any refund with respect to such claim and the

Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of thirty (30) calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent thereof, the amount of Gross-Up Payment required to be paid pursuant to this Section 9. If, after the receipt by Executive of a Gross-Up Payment but before the payment by Executive of the Excise Tax, it is determined by the Accounting Firm that the Excise Tax payable by Executive is less than the amount originally computed by the Accounting Firm and consequently that the amount of the Gross-Up Payment is larger than that required by this Section 9, Executive shall promptly refund to the Company the amount by which the Gross-Up Payment initially made to Executive exceeds the Gross-Up Payment required under this Section 9.

10. Legal Fees. The Company shall reimburse to Executive, or pay directly, upon submission to the Company of a statement for services, the amount payable by Executive to an attorney of Executive's choice that Executive has retained to advise Executive with regard to the negotiation and execution of this Agreement; provided, however, that (i) the fees charged by such attorney are computed at such attorney's standard hourly rates, and (ii) such reimbursement or payment shall not exceed $25,000.

11. No Mitigation; Employee Benefit Plans. Executive shall not be required to mitigate amounts payable to him under this Agreement by seeking other employment or otherwise, and there shall be no offset against amounts payable to Executive under this Agreement on account of Executive's subsequent employment. Except for amounts, if any, payable by Executive pursuant to any Loan, amounts payable to Executive under this Agreement shall not be offset by any claims that the Company may have against Executive, and such amounts payable to Executive under this Agreement shall not be affected by any other circumstances, including, without limitation, any counterclaim, recoupment, defense, or other right that the Company may have against Executive or others. Except as otherwise provided in this Agreement, the termination of Executive's employment hereunder shall have no effect on the rights and obligations of the Company and Executive under the Company's benefit plans; provided, however, that, payments made to Executive as a result of the termination of Executive's employment hereunder shall not be considered as includible compensation with respect to any employee benefit plans maintained by the Company, except to the extent otherwise required by law.

12. Indemnification. In the event that Executive is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a "Proceeding"), by reason of Executive's employment with, or serving as an officer of, the Company, the Company shall indemnify and hold

Executive harmless, and defend Executive to the fullest extent authorized by the laws of the state in which the Company is incorporated, as the same exist and may hereafter be amended, against any and all claims, demands, suits, judgments, assessments, and settlements (collectively the "Claims"), including all expenses incurred or suffered by Executive in connection therewith (excluding, however, any legal fees incurred by Executive for Executive's own counsel, except as otherwise provided in this Section 12, and such indemnification shall continue as to Executive even after Executive is no longer employed by the Company hereunder, and shall inure to the benefit of Executive's heirs, executors, and administrators; provided, however, that, Executive promptly gives written notice to the Company of any such Claims (although Executive's failure to promptly give notice shall not affect the Company's obligations under this Section 12 except to the extent that such failure prejudices the Company or its ability to defend such Claims). The Company shall have the right to undertake, with counsel or other representatives of its own choosing, the defense or settlement of any Claims. In the event that the Company shall fail to notify Executive, within ten days of its receipt of Executive's written notice, that the Company has elected to undertake such defense or settlement, or if at any time the Company shall otherwise fail to diligently defend or pursue settlement of such Claims, then Executive shall have the right to undertake the defense, compromise, or settlement of such Claims, in which event the Company shall hold Executive harmless from any legal fees incurred by Executive for Executive's counsel. Neither Executive nor the Company shall settle any Claims without the prior written consent of the other, which consent shall not be unreasonably withheld

or delayed. In the event that the Company submits to Executive a bona fide settlement offer from the claimant of Claims (which settlement offer shall include as an unconditional term thereof the giving by the claimant or the plaintiff to Executive a release from all liability in respect of such Claims), and Executive refuses to consent to such settlement, then thereafter the Company's liability to Executive for indemnification hereunder with respect to such Claims shall not exceed the settlement amount included in such bona fide settlement offer, and Executive shall either assume the defense of such Claims or pay the Company's attorneys' fees and other out-of-pocket costs incurred thereafter in continuing the defense of such Claims. Regardless of which party is conducting the defense of any such Claims, the other party, with counsel or other representatives of its own choosing and at its sole cost and expense, shall have the right to consult with the party conducting the defense of such Claims and its counsel or other representatives concerning such Claims and Executive and the respective counsel or other representatives shall cooperate with respect to such Claims. The party conducting the defense of any such Claims and its counsel shall in any case keep the other party and its counsel (if any) fully informed as to the status of such Claims and any matters relating thereto. Executive and the Company shall provide to the other such records, books, documents, and other materials as shall reasonably be necessary for each to conduct or evaluate the defense of any Claims, and will generally cooperate with respect to any matters relating thereto. This Section 12 shall remain in effect after this Agreement is terminated, regardless of the reasons for such termination. The indemnification provided to Executive pursuant to this Section 12 shall not supersede or reduce any indemnification provided to Executive under any separate agreement, or the By-Laws of the Company; in this regard, it is intended that this Agreement shall expand and extend Executive's rights to receive indemnification.

13. Withholding. The Company shall have the right to deduct and withhold from all payments to Executive hereunder all payroll taxes, income tax withholding and other federal, state and local taxes and charges which currently are or which hereafter may be required by law to be so deducted and withheld.

14. Non-assignability. Executive's rights and benefits hereunder are personal to Executive, and shall not be alienated, voluntarily or involuntarily assigned, or transferred.

15. Binding Effect. This Agreement shall be binding upon the parties hereto, and their respective assigns, successors, executors, administrators, and heirs. In the event the Company becomes a party to any merger, consolidation, or reorganization, this Agreement shall remain in full force and effect as an obligation of the Company or its successor(s) in interest. Other than in respect of the Loans, none of the payments provided for by this Agreement shall be subject to seizure for payment of any debts or judgments against Executive or Executive's beneficiary or beneficiaries, nor shall Executive or any such beneficiary or beneficiaries have any right to transfer or encumber any right or benefit hereunder.

16. Entire Agreement; Modification. This Agreement and the Intellectual Property Agreement contain the entire agreement relating to Executive's employment by the Company. These Agreements may not be changed orally, and may be changed only by an agreement in writing signed by the parties hereto.

17. Notices. All notices and communications hereunder shall be in writing, sent by certified or registered mail, return receipt requested, postage prepaid; by facsimile transmission, with proof of the time and date of receipt retained by the transmitter; or by hand-delivery properly receipted. The actual date of receipt as shown by the return receipt therefore, the facsimile transmission sheet, or the hand-delivery receipt, as the case may be, shall determine the date on which (and, in the case of a facsimile, the time at which) notice was given. All payments required hereunder by the Company to Executive shall be sent postage prepaid, or, at Executive's election, shall be transferred to Executive electronically to such bank account as Executive may designate in writing to the Company, including designation of the applicable electronic address. The foregoing items (other than any electronic transfer to Executive) shall be addressed as follows (or to such other address as the Company and Executive may designate in writing from time to time):

To the Company:

NexMed, Inc.
350 Corporate Boulevard
Robbinsville, NJ 08691
Fax: 609-208-1868
Attention: Vice President, Corporate Affairs

To Executive:

Dr. Y. Joseph Mo, Ph.D.
One Belleview Terrace
Princeton, NJ 08540
Fax: 609-683-0928

18. Governing Law; Jurisdiction. This Agreement shall be governed by, and construed and enforced according to, the domestic laws of the State of New Jersey without giving effect to the principles of conflict of laws thereof, or such principles of any other jurisdiction which could cause the application of the substantive law of any jurisdiction other than the State of New Jersey. The Company and Executive agree that the Superior Court of the State of New Jersey, Mercer County, shall have exclusive jurisdiction to hear and determine any dispute which may arise under this Agreement. Service of process by the Company may be effected by service upon Executive's designated agent: _____, the address of which is _____.

19. Severability The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of the Agreement shall be severable and enforceable to the extent permitted by law.

20. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

21. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, Executive has hereunto set his hand and the Company has caused this Agreement to be executed in its name on its behalf, all as of the day and year first above written.

/s/ Y. Joseph Mo

Dr. Y. Joseph Mo

NEXMED, INC.

By: /s/ Robert W. Gracy

Title: Director

APPENDIX A
CHANGE OF CONTROL

For the purpose of this Agreement, a "Change in Control" shall be deemed to have taken place if:

A. Individuals who, on the date hereof, constitute the Board (the

"Incumbent Directors") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to the date hereof, whose election or nomination for election was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be an Incumbent Director; provided, however, that, no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to directors or as a result of any other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board shall be deemed to be an Incumbent Director;

B. Any "Person" (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) is or becomes a "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of the Board (the "Voting Securities"); provided, however, that, the event described in this paragraph B shall not be deemed to be a Change in Control by virtue of any of the following acquisitions: (i) by the Company or any subsidiary of the Company in which the Company owns more than 25% of the combined voting power of such entity (a "Subsidiary"), (ii) by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, (iii) by any underwriter temporarily holding the Company's Voting Securities pursuant to a public offering of such Voting Securities, (iv) pursuant to a Non-Qualifying Transaction (as defined in paragraph C immediately below), (v) pursuant to any acquisition by Executive or by any Person which is an "affiliate" (within the meaning of 17 C.F.R.ss. 230.405) of Executive (an "Excluded Person");

C. The consummation of a merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or any of its Subsidiaries that requires the approval of

the Company's stockholders, whether for such transaction or the issuance of securities in the transaction (a "Business Combination"), unless immediately following such Business Combination: (i) more than 25% of the total voting power of (A) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (B) if applicable, the ultimate parent corporation that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Company (the "Parent Corporation"), is represented by the Company's Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which the Company's Voting Securities were converted pursuant to such Business Combination), and such voting power among the holders thereof is in substantially the same proportion as the voting power of the Company's Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no Person (other than (A) any employee benefit plan (or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation or (B) an Excluded Person is or becomes the beneficial owner, directly or indirectly, of 25% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination (any Business Combination which satisfies all of the criteria specified in (i), (ii) and (iii) above shall be deemed to be a "Non-Qualifying Transaction");

D. A sale of all or substantially all of the Company's assets, other than to an Excluded Person;

E. The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company; or

F. Such other events as the Board may designate.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 25% of the Company's Voting Securities as a result of the acquisition of the Company's Voting Securities by the Company which reduces the number of the Company's Voting Securities outstanding; provided, that, if after such acquisition by the Company such person becomes the beneficial owner of additional Company Voting

Securities that increases the percentage of outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

APPENDIX B
CLAIMS PROCEDURE

(a) All claims for payments of the Deferred Compensation shall be made in writing and shall be signed by Executive. Claims shall be submitted to the Company. If Executive does not furnish sufficient information with the claim for the Company to determine the validity of the claim, the Company shall indicate to Executive any additional information which is necessary for the Company to determine the validity of the claim. Each claim hereunder shall be acted on and approved or disapproved by the Company within ninety (90) days following the receipt by the Company of the information necessary to process the claim.

In the event the Company denies a claim for payment in whole or in part, the Company shall notify Executive in writing of the denial of the claim and notify Executive of his right to a review of the Company's decision. Such notice by the Company shall also set forth, in a manner calculated to be understood by Executive, the specific reason for such denial, the specific provisions of this Agreement (or other document) on which the denial is based, a description of any additional material or information necessary to perfect the claim and an explanation of the appeals procedure as set forth in this Appendix B. If no action is taken by the Company on Executive's claim within ninety (90) days after receipt by the Company, such claim shall be deemed to be denied for purposes of the following appeals procedure.

(b) In the event that Executive's claim for benefits is denied in whole or in part, he may appeal for a review of the decision by the Company. Such appeal must be made within sixty (60) days after Executive has received actual or constructive notice of the denial as provided above. An appeal must be submitted in writing within such period and must:

i. request a review by the Company of the claim for payment of the Deferred Compensation;

ii. set forth all of the grounds upon which Executive's request for review is based and any facts in support thereof; and

iii. set forth any issues or comments which Executive deems pertinent to the appeal.

The Company shall act upon the appeal within sixty (60) days after receipt thereof unless special circumstances require an extension of the time for processing, in which case a decision shall be rendered by the Company as soon as possible, but not later than 120 days after the appeal is received by the

Company.

The Company shall make a full and fair review of the appeal and any written materials submitted by Executive in connection therewith. The Company may require Executive to submit such additional facts, documents or other evidence as

the Company in its discretion deems necessary or advisable in making its review. Executive shall be given the opportunity to review pertinent documents or materials upon submission of a written request to the Company, provided the Company finds the requested documents or materials are pertinent to the appeal. On the basis of its review, the Company shall make an independent determination of Executive's right to payment of the Deferred Compensation. The decision of the Company on any claim for benefits shall be final and conclusive upon all parties thereto.

In the event the Company denies the appeal in whole or in part, it shall give written notice of the decision to Executive, which notice shall set forth, in a manner calculated to be understood by Executive, the specific reasons for such denial and which shall make specific reference to the pertinent provisions of this Agreement (or other document) on which the Company's decision is based.

(c) This Appendix B shall apply to a claim for payment of the Deferred Compensation only if the Company determines, upon the advice of counsel, that such application is necessary in order for the Deferred Compensation to comply with ERISA.

EXHIBIT A

CONFIDENTIAL INFORMATION AND
INTELLECTUAL PROPERTY AGREEMENT

AGREEMENT made as of _____ 2000, by and between NEXMED (U.S.A.), INC., a Delaware corporation (the "Company") and _____ (the "Employee").

WHEREAS:

(1) The Employee is employed or about to be employed by the Company and the Company requires that all of its employees, as a condition of employment by the Company, enter into this Confidential Information and Intellectual Property Agreement (the "Agreement") or similar agreement, and would not be willing to employ the Employee unless Employee enters into this Agreement; and

(2) The Employee is willing to enter into this Agreement and to strictly adhere to its terms.

NOW, THEREFORE, in consideration of the employment or the continuation of the employment of the Employee by the Company, the parties hereto agree as follows:

1. Representations. Warranties and Acknowledgment of Employee.

(a) The Employee hereby represents to the Company that, except to the extent contemplated hereby or that the Employee has disclosed to the Company in writing, the Employee is not bound by any agreement or any other previous or existing business relationship which conflicts with or prevents the full performance of the Employee's duties and obligations to the Company (including the Employee's duties and obligations under this or any other agreement with the

Company) during the Employee's employment. (b) The Employee understands that the Company does not desire to acquire from the Employee any trade secrets, know-how or confidential business information the Employee may have acquired from others. Therefore, the Employee agrees during his employment with the Company, the Employee will not improperly use or disclose any proprietary information or trade secrets of any former or concurrent employer, or any other person or entity with whom the Employee has an agreement or to whom the Employee owes a duty to keep such information in confidence.

2. Confidential Information.

(a) For purposes of this Agreement, "Confidential Information" means all information, heretofore or hereafter developed or used by the Company (whether or not reduced to written, electronic, magnetic or other tangible form) acquired in any way by the Employee during the course of the Employee's employment with the Company

and which is proprietary to the Company or which relates to any third party for which the Company is under an obligation to keep confidential, concerning the scientific, medical and pharmaceutical research, product development, products, operations, marketing and business plans, activities, employees, consultants, licensors, licensees, customers, business affairs of the Company or the Company's licensees, distributors, business partners or customers, including, without limitation, (i) all information concerning trade secrets of the Company, including computer programs, system documentation, special hardware, product hardware, related software development, computer systems, source code, object code, manuals, formulae, processes, methods, machines, compositions, ideas, improvements or inventions of the Company; (ii) all sales and financial information concerning the Company; (iii) all customer and supplier lists; (iv) all drawings, sketches, models, samples, data, technology, methodologies, techniques, distribution plans, contractual arrangements, profits, sales, pricing policies, operational methods, technical processes, other business affairs and methods, plans for future developments and other technical and business information relating to the business of the Company or the Company's licensees, distributors, business partners or customers and all trademarks, domain names, copyrights and patents and applications thereof, all inventions, processes, studies, reports, research records, market surveys and know-how and technical papers; and (v) all information in any way concerning the business or affairs of the Company or the Company's licensees, distributors, business partners or customers which was furnished to Employee by the Company or by the Company's licensees, distributors, business partners or customers or otherwise discovered by Employee during Employee's employment with the Company.

(b) The Employee acknowledges that it is the policy of the Company to maintain as secret and confidential all Confidential Information. The parties hereto recognize that, by reason of Employee's employment by the Company, the Employee has acquired or will acquire access to Confidential Information. The Employee recognizes that all such Confidential Information is and shall remain the sole property of the Company as its sole owner, free of any rights of the Employee and acknowledges that the Company has a vested interest in assuring that all such Confidential Information remains secret and confidential. Therefore, the Employee agrees to exercise all reasonable precautions to protect the integrity and confidentiality of Confidential Information in Employee's possession and the Employee agrees that at all times from and after the date hereof, Employee will not, directly or indirectly, without the prior written consent of the Company, disclose to any person, firm, company or other entity any Confidential Information, except to the extent that (i) any such Confidential Information becomes generally available to the public or trade, other than as a result of a breach by the Employee of this Section 2(b), or (ii) any such Confidential Information becomes available to the Employee on a non-confidential basis from a source other than the Company or any of its employees or advisors; provided, that such source is not known by the Employee to be bound by a confidentiality agreement with, or other obligation of secrecy to, the Company or another party. In addition, it shall not be a breach of the confidentiality obligations hereof if the Employee is required by law or legal process to disclose any Confidential Information; provided, that in such case, the Employee shall (i) give the Company the earliest notice possible that such disclosure is or may be required, and (ii) cooperate with the Company, at the Company's expense, in protecting, to the

maximum extent legally permitted, the confidential or proprietary nature of the Confidential Information which must be so disclosed. The obligations of the Employee under this Section 2(b) shall survive any termination of the Employee's employment by the Company.

(c) Upon termination of the Employee's employment with the Company, Employee covenants and agrees to promptly return to the Company all items constituting or containing Confidential Information (including all copies) including, without limitation, all reports, data, documents, studies, notes, specifications, or information, and will not retain any copies of such items. Employee further covenants and agrees to immediately return to the Company all equipment, devices or other property, which belong to the Company.

3. Non-Solicitation of Employees.

Employee recognizes and acknowledges that it is essential for the proper protection of the business of the Company that Employee be restricted during the term of Employee's employment and for a one-year period following the termination of Employee's employment with the Company from soliciting or inducing any employee of the Company to leave the employ of the Company or to encourage any other business entity to solicit or seek to hire any employee of the Company. Therefore, during the term of the Employee's employment with the Company and for a period of one (1) year following the termination of such employment, Employee agrees that Employee shall not, directly or indirectly, hire or seek to hire any employee of the Company or assist or influence any business entity to hire or solicit for employment or take any other action which would encourage any such employee to terminate such employee's employment by the Company. For purposes of this Section 3, "employee" shall include any former employee of the Company whose employment with the Company terminated less than one (1) year prior to the termination of the employment with the Company of the Employee.

4. Non-Compete.

In order to insure the protection of the Company's interest in maintaining the confidentiality of its Confidential Information and to otherwise provide for the proper protection of the business of the Company, the parties hereto agree as follows:

(a) Employee acknowledges that the nature of the Company's business renders it highly likely that disclosure of the Employer's Confidential Information, whether intentional or inadvertent, will occur if Employee becomes employed by a competitor of the Company. Employee further acknowledges and agrees that Employee's responsibilities with respect to the Company's business operations and Employee's access to the Confidential Information would render the Employee a potentially formidable competitor throughout the world because the Employer's technology and trade secrets have worldwide application.

(b) By reason of the foregoing, Employee agrees that during the term of Employee's employment by the Company and for a period of one (1) year following the termination of Employee's employment with the Company, Employee will not, anyplace in the world, own, become employed by or participate in (whether as an employee, consultant, officer, director, agent, or in any other capacity which calls for the

rendering of personal services, advice, acts of management, operation or control) any corporation, business, firm, or partnership, which competes, directly or indirectly, with the Company (including, without limitation, which competes with respect to any products or services sold or marketed by the Company) at the time of the termination of the Employee's employment with the Company. The foregoing shall not prohibit the Employee from owning in the aggregate less than 2% of the common stock of any such competing company that is

subject to the reporting obligation of the Securities and Exchange Act of 1934, as amended. While the parties acknowledge that the restrictions set forth in this Section 4 are reasonable, in the event that a Court determines that any of the covenants or provisions of this Agreement are unenforceable by reason of duration, extent, geographical scope or otherwise, the parties contemplate and agree that the Court making such determination shall reduce or modify the applicable provision and shall enforce such reduced or modified provision to the maximum extent deemed reasonable by the Court.

5. Intellectual Property.

(a) The Employee shall disclose and hereby assigns to the Company or its nominee any and all of his right, title and interest in any inventions, know-how, discoveries, improvements, original works of authorship, designs, software, source code, object code, programs, formulas, processes, developments, trade secrets, trademarks, copyrights, service marks, logos and related proprietary information and materials, whether patentable, copyrightable, subject to trademark registration, or not (collectively referred to as the "Innovations"), which, during the term of the Employee's employment by the Company (the "Employment Period"), the Employee may make or conceive either solely or jointly with others and which:

(i) were made using equipment, supplies, facilities or trade secret information of the Company, or

(ii) were developed at least in part on the Company's time, or

(iii) relate at the time of conception or reduction to practice either to the business of the Company or to the Company's or any of its affiliate's actual or demonstrably anticipated research or development, or

(iv) results from any work the Employee performs or performed for the Company.

All such Innovations and the benefits thereof shall be owned exclusively in perpetuity by the Company, free of any claims of the Employee.

(b) In order to allow the Company to claim rights in those Innovations which it owns or owns an interest in, the Employee shall promptly and fully disclose in writing to the Company the subject matter of every Innovation made or conceived by the Employee, either solely or jointly with others, and all copyright, trademark, domain name and patent applications naming the Employee as an author, co-author, owner, co-owner, inventor or a co-inventor during the Employment Period whether or not the same are required by this Agreement to be assigned to the Company. Upon the request of the Company, the Employee shall make all reasonable efforts to provide further disclosure of

the aforesaid Innovations in which the Company may reasonably claim ownership or for which the Company requires additional information in order to determine its ownership rights. The Company shall maintain in confidence all disclosures made hereunder of Innovations owned by the Employee.

(c) An Innovation shall be deemed to have been made during the Employment Period if during such period the Innovation was conceived, first actually reduced to practice or otherwise put in a tangible form, and any patent application, trademark application, domain name application or copyright application reasonably relating to the business of the Company filed within six months after termination of the Employment Period shall be presumed to relate to an Innovation which was made during the Employment Period unless the Employee can provide satisfactory evidence to the contrary.

(d) With respect to any Innovations in which the Company owns an interest pursuant to this Section 5, the Employee agrees, during and after the Employment Period and upon the Company's reasonable request, to execute, acknowledge, and deliver all such further documents (which shall be prepared and paid for by the Company) including applications for letters patent, trademark, domain name and/or copyright registration, as may be necessary or, in the opinion of the

Company, advisable, to obtain letters patent and/or trademark, domain name or copyright registration for Innovations in the United States and in any other country, and the right to claim priority based on the first filed patent application anywhere in the world, and to vest title thereto in the Company and its successors, assigns or nominees. The Company shall have the sole and exclusive right to seek copyright and/or patent and/or trademark, domain name or trade name protection in its own name, as applicable, for any of the foregoing Innovations, and to seek any extensions or renewals thereof.

(e) Upon the termination of Employee's employment with the Company, the Employee shall not (a) take any of the Company's property including, but not limited to, new product information, blueprints, drawings, sketches, notebooks, computer programs, formulas, data, listings, specifications and documents, or copies thereof, and any items relating to or exhibiting the Company's trade secrets or Confidential Information or (b) use for any purpose the residuals resulting from access to or work with those items set forth in clause (a) hereof. The term "residuals" means information in non-tangible form, including ideas, concepts, know-how or techniques which may be retained in the mind of the Employee, even if the Employee made no effort to refresh the Employee's recollection in anticipation of or in conjunction with the use of said residuals. Further, the Employee shall not intentionally memorize the information so as to reduce it to a non-tangible form for the purpose of creating a residual.

(f) The Employee agrees that any copyrightable works made by the Employee (solely or jointly with others) during the Employment Period that are otherwise covered by the terms hereof and that are prosecutable by copyright, shall be deemed to be "works made for hire," as that term is defined in the United States Copyright Act (17 U.S.C. section 101). Accordingly, the Company shall be the sole and exclusive author and owner of all such copyrightable works and all right, title and interest therein and thereto, including, without limitation, all copyrights (and all renewals and extensions thereof). To the extent that any of such works are not determined to be a work for hire,

the Employee hereby irrevocably, permanently, exclusively and absolutely assigns and grants to the Company all title, right and interest in and to such works, including, without limitation, all copyrights therein (and all renewals and extensions thereof). The Company shall have the sole and exclusive right to use and exploit such works, in whole or in part, in any media or technology known or hereafter devised, in perpetuity. The Company's rights in and to such works may be assigned and licensed without limitation, and any such assignment or license shall be binding on the Employee and shall inure to the benefit of such assignee or licensee. The Employee shall have no rights of consultation and/or approval with respect to the Company's exploitation, revision and/or use of such works. Moreover, the Employee hereby waives, forfeits, relinquishes and abandons all "moral rights" (as said term is commonly understood) and all rights of attribution and integrity that the Employee may otherwise have had with respect to such works through the universe, and all rights the Employee might otherwise have had under the Visual Artists Rights Act of 1990.

(g) As to any Innovations in which the Employee owns an interest and the Company does not, whether or not invented, created or acquired prior to the date hereof, the Employee will not without the express written consent of the Company, incorporate or use, or participate in the incorporation or use, of any such Innovations into any products or services of the Company, and upon discovery that any such Innovations have been, or are being, or are about to be, incorporated or used in the Company's products or services or a product or service being designed or planned for or by the Company in violation of any rights the Employee may claim, the Employee shall give the Company written notice of that fact, together with such detail as is then known, within three (3) days of such discovery. The Employee agrees that if, in breach of these provisions, the Employee incorporates or uses, or participates in the incorporation or use, of any such Innovations in any products or services of the Company, or upon discovery that such Innovations have been, are being or are about to be incorporated or used in a product or service of the Company, or a product or service being designed or planned for or by the Company, and/or the Employee does not give the Company written notice of that fact, together with such detail as is then known, within three (3) days of such discovery, then to that extent, the Company shall have a royalty-free, transferable, nonexclusive

license to make, have made, reproduce, use and sell and otherwise practice any such Innovations.

6. Power of Attorney.

The Employee, by execution of this Agreement, irrevocably constitutes and appoints the Company with full power of substitution, to be the Employee's true and lawful attorney to execute, acknowledge, swear and file all instruments and documents, and to take any action which shall be deemed to be necessary, appropriate or desirable to effectuate this Agreement. The power of attorney granted herein shall be deemed to be coupled with an interest and shall be irrevocable and survive the occurrence of the death, disability or bankruptcy of the Employee.

7. Remedies For Employee Violations.

Employee acknowledges and agrees that the Company would be irreparably harmed if the Employee violated any of the covenants and agreements set forth in this Agreement or if any of such covenants and agreements were not specifically enforced.

Employee further agrees that the breach or threatened breach of any of the covenants or agreements set forth in Sections 2, 3, 4, or 5 of this Agreement will result in continuing and irreparable harm to the Company for which the Company would not have an adequate remedy at law. Therefore, the Employee acknowledges and agrees that, in addition to any other remedy which the Company may have at law or in equity, the Company shall be entitled to injunctive relief or other equitable remedies in the event of any such breach or threatened breach. The Employee further acknowledges and agrees that monetary damages would be insufficient to compensate the Company in the event of a breach or threatened beach by the Employee of any of such covenants and agreements, and that the Company shall be entitled to specific performance of the Employee's obligations pursuant to such covenants or agreements.

8. Company's Affiliates

The parties hereto acknowledge and agree that, for purposes of Sections 2, 3, 4, 5, and 7 of this Agreement, the "Company" shall also refer to the Company's affiliated corporations, including, without limitation, NexMed (Holdings), Inc.

9. Company's Telecommunications Systems

Employee acknowledges and agrees that the Employee is being provided access to the Company's telecommunications, networking or information processing systems (including without limitation, stored computer files, e-mail messages, and voice messages) for the Company's business purposes and that Employee has no expectation of privacy with respect to Employee's use of any of such systems. The Company may, without notice and in its sole discretion, monitor or review Employee's use of such systems (and any other Company-supplied systems or equipment) and any files or messages created by or received by Employee through use of such systems.

10. Employment At Will. The parties hereto acknowledge that this Agreement is not an employment agreement and that Employee is employed on an "at will" basis and that either Employee or the Company may terminate Employee's employment at any time, with or without cause.

11. Miscellaneous. This Agreement: (a) is binding upon and shall inure to the benefit of the parties hereto, their respective affiliates, heirs, executors, assigns, administrators, and successors; (b) shall be governed by, and construed in accordance with, the internal laws of the State of New Jersey, without regard to the conflicts of laws provisions thereof; (c) may not be amended or modified, except by a written instrument signed by the parties hereto; and (d) supersedes and voids any and all prior understandings and agreements, whether written or oral, between the Company and the Employee relating to the subject matter of this Agreement, which contains the entire understanding of the parties relating to such subject matter.

12. Jurisdiction. Each of the parties hereto consents and agrees to the jurisdiction of the New Jersey Superior Court, Mercer County, for the adjudication of any disputes as to the parties' respective rights and obligations under this Agreement.

13. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect.

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

DATED: _____ _____

DATED: _____ NEXMED (U.S.A.), INC.

BY:_____

VIVIAN LIU, VICE PRESIDENT

Commercial Equipment Financing

WILLIAM B. STICKLE
401 MERRITT7
SECOND FLOOR
NORWALK, CT 06856
203-229-1901 / FAX: 203-229-1985
INTERNET: WILLIAM.STICKLE~GECAPITAL.COM

February 6, 2001

Mr. Joseph Mo, Ph.D.
President & Chief Executive Officer
NexMed, Inc.
350 Corporate Boulevard
Robbinsville, NJ 08691

Dear Dr. Mo:

General Electric Capital Corporation ("GECC") is pleased to submit the following lease proposal for your consideration:

LESSEE:

NexMed, Inc.

LESSOR:

GE Capital or one of its wholly-owned subsidiaries

EQUIPMENT:

Group 1: New ERP System and all related costs for the internal use of the Lessee.

Group 2: New laboratory, manufacturing and packaging Equipment and new furniture and computer hardware for the internal use of the Lessee.

The anticipated mix of Equipment is summarized in Attachment A.

All final Equipment must be acceptable to Lessor.

EQUIPMENT LOCATION:

All within the continental United States. Anticipated sites are (i) Lessee's headquarters at the above address and (ii) at Lessee's new manufacturing facility in East Windsor, NJ.

EQUIPMENT COST:

$5,000,000.00 lease line of credit of which $2,500,000.00 is for Equipment Group 1 and $2,500,000.00 is for Equipment Group 2 (See Attachment A).

DELIVERY ASSUMPTIONS:

January 1, 2001 through March 31, 2002.

LEASE TERM:

Each Schedule shall have a fixed term of 42 months.

BASIC TERM COMMENCEMENT DATES:

Lessee shall make its first rental payment(s) in advance. Such advance rental payment(s) shall be due upon execution of documents.

RENTAL PAYMENT RATE:

Group 1: 2.828% of the Equipment Cost per month for 42 months.

Group 2: 2.840% of the Equipment Cost per month for 42 months.

LEASE EXPIRATION PURCHASE OPTION:

$1.00

ADDITIONAL COLLATERAL:

Lessee shall provide to Lessor a continuing Letter of Credit covering all original Equipment costs related to Equipment chosen for Equipment Group 1 -- the ERP System and all consulting, training, installation, software and other such applicable soft costs. Based on information provided by the Lessee, these costs will approximate $2,500,000.00.

FINANCIAL COVENANTS:

To be mutually agreed upon by Lessee and Lessor.

This proposal is based upon the following additional terms and conditions:

PURCHASE OF EQUIPMENT:

Lessee would submit its order for the equipment to the vendor. Lessor would take an assignment of Lessee s purchase order. Such assignment would be conditioned upon the leasing of the Equipment by Lessee from Lessor. Lessee understands that any Equipment delivered after the Last Delivery Date would not be covered by this proposal.

NET LEASE:

The proposed lease would be a net lease. Without limiting the generality of the foregoing, Lessee would be responsible for all expenses, maintenance, insurance and taxes relating to the purchase, lease, possession and use of the Equipment.

INSURANCE:

Lessee would bear all risk of loss or damage to the Equipment. Lessee would be responsible to keep the Equipment insured with companies acceptable to Lessor and for such amounts required by Lessor, including, but not limited to, insurance for damage to or loss of the Equipment and liability coverage. All such insurance policies must be satisfactory to Lessor.

WARRANTIES:

Lessor would lease the Equipment to Lessee on an AS IS BASIS. However, Lessor would assign to Lessee all warranties, guarantees and services provided by the manufacturer or vendor (to the extent that they are assignable).

DOCUMENTATION AND TRANSACTIONAL COSTS:

Standard GECC Master Lease and Lease Schedule for this type of equipment would be utilized. Any changes to the document must be approved by GECC legal counsel. A fee of $2,500.00 shall be charged for the Master Lease documentation and the first lease schedule. Subsequent lease schedules will carry a fee of $250.00 per

lease schedule for documentation, overnight mail and search and filing charges. Lessee will be responsible for all costs it incurs with respect to the transaction.

RATE INDEX:

The above Rental Factor assumes an average three (3) -year Treasury Note yield of 4.95%. The Rental Factor will be adjusted accordingly for any difference in the average three-(3) year Treasury Note yield, as applicable.

PROPOSAL FEE:
-------- ---

A Proposal Fee of $25,000.00 shall be due upon acceptance of this proposal to begin the investment approval process. This fee shall be applied to the first scheduled rental payment or returned to the Lessee in the event that GECC does not approve the transaction. If this transaction is not fully closed, then GECC shall retain the Proposal Fee as liquidated damages.

This letter is an expression by GECC of its interest in considering a lease transaction on the

general terms and conditions outlined above. Except for the provisions concerning the Proposal Fee (set forth above), this letter is not intended to and does not create any binding legal obligation on the part of either party. THIS LETTER IS NOT, AND IS NOT TO BE CONSTRUED AS, A COMMITMENT BY GECC OR ANY OF ITS SUBSIDIARIES TO ENTER INTO THE PROPOSED LEASE TRANSACTION. Neither GECC nor its subsidiary will be obligated to provide any financing until the satisfactory completion of its investment review and analysis and a field audit, the receipt of all requisite approvals by GECC management, and the prior execution and delivery of final legal documentation acceptable to all parties and their counsel. Please acknowledge your consent to the terms outlined above by signing a copy of this letter and returning it with you check for the Proposal Fee before February 9, 2001.

Sincerely,

/s/ William B. Stickle

William B Stickle

ACCEPTED: NexMed , Inc.

By: /s/ Joseph Mo, Ph.D.
Title: President & Chief Executive Officer
Date: February 8, 2001

ATTACHMENT A

ESTIMATED CATEGORIES OF EQUIPMENT

CATEGORV	AMOUNT	PERCENTAGE
GROUP 1:		
ERP System, Software, and all other "Soft" Collateral	$2,500,000	50.0%

GROUP 2:		
Lab Equipment	$1,250,000	25.0%
Manufacturing, Packaging & Furniture	$1,000,000	20.0%
Computer Hardware	$ 250.000	5.0%
TOTAL	$5,000,000	100.0%

GE CAPITAL

Capital Funding, Inc.
General Electric Capital Corporation
401 Merritt Seven, Second Floor, Norwalk, CT 06856
201 329 1000 Fax 203-229-1985

January 2, 2002

Ms. Vivian Liu
Vice President, Corporate Affairs
NexMed, Inc.
350 Corporate Boulevard
Robbinsville, NJ 08691

Dear Ms. Liu:

GE Capital Corporation ("GECC") is pleased to submit the following lease line renewal for your consideration. This renewal replaces and supersedes the lease proposal that was executed on February 8, 2001.

LESSEE:	NexMed, Inc.
LESSOR:	GE Capital or one of its wholly-owned subsidiaries.
EQUIPMENT:	New laboratory, manufacturing and packaging Equipment and new furniture (85.0%), new computer hardware (10.0%) and software (5.0%) for the internal use of the Lessee. All final Equipment must be acceptable to Lessor.
EQUIPMENT LOCATION:	All within the continental United States. Anticipated sites are (i) Lessee's headquarters at the above address and (ii) at Lessee's new manufacturing facility in East Windsor, NJ.
EQUIPMENT COST:	$3,000,000.00 lease line of credit.
DELIVERY ASSUMPTIONS:	October 2001 through December 31, 2002.
LEASE TERM:	Each Schedule shall have a fixed term of 42 months.
BASIC TERM COMMENCEMENT DATES:	Lessee shall make its first rental payment(s) in advance. Such advance rental payment(s) shall be due upon execution of documents.
RENTAL PAYMENT RATE:	2.7868% of the Equipment Cost per month for 42 months.
LEASE EXPIRATION PURCHASE OPTION:	$1.00

This proposal is based upon the following additional terms and conditions:

PURCHASE OF EQUIPMENT:	Lessee would submit its order for the equipment to the vendor. Lessor would take an assignment of Lessee's purchase order. Such assignment would be conditioned upon the leasing of the Equipment by Lessee from Lessor. Lessee understands that any Equipment delivered after the Last Delivery Date

would not be covered by this proposal.

NET LEASE: The proposed lease would be a net lease. Without limiting the generality of the foregoing, Lessee would be responsible for all expenses, maintenance, insurance and taxes relating to the purchase, lease, possession and use of the Equipment.

INSURANCE: Lessee would bear all risk of loss or damage to the Equipment. Lessee would be responsible to keep the Equipment insured with companies acceptable to Lessor and for such amounts required by Lessor, including, but not limited to, insurance for damage to or loss of the Equipment and liability coverage. All such insurance policies must be satisfactory to Lessor.

WARRANTIES: Lessor would lease the Equipment to Lessee on an AS IS BASIS. However, Lessor would assign to Lessee all warranties, guarantees and services provided by the manufacturer or vendor (to the extent that they are assignable).

DOCUMENTATION AND TRANSACTIONAL COSTS: Standard GECC Master Lease and Lease Schedule for this type of equipment would be utilized. Any changes to the document must be approved by GECC legal counsel. A fee of $4,500.00 shall be charged for the line renewal and the first lease schedule advanced hereunder. Subsequent lease schedules will carry a fee of $250.00 per lease schedule for documentation, overnight mail and search and filing charges. Lessee will be responsible for all costs it incurs with respect to the transaction.

RATE INDEX: The above Rental Factor assumes an average three (3)-year Treasury Note yield of 3.77%. The Rental Factor will be adjusted accordingly for any difference in the average three-(3) year Treasury Note yield, as applicable.

RENEWAL FEE: The above renewal fee shall be returned to the Lessee in the event that GECC does not renew the transaction. If this transaction is not fully closed, then GECC shall retain the fee as liquidated damages.

This letter is an expression by GECC of its interest in considering a lease transaction on the general terms and conditions outlined above. Except for the provisions concerning the Renewal Fee (set forth above), this letter is not intended to and does not create any binding legal obligation on the part of either party. THIS LETTER IS NOT, AND IS NOT TO BE CONSTRUED AS, A COMMITMENT BY GECC OR ANY OF ITS SUBSIDIARIES TO ENTER INTO THE PROPOSED LEASE TRANSACTION. Neither GECC nor its subsidiary will be obligated to provide any financing until the satisfactory completion of its investment review and analysis and a field audit, the receipt of all requisite approvals by GECC management, and the prior execution and delivery of final legal documentation acceptable to all parties and their counsel. Please acknowledge your consent to the terms outlined above by signing a copy of this letter and returning it with your check for the Renewal Fee before January 11, 2002.

Sincerely,

/s/ William B. Stickle
William B. Stickle
Vice President-Sales

ACCEPTED: NexMed, Inc.

By: /s/ Vivian Liu
Title: Vice President
Date: 1/11/02
Federal Tax ID No. 87-0449967

Exhibit 21

SUBSIDIARIES OF NEXMED, INC.

1. NexMed Holdings, Inc., incorporated in Delaware on February 28, 1997.

2. NexMed (U.S.A.), Inc., incorporated in Delaware on June 18, 1997.

   (a) New Brunswick Medical Inc. is a wholly-owned subsidiary of NexMed (U.S.A.), Inc., incorporated in Delaware on August 12, 1998.

3. NexMed International Limited, is incorporated in the British Virgin Islands, incorporated on August 2, 1996.

   (a) NexMed (Americas) Limited is a wholly-owned subsidiary of NexMed International Limited, incorporated in Nova Scotia, on August 15, 1997.

   (b) NexMed Peru S.A. is a joint venture incorporated in Peru on August 29, 1997, and is 70% owned by NexMed International Limited.

Exhibit 23

Consent Of Independent Public Accountants

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-91957, and 333-46976) and in the Registration Statement on Form S-8 (No. 333-93435) of NexMed, Inc. of our report dated February 15, 2002 relating to the financial statements and financial statement schedule, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York
March 28, 2002